



MARKET STABILITY WORKGROUP “2.0”

Wednesday, October 3, 2018
8:30 – 10:30 a.m.
The United Way of Rhode Island

Workgroup Membership

Cristina Amedeo, Managing Director of UW 2-1-1 & The POINT, United Way of Rhode Island

Stephen Boyle, Chair of RI's Health Insurance Advisory Council and President of the Greater Cranston Chamber of Commerce

David Burnett, Chief Growth Officer, NHPRI

Al Charbonneau, Executive Director, Rhode Island Business Group on Health

Ralph Coppola, Senior Advisor, Meridien Financial Group

Gayle Goldin, Senator, Vice Chair of the Senate Committee on Health and Human Services

Jane Hayward, President & Chief Executive Officer, Rhode Island Health Center Association

Peter Hollmann, MD, Chief Medical Officer, Brown Medicine

Joshua Miller, Senator, Chair of the Senate Committee on Health And Human Services

General Counsel & Privacy Officer, BCBSRI

Janet Raymond, SVP of Economic Development & Operations, Greater Providence Chamber of Commerce

Samuel Salganik, Attorney and Health Policy Analyst, Rhode Island Parent Information Network

John Simmons, Executive Director, Rhode Island Public Expenditure Counsel

Susan Storti, PhD, RN, President & Chief Executive Officer, Substance Use and Mental Health Leadership Council of RI

Larry Warner, MPH, Strategic Initiative Officer, Rhode Island Foundation

Teresa Paiva Weed, President, Hospital Association of RI

Bill Wray, Chair of HSRI Advisory Board and Chief Risk Officer at The Washington Trust

TODAY'S AGENDA

1. Reconvening the RI Marketing Stability Workgroup

1. Meeting logistics
2. Workgroup "Charge"
3. Recap of work done to date
4. Timely updates since the Workgroup last met
5. "Syllabus" for Workgroup "2.0"

2. Reinsurance Basics and Financing

RECONVENING THE RI MARKET STABILITY WORKGROUP

Meeting Logistics

- OHIC will serve as the Workgroup's primary point of contact for meeting logistics
- Bi-weekly meetings from October through January (with a break for the holidays)
 - **United Way of RI** will host all meetings (50 Valley St., Providence)
 - Meetings will typically be held on **Tuesday mornings**, 8:30 – 10:30 am; *with the exception of today and Wednesday, October 31st*
- Agendas, minutes and materials will be posted to the Secretary of State's website

RECONVENING THE RI MARKET STABILITY WORKGROUP

The RI Market Stability Workgroup “Charge”

Goal: Identify and propose sensible, state-based policy options for Rhode Island that will be in service the following principles:

Guiding Principles:

1. Sustain a balanced risk pool;
2. Maintain a market that is attractive to carriers, consumers + providers and businesses;
3. Protect coverage gains achieved under the ACA.

RECONVENING THE RI MARKET STABILITY WORKGROUP

June 2018 Report: *Near-Term Recommendations*

- **1332 WAIVER.** The state should be authorized to submit a waiver request to implement a state reinsurance program.
- **SHORT-TERM LIMITED DURATION (STLD) PLAN REGULATION.** The Office of the Health Insurance Commissioner (OHIC) should be provided regulatory oversight authority of STLD plans to ensure they're subject to the same consumer protections that apply to all other private health insurance products.
- **STATE SHARED RESPONSIBILITY REQUIREMENT.** The state should implement a state-level requirement to enroll in health coverage to mitigate the impact of the repeal of the federal penalty.

RECONVENING THE RI MARKET STABILITY WORKGROUP

June 2018 Report: *Future Work*

- How should RI fund a state reinsurance program?
- Should RI pursue additional health coverage-related affordability initiatives– and if so– what programs?
- How should a state-level shared responsibility requirement be designed and implemented?
- Should RI pursue codifying additional ACA consumer/market-based protections in state law?

RECONVENING THE RI MARKET STABILITY WORKGROUP

Since we last met...

- **2019 rates filed and approved**

| | NHPRI | BCBSRI | UHC | Tufts |
|----------------------------------------------------------------------------|-------|--------|-------|-------------|
| <i>Individual Market</i> | 8.7% | 7.5% | n/a | n/a |
| <i>Small Group</i> | -0.2% | 4.6% | -5.0% | 10.2% |
| <i>Large Group</i> | n/a | 8.0% | 8.1% | 10.3% (HMO) |
| | | | | 10.2% (PPO) |
| <i>Rates expressed in terms of weighted average rate increase/decrease</i> | | | | |

- **Authorizing legislation for a Reinsurance Program passed (S 2934A + H 8351)** – establishes the RI Reinsurance Program and authorizes HealthSource RI to apply for a 1332 waiver. Aims to mitigate the impact of high-risk individuals on health insurance rates.

THE 1332 WAIVER PROCESS

| Step | Target Timeline |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| 1. Authorizing Legislation | ✓ Complete |
| 2. RFP for Actuarial Work | ✓ Complete |
| 3. Actuarial Work Begins | November 2018 |
| 4. 1332 Waiver Application Drafting <ul style="list-style-type: none"> Public notice/comment period | Winter, 2019 <ul style="list-style-type: none"> 30 days at minimum |
|  <i>2020 Rate development</i> | Late winter, 2019 |
| 5. Application Submission | Early Spring 2019 |
|  <i>2020 Rate filing</i> | May 2019 |
| 6. HHS and Treasury Prelim. Review | Late Spring 2019 (30-45 days after application submission)* |
| 7. Funding appropriated | Early Summer 2019 |
| 8. Final Decision of HHS and Treasury | Summer 2019 (2-6 months after the application completeness determination)* |

*CMS has indicated that reinsurance program waivers will be reviewed and approved quickly if they are similar to approved waivers from other states. 9

RECONVENING THE RI MARKET STABILITY WORKGROUP

Executive Order Signed by Governor Raimondo – Maintaining Low Premiums and Protecting the Affordable Care Act in Rhode Island (September 26, 2018)

- **Reiterates commitment to the principles of the ACA** and directs EOHHS, OHIC and HSRI to take all necessary actions to protect access to affordable, quality healthcare;
- Directs the State to seek to **codify ACA consumer protections**;
- Directs the State to seek **federal approval for a reinsurance program** to maintain an attractive market and keep premiums low;
- Directs OHIC to **guard against discriminatory practices** in the health insurance arena;
- Directs HSRI to take all efforts to **ensure Rhode Islanders are aware of Open Enrollment** and educated about their plan options; and
- **Requires the State to establish an individual market reinsurance program** with the objectives of maintaining an attractive market for insurers and keeping premiums low.

RECONVENING THE RI MARKET STABILITY WORKGROUP

The objectives for our work ahead include forming recommendations for policymaker's consideration, including:

- A method (or methods) for funding the RI Reinsurance Program;
- Whether RI should pursue other initiatives to address health coverage affordability and, if so, what programs;
- Aspects of design and implementation for a state-level shared responsibility requirement; and
- A package of consumer and/or market-based protections for codification in RI law.

The final work product may take the form of draft budget article language and/or legislative language, accompanied by an executive summary.

TEN WEEK SYLLABUS

RI Market Stability Workgroup Schedule

| Topic(s) for Discussion | Meeting Date |
|-----------------------------------------------------------------------|---------------------------------------------|
| Meeting 1 Regrouping: Workgroup “2.0” + Reinsurance Recap | Wednesday, October 3 rd |
| Meeting 2 Reinsurance Financing Options | Tuesday, October 16 th |
| Meeting 3 Affordability Programs in Addition to Reinsurance | Wednesday , October 31 st |
| Meeting 4 Shared Responsibility Requirement | Tuesday, November 13 th |
| Meeting 5 Wrap-Up/Opportunity for Follow-Up | Tuesday, November 27 th |
| Meeting 6 Reaching Recommendations | Tuesday, December 11 th |
| Meeting 7 Recommendations (<i>reserved if needed</i>) | Tuesday, December 18 th |

TEN WEEK SYLLABUS

RI Market Stability Workgroup Schedule

| Topic(s) for Discussion | Meeting Date |
|-----------------------------------------------------------------------------------------|-----------------------------------|
| <i>Break for the holidays</i> | Mid-December – early January |
| Meeting 8 Possible Codification of ACA Consumer and Market Protections | Tuesday, January 8 th |
| Meeting 9 Legislative Recommendations | Tuesday, January 22 nd |
| Meeting 10 Legislative Recommendations (<i>reserved if needed</i>) | Tuesday, February 1 st |



Reinsurance Refresher

Market Stability Workgroup 2.0

Wednesday, October 3, 2018

Reinsurance Refresher

- ❖ **Background on Reinsurance Program**

What it is, how it works

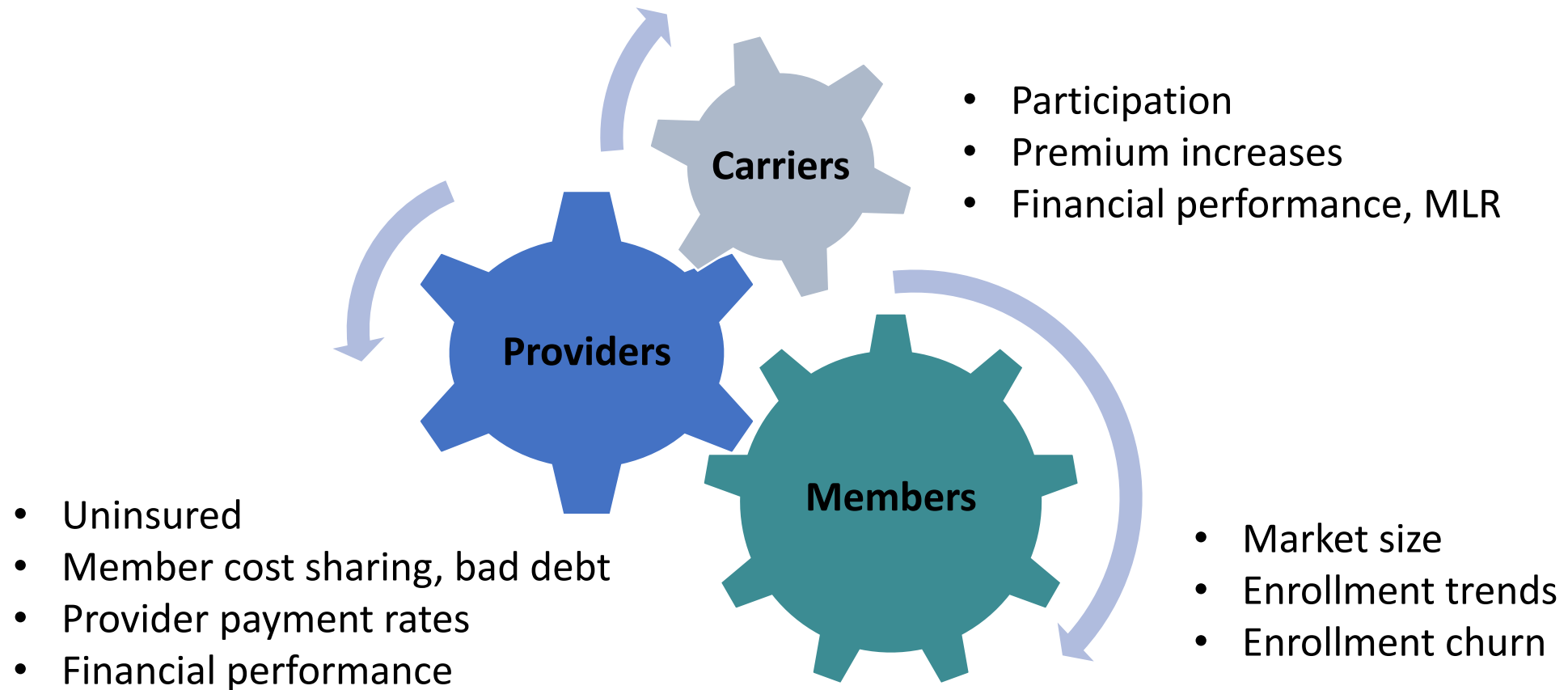
- ❖ **Relevant Updates from Other States**

Reinsurance Programs, Sources of Funds

- ❖ **Next Steps**

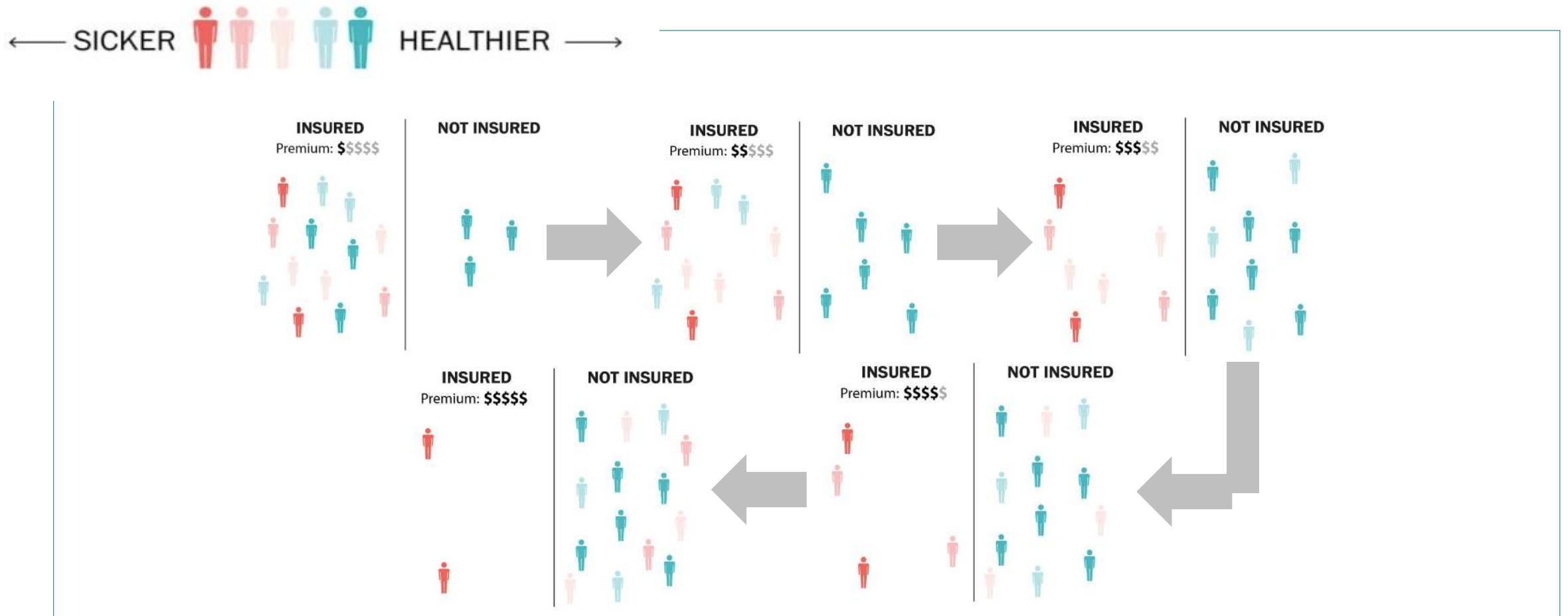
Reinsurance Program Funding Deep Dive: Sources and Uses of Funds

Reminder: Individual Market Stability - “Precarious”

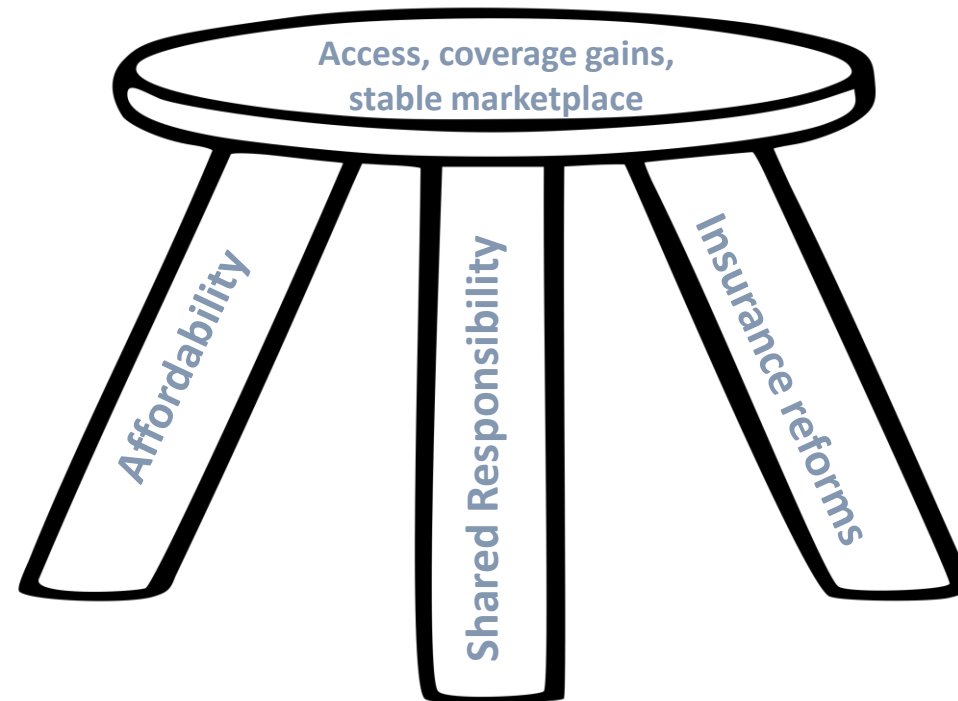


What Might Happen: If Healthy People Leave

As healthier people leave the market, premiums rise, causing more people to leave the market and triggering a feedback loop



Sources of Market Stability

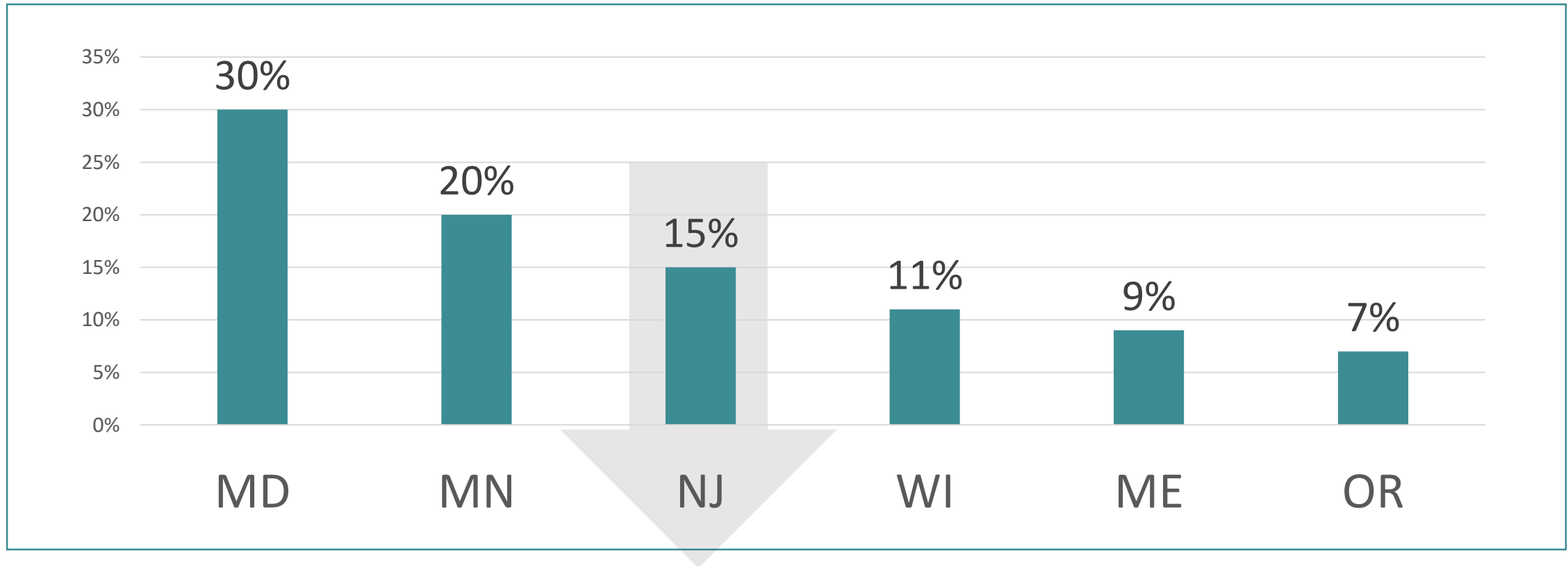


- **Reinsurance**
- State funded additional premium subsidies
- Coverage Incentive Program

- **State shared responsibility requirement**
- Employer mandates, Free rider penalty
- Continuous coverage requirements, lockouts

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

Reinsurance Programs: Targeted Premium Impact by State

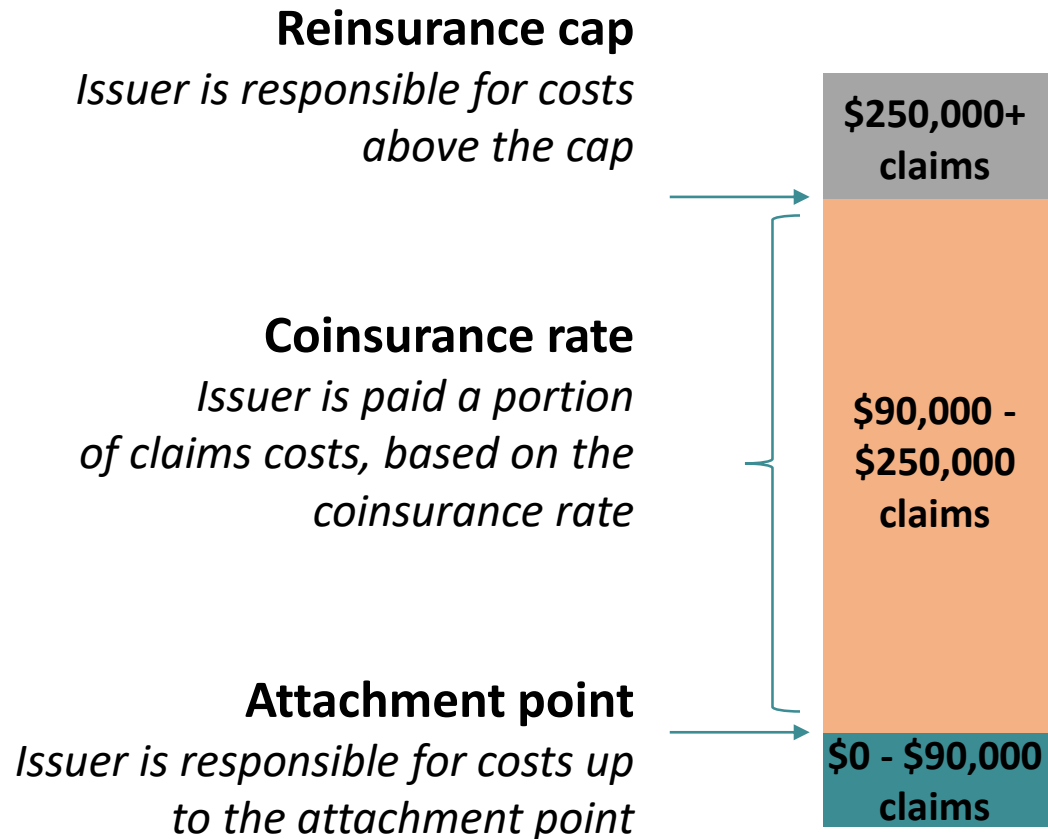


New Jersey Rate Filings Confirmed this Target

*“If New Jersey had taken no action to stabilize its market, carriers indicated...that residents would have seen premium rates in the individual market **rise by 12.6 percent** over last year. Instead, as a result of the continuation of an individual mandate in New Jersey, carriers requested a **5.8 percent average increase in premium rates**. Federal approval of the 1332 State Innovation Waiver in August, designed to lower anticipated premium rate increases, ultimately resulted in a combined or total average **decrease of 9.3 percent in the 2019 rates** compared to 2018.”*

Reinsurance Fundamentals

How It Works



Considerations

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

Reinsurance Funding Mechanisms from Other States

| State | Source of State Funding for Reinsurance |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alaska | <ul style="list-style-type: none">• Premium tax applied to all lines of insurance |
| Maine | <ul style="list-style-type: none">• One-time nominal \$500 insurer license fee• Insurer/TPA fee of up to \$4 PMPM based on insured lives (excludes state/fed employees)• Ceding premium (90% of premium received) paid by insurers ceding covered persons to Maine reinsurance program• Optional assessments to cover Net losses – up to \$2 PMPM |
| Maryland | <ul style="list-style-type: none">• Assessment on insurers and MCOs that are regulated by the state (2.75%) |
| Minnesota | <ul style="list-style-type: none">• State general funds• Portion of the 2% state provider tax (applies to hospitals and other providers) |
| New Jersey | <ul style="list-style-type: none">• State individual mandate• Annual general fund appropriation |
| Oregon | <ul style="list-style-type: none">• Premium assessment on fully insured commercial major medical (1.5%), includes premiums for self insured public plans• 2018 also funded by balance of 2 existing funds - Oregon Health Insurance Marketplace (OHIM) operating budget and Oregon Medical Insurance Pool (OMIP) |
| Wisconsin | <ul style="list-style-type: none">• State general purpose funds |

Next Steps: Reinsurance Program Funding – Sources and Uses

- ❖ Review approximate revenue required to fund a reinsurance program
- ❖ Estimate revenue raised from Shared Responsibility Payment (SRP)
- ❖ Identify/estimate revenue raised from Alternative Funding Mechanisms

PUBLIC COMMENT?

THANK YOU



Backup

Individual Market Stability: “Precarious”

Premiums

- Average annual premium increase 2015-2018: 4%
- Study of 21 states: RI saw the lowest average annual % change in the cost of its benchmark silver plan 2014- 2018

Enrollment

- Enrollment grew substantially in 2014, then stable
- High annual turnover (~30%)
- Federal actions more directly threaten the Individual Market

Member Choice

- Two carriers offering plans on the Exchange

Provider Stability

- Decline in uninsured => reduction in uncompensated care
- Rising member cost sharing, bad debt
- Provider payment rates under pressure: Medicaid Expansion, commercial rate regulation

Carrier Stability

- Average Individual Market MLR for NHP and BCBS combined was 77% in 2014, 85% in 2015 and 2016
- Compares favorably to national Individual Market MLR averages (86% in 2014, 92% in 2015, and 93% in 2016)
- Varies considerably by carrier

Sources: Premium increase average based on OHIC annual rate summary; carrier averages are enrollment weighted by year based on enrollment distribution by carrier from 2018 rate filing submissions, and evenly averaged for the multi-year period

KFF Study: *An early look at 2018 premium changes and insurer participation on ACA Exchanges*, August 10, 2017

Turnover: In 2017, roughly 30% of Exchange users churned on or off of coverage over the course of the year

Average Individual Market MLR, (NHP and BCBSRI average, evenly weighted); Individual Market Rate Filings 2017, OHIC website

National Individual Market MLR: CMS, *Summary of 2016 Medical Loss Ratio Results*

Recent State Activity: Reinsurance

Authorizing Legislation Enacted

- Rhode Island
- Texas
- Virginia
- Kentucky



Public Draft of Application

- Idaho
- Louisiana
- New Hampshire



Waiver Approved

- Alaska
- Oregon
- Minnesota
- Maryland
- New Jersey
- Wisconsin
- Maine

Notes:

- Montana and Nevada have authorizing legislation that was vetoed
- Six state applications were either withdrawn or incomplete: CA, IA, MA, OH, OK, VT

Reinsurance Funding Mechanisms: Lessons from Other States

| Funding Mechanism | ME | AK | MD | OR | MN | NJ | WI |
|---------------------------------------------------------------------|----|----|----|----|----|----|----|
| Premium based Assessment | | X | X | X | | | |
| Covered lives based assessment (Policy or Provider based) | X* | | | | X | | |
| Shared Responsibility Payment (SRP) | | | | | | X | |
| State General Revenue | | | | | X | X | X |
| Other | X | | | X | | | |

Considerations

- ✓ Contribution to Market Stability
- ✓ Who Pays/How much they Pay
- ✓ Administrative Feasibility
- ✓ State Financial Burden
- ✓ Sustainability