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OFFICE OF THE
HEALTH INSURANCE COMMISSIONER
STATE OF RHODE ISLAND

MARKET STABILITY WORKGROUP

Tuesday, May 8, 2018
8:00 – 10:00 a.m.
The Institute for the Study & Practice of Non-Violence

RI Market Stability Workgroup: Eight Week Syllabus

Topic(s) for Discussion	Meeting Date
Meeting 1 Introductions + Setting the Stage	Wednesday, April 18
Meeting 2 What has been accomplished + What is at risk in RI	Wednesday, April 25
Meeting 3 National Survey of State Actions + Considerations	Tuesday, May 1
Meeting 4 **Policy Deep Dive: the "carrot" approach**	**Tuesday, May 8**
Meeting 5 Policy Deep-Dive: the "stick" approach	Tuesday, May 15
Meeting 6 Overview of Factors Influencing Premiums	Tuesday, May 22
Meeting 7 Moving Toward Final Recommendations	Tuesday, May 29
Meeting 8 Reaching Final Recommendations	Tuesday, June 5

Today's Agenda

Purpose of Today's Meeting

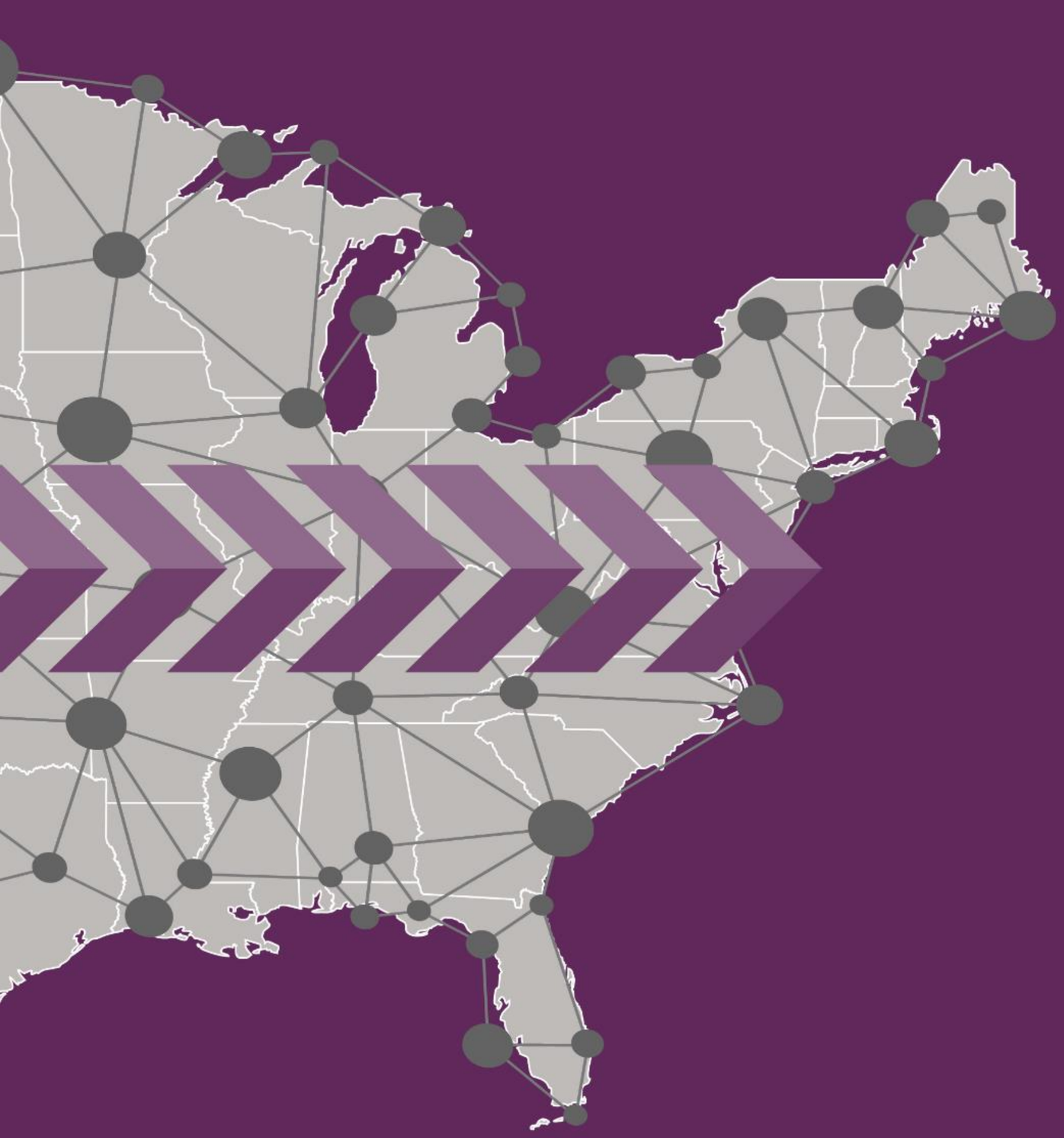
- Briefly loop back to Short Term Limited Duration plans (unaddressed in meeting 3)
- Cover the components of a reinsurance program and quantify the level of funding needed for an effective program in Rhode Island
- Assess other state initiatives aimed at incenting health coverage ("carrots")

Today, we ask that you

- Assess the pro's and con's of these approaches to incentivizing coverage, and be prepared to discuss the best path forward for RI

Agenda for Today

- Short-Term Limited Duration Plans
- Reinsurance
- Health Insurance Down Payment Program
- Additional State Subsidy Programs
- Discussion and Taking Stock – is there a consensus amongst the group?



Short Term Limited Duration Plans

Dan Meuse
Princeton University

May 8, 2018

STATE Health & Value STRATEGIES

Driving Innovation Across States

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Short-Term Limited Duration Health Plans

Key Provisions of Proposed Regulations on STLD Plans

- Reverses 2016 rule's 3-month duration limit
  - Return to pre-ACA definition (policy less than 12 months)
  - Renewable (but with medical underwriting)
- Revises consumer disclosure to say
  - Coverage not required to comply with ACA
  - No eligibility for SEP
  - Not MEC (potential mandate penalty in 2018)
- Effective date – 60 days after final rule

STLD Plans: Potential Impacts

- Impact compounded by zeroing out mandate penalty
- Smaller, sicker individual market enrollment
  - HHS estimates 100-200k enrollment loss; Urban Institute estimates 2.1 million
  - Higher premiums for ACA-compliant plans
  - Higher federal outlays for APTCs ($96-$168M estimate)
  - Fewer plan choices
- Consumer-level impacts
  - Young, healthy get cheaper options (if unsubsidized)
  - Old, sick, or seeking comprehensive coverage pay more
  - Increased financial liability if get sick, injured
  - History of deceptive marketing tactics

Estimated impact in RI

- Short term plans along with Mandate penalty repeal
  - Premiums in individual market +20.7%
  - Persons without Minimum Essential Coverage +12,000
  - Persons in individual market -17,000

*Source: Blumberg, Buettgens, Wang. “Updated: The Potential Impact of Short-Term Limited-Duration Policies on Insurance Coverage, Premiums, and Federal Spending.” The Urban Institute: March 14, 2018. https://www.urban.org/research/publication/updated-potential-impact-short-term-limited-duration-policies-insurance-coverage-premiums-and-federal-spending

Issues, Implications for States

- States retain primary role as regulator of STLD plans
- Comments requested on
  - Effective date
  - Appropriate duration for STLD policies
  - Conditions for renewal & reapplication
  - Any estimates of impact on STLD and ACA-compliant markets, including premiums and federal APTC spending

State Options to Protect Markets and Consumers

- Protect market stability*
  - Ban outright
  - Require compliance with all individual market rules
    - NY, NJ
  - Require compliance with selected individual market rules, i.e., benefit mandates, underwriting limits
    - AR
  - Limit duration, renewability
    - OR, CO, IN, MD
  - Require contributions to reinsurance

*Depending on state, some options can be implemented administratively, some will need legislation.

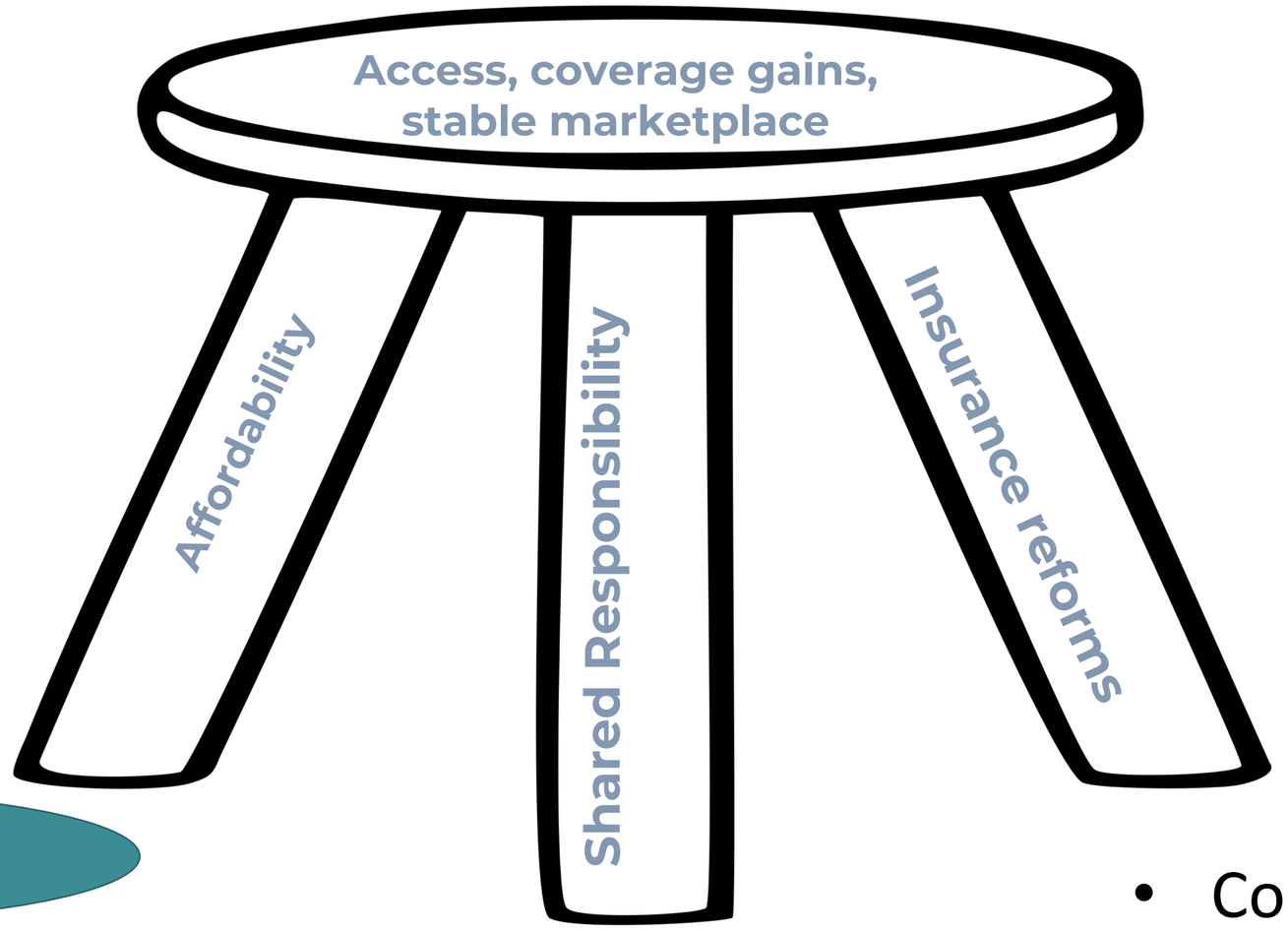
State Options to Protect Markets and Consumers

- Improve consumer disclosures & increase oversight
  - Monitor, respond to deceptive marketing
    - See e.g. consumer fraud alerts in IN, IA, AK, WY
    - Secret shopper scans
  - Require more, better consumer information
    - i.e. prominent disclosures on marketing materials, broker websites

Market Stabilization Workgroup: Meeting 4

May 8, 2018

Sources of Market Stability: Reinsurance Program

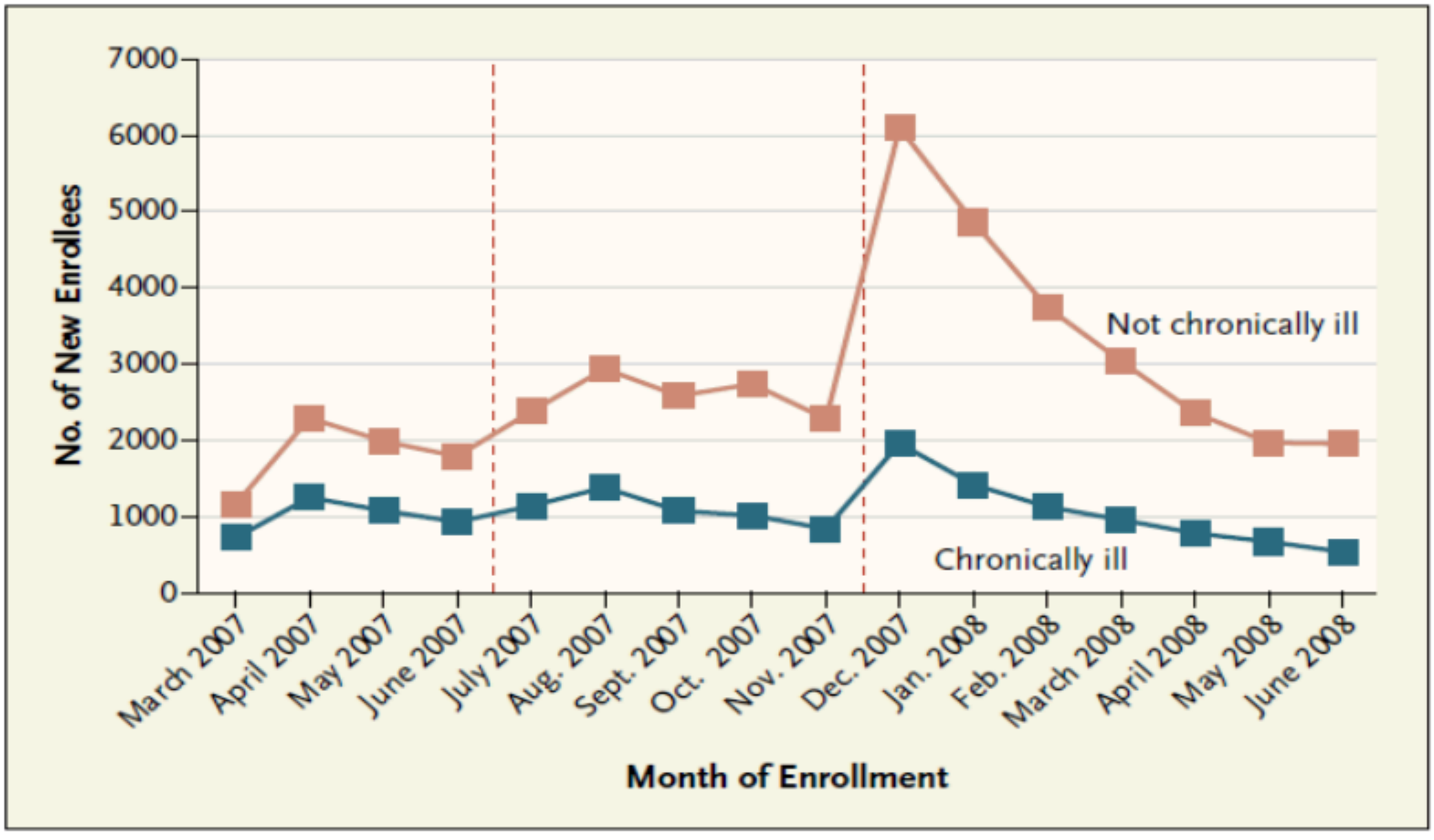


- **Reinsurance**
- State funded additional premium subsidies
- Coverage Incentive Program

- State based individual mandate
- Employer mandates, Free rider penalty
- Continuous coverage requirements, lockouts

- Consumer protections
- Statutorily ban/create stricter rules for STLD plans
- Limit expansion of AHPs

The Problem: MA Experience



Number of New Enrollees in Commonwealth Care, According to Chronic-Illness Status.

The two vertical dashed lines represent the start of the mandate phase-in period (from July through November 2007) and the start of the period when the mandate became fully operational (from December 2007 onward)

Reinsurance: How it Works

Reinsurance cap
Issuer is responsible for costs above the cap

Coinsurance rate
Issuer is paid a portion of claims costs, based on the coinsurance rate

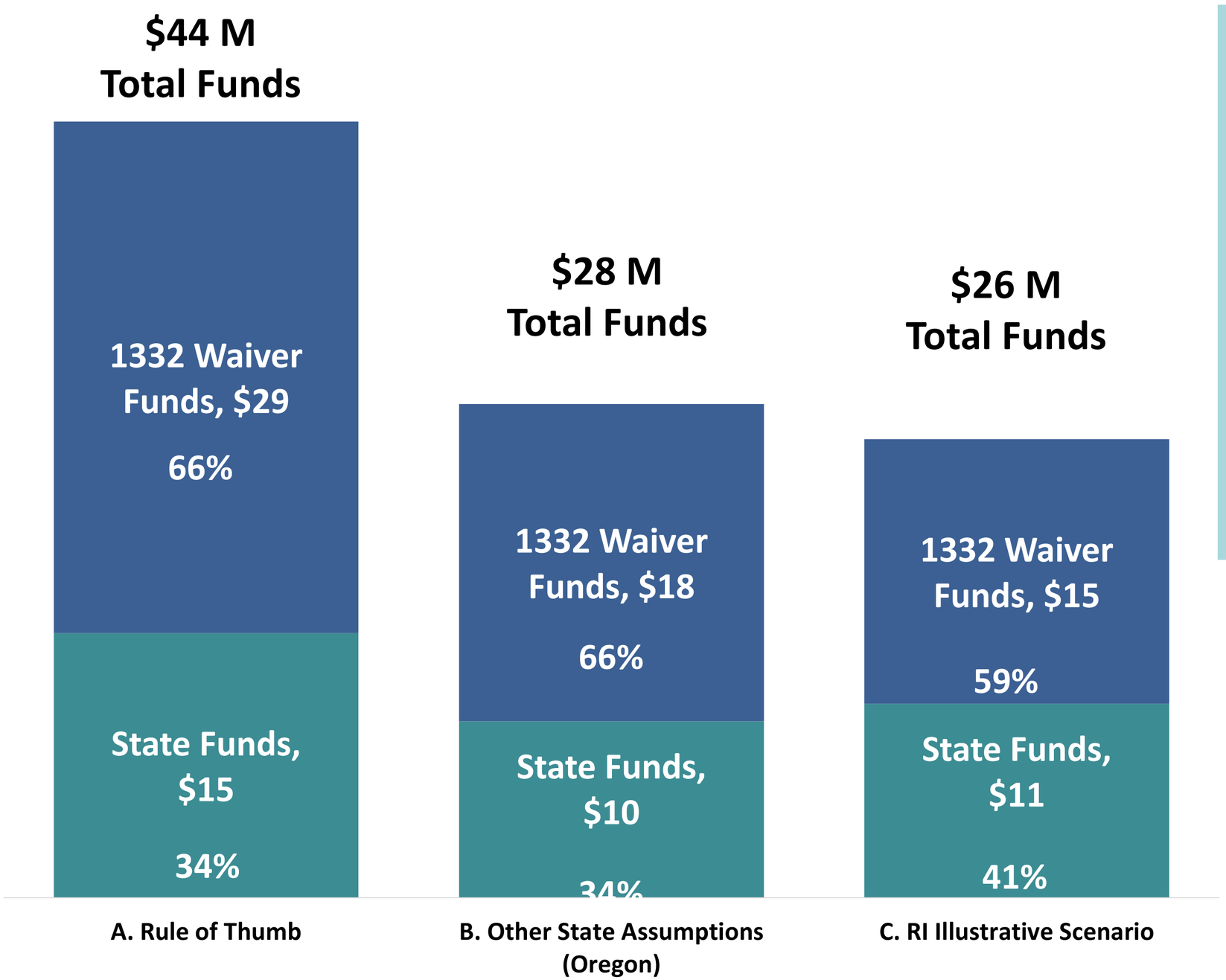
Attachment point
Issuer is responsible for costs up to the attachment point

Considerations:

- Reduces insurer claims' costs
- Covers a portion of the most expensive claims
- Attachment point + coinsurance rate can be adjusted each year
- Reduces rate uncertainty, volatility

Estimated Cost for RI Reinsurance Program $M

Baseline: 10% premium impact for the individual market.



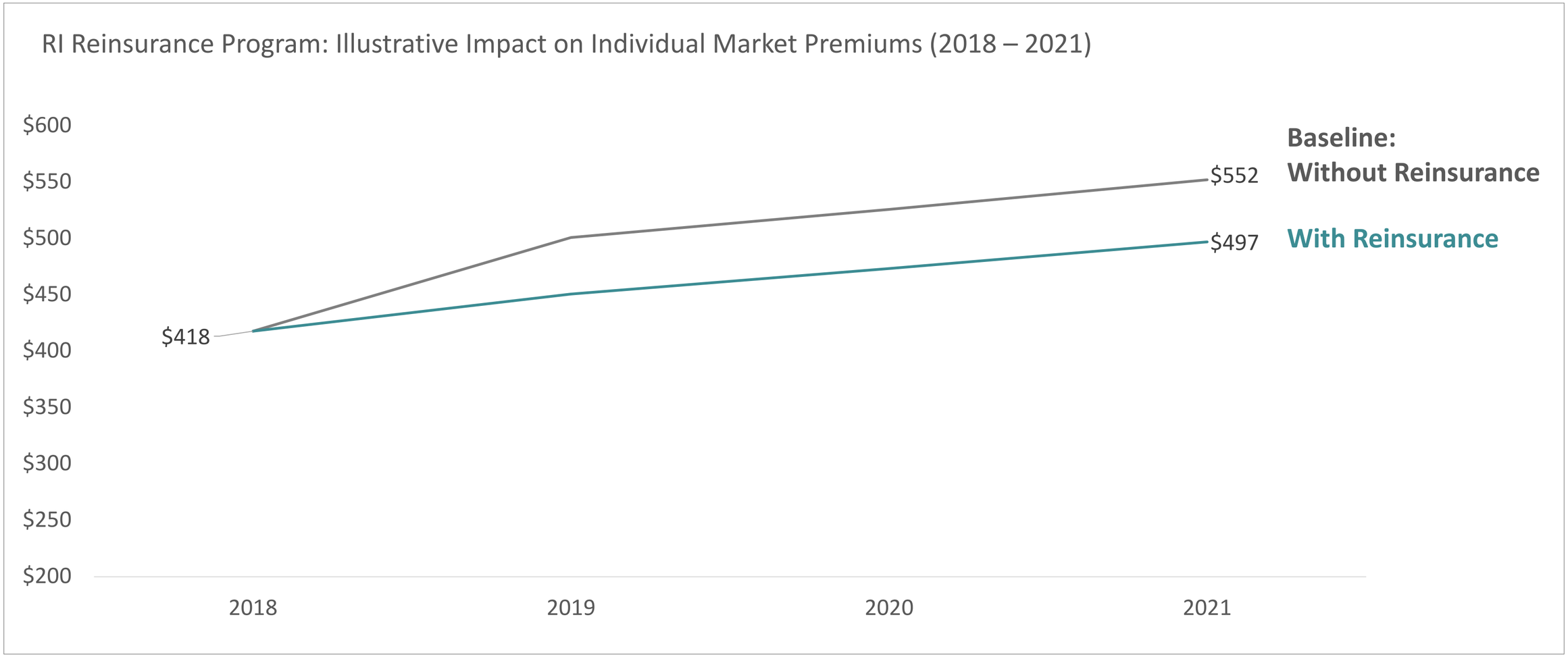
Factors Influencing Reinsurance Program Cost:

- Individual Market Size
- Targeted Savings
- Subsidized Share of Market
- Premium Levels
- Market Volatility

Reinsurance Impact

+ **Targeted**
+ **“Fits” your budget**
+ **Carrot**
+ **1332: leverage federal funds**
+ **Reduces rating uncertainty**

− **Individual market only**
− **One time rate impact**
− **Requires state share, like all affordability approaches**
− **Relative impact**

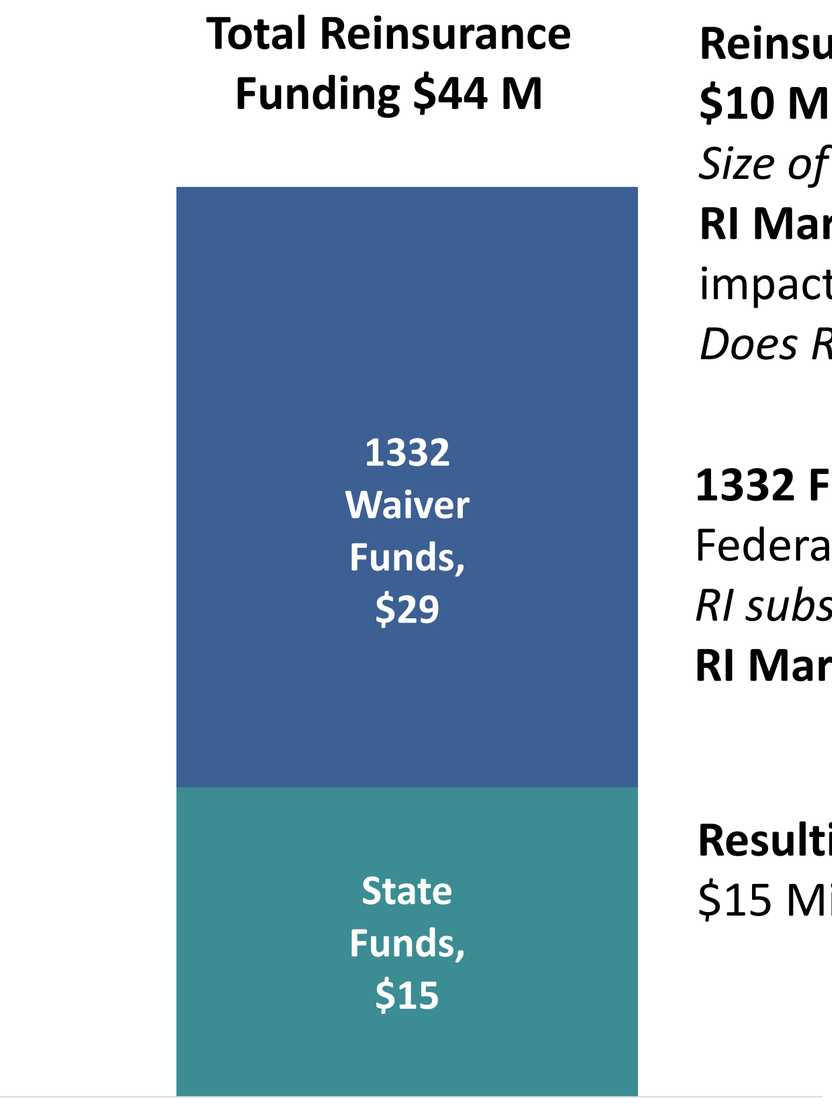


Illustrative scenario assumptions: Without reinsurance, premiums increase by 20% for 2019 and grow at standard annual cost trend (5%) after that; Reinsurance leads to a 10% decrease in premiums compared to the without reinsurance baseline in 2019
2018 On Exchange average premium shown; Total individual market average premiums are slightly higher.

Backup

A. Rule of Thumb Estimates

Industry experts have proposed “rules of thumb” to estimate reinsurance funding needed and 1332 funding available, resulting in an estimate of state funding needed.



Reinsurance funding Rule of Thumb (10/10/10):
$10 M in reinsurance funding to save **10%** in premiums for **10,000** people
Size of RI Individual Market = 44,000
RI Market Implication: $44 M in reinsurance funding needed to have a **10%** premium impact for 44,000 people
Does RI lower-than-national-average premiums mean the 10/10/10 rule doesn’t apply?

1332 Funding Rule of Thumb:
Federal contribution about **7-10% higher than percent of subsidized** enrollment
RI subsidized enrollment = 26,000, 59% of individual market
RI Market Implication: Expect 66-69% of program funded with 1332 waiver, $29 M

Resulting state funding estimate:
$15 Million in state funding needed to impact premiums by 10%.

Source: RI Individual market size includes enrollment for both Off Exchange (source: OHIC Report, RI Enrollment All Carriers to April 2017 Total, "All RI Enrollments”) and On Exchange (source: Feb 2018 HSRI Legislature Report).

B. Other State Estimates

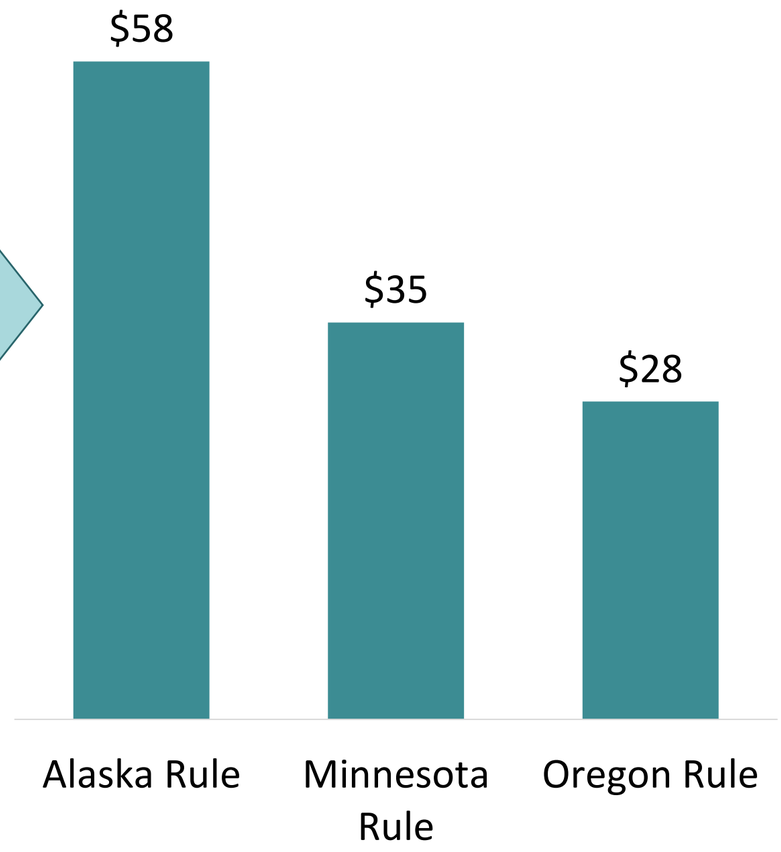
Another method to estimate RI reinsurance program cost is to use the assumptions in other state's 1332 waiver applications.

Reinsurance Program Cost in 1332 Waiver Applications
$M

	Alaska	Minnesota	Oregon
Reinsurance Program Cost $M	**$60**	**$271**	**$90**
Targeted Premium Impact	20%	20%	7%
Ind Market Size*	23,000	170,000	204,000
Ind Mkt Premium*	$953	$688	$507
% Subsidized Enrollment*	70%	45%	46%
"Rule"	**13/10/10**	**8/10/10**	**6/10/10**

Estimate RI Program Cost based on other states' "Rule"

Estimated RI Reinsurance Program Cost
$M



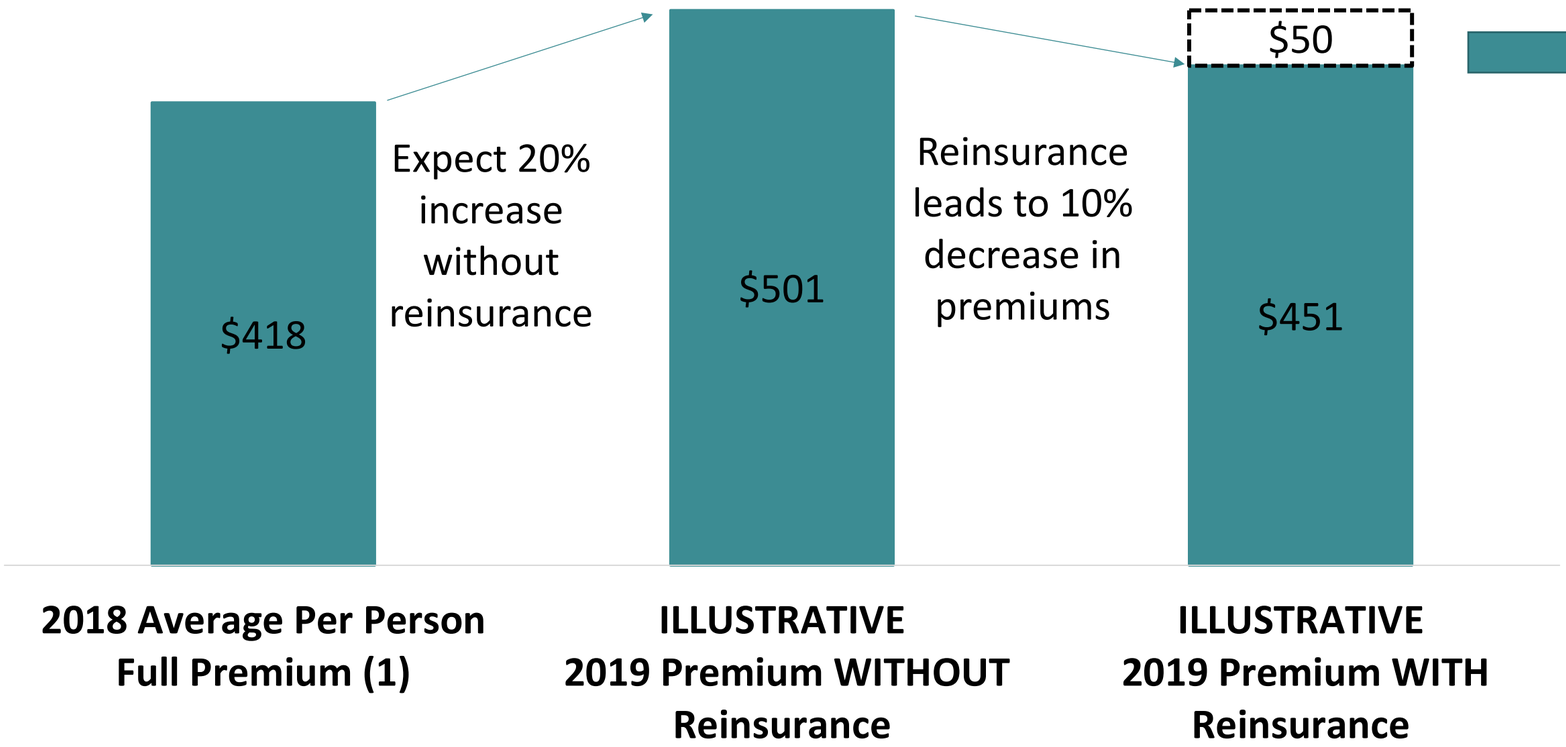
"Rule" is the cost in $M to save 10% in premiums for 10,000 people

*Individual market statistics are for the with waiver scenarios projected for 2018 in the 1332 waiver applications for each state..

C. RI Illustrative Scenario – APTC Savings

An illustrative scenario shows that a 10% premium impact in 2019 could create roughly $16 M in APTC savings to be used as federal pass-thru funding.

Illustrative Impact on Premiums of RI Reinsurance Program



$16 M federal contribution

- $50 pmpm APTC reduction
- 26,000 subsidized enrollees

$26 M Reinsurance Program Total Cost:

- $50 pmpm reduction in premiums from reinsurance program
- 44,000 individual market size, assuming no change in enrollment
- Likely that unsubsidized market enrollment will vary depending on premiums and other regulations.

(1) This is on-exchange average premium. Total individual market average premiums are slightly higher.

Range of results based on various targeted premium impacts

Chart shows: **Reinsurance Program Cost $M / *State Share $M***

Estimation Method			Targeted Premium Impact 5%	Targeted Premium Impact 10%	Targeted Premium Impact 15%
Method A: Rule of Thumb			**$22** / *$7*	**$44** / *$15*	**$66** / *$22*
Method B: Other States			**$14** / *$9*	**$28** / *$18*	**$42** / *$27*
Method C: Illustrative Scenario	Premium Growth Assumptions	**0%**	**$11** / *$5*	**$22** / *$9*	**$33** / *$14*
		5%	**$12** / *$5*	**$23** / *$9*	**$35** / *$14*
		10%	**$12** / *$5*	**$24** / *$10*	**$36** / *$15*
		15%	**$13** / *$5*	**$25** / *$10*	**$38** / *$16*
		20%	**$13** / *$5*	**$26** / *$11*	**$40** / *$16*
		25%	**$14** / *$6*	**$28** / *$11*	**$41** / *$17*

Shaded cells represent scenarios shown on summary page.

Coverage Assistance and Incentives

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Health Insurance Down Payment

Maryland

- Replace federal mandate penalty with down payment on coverage
  - Where possible, seek coverage at or below penalty cost
  - Provide directed consumer assistance
  - Support continuous enrollment

Health Insurance Down Payment

Pros

- Less punitive if directed to personal coverage
- Maintains pre-repeal risk pool
- Builds pool of healthier risk
- Familiar to consumers

Cons

- Requires significant operational development
- Low benchmark (lower APTC) could result in lower availability of low dollar plans

Health Insurance Down Payment

- Maryland had 43.8% average premium increase in 2018
- Strong legislative advocacy on health issues
- Governor took action on reinsurance and short term plans but did not support down payment proposal

Subsidy Wraps - ConnectorCare

Massachusetts

- Massachusetts uses state funds to support the costs (both premium and out of pocket) for enrollees up to 300% of poverty ($75,000 per year for a family of 4)
- Plans are highly standardized, differing on networks and regional offering

Subsidy Wraps - ConnectorCare

- Even with subsidies, monthly premium costs can be out-of-range for consumers
- Higher than anticipated out-of-pockets can drive current customers if costs are non-recurring

Rebates for Unsubsidized Consumers

Minnesota

- Enrollees in the individual market not eligible for APTC
- 25% rebate, applied directly to monthly premium bill
- Carriers and state managed program enrollment and administration

Rebates for Unsubsidized Consumers

- 50-66% rate increase in 2017
- $313 million budgeted, $137 million used
- Carriers and state managed program enrollment and administration
- Program only funded for 2017
  - Reinsurance implemented
  - 2018 rate increase was 3-5%

Thank you

Dan Meuse
Deputy Director, State Health & Value Strategies
dmeuse@princeton.edu
609-258-7389
www.shvs.org

DISCUSSION

PUBLIC COMMENT?

THANK YOU

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