



MARKET STABILITY WORKGROUP 2.0

Meeting #5

Tuesday, November 27, 2018

8:30 – 10:30 a.m.

The United Way of Rhode Island

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 5 th

TODAY'S AGENDA

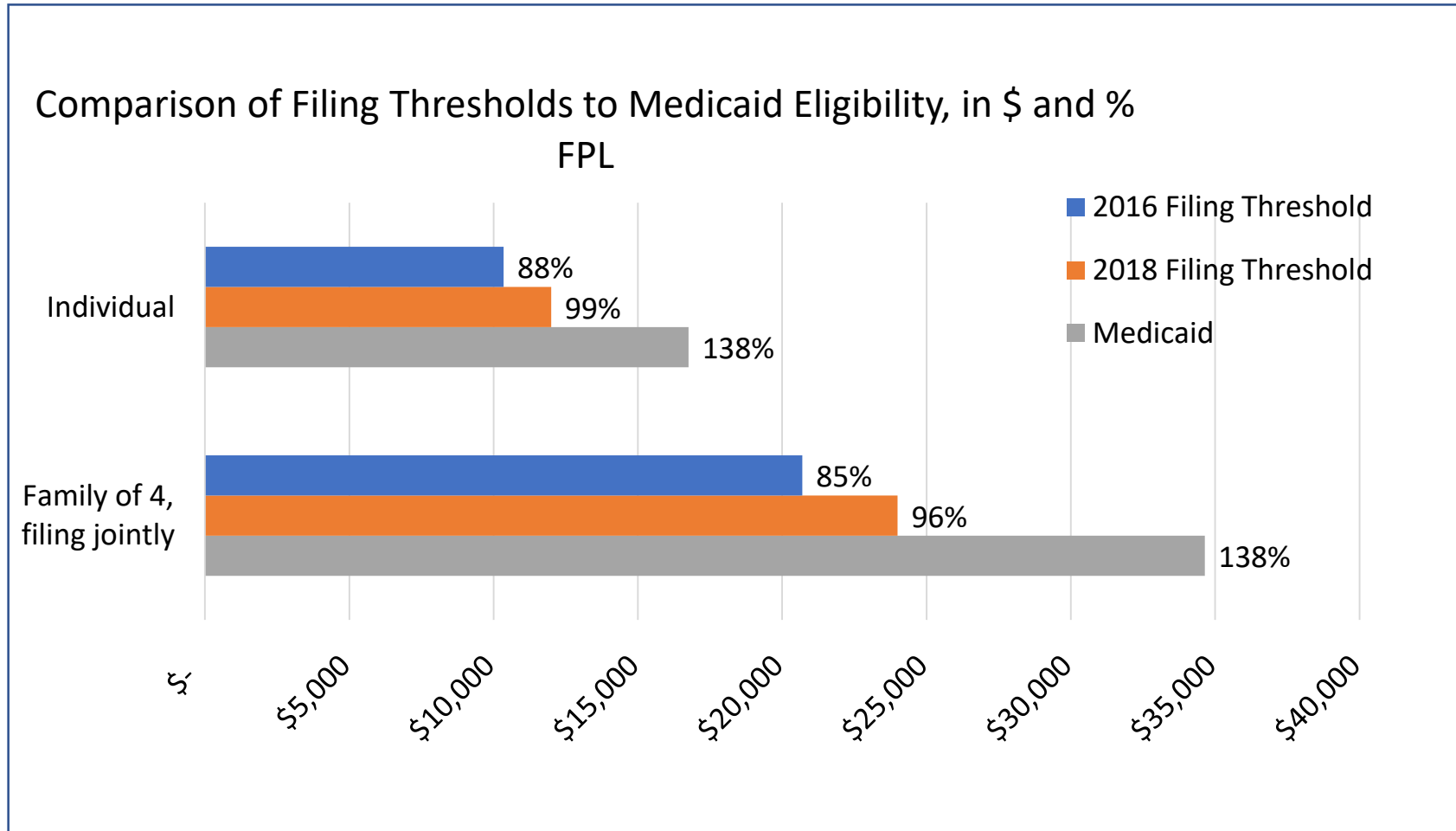
- 1. Follow-up Items from Previous Meetings**
- 2. Review Workgroup Objectives**
- 3. Packages of Options**

FOLLOW-UP ITEMS FROM PREVIOUS MEETINGS

- 1. Effect of Change of Federal Tax Filing Threshold on Medicaid Eligible Population**
- 2. Existing Insurance Taxes and Fees**
- 3. Premium Tax – All lines of Insurance**

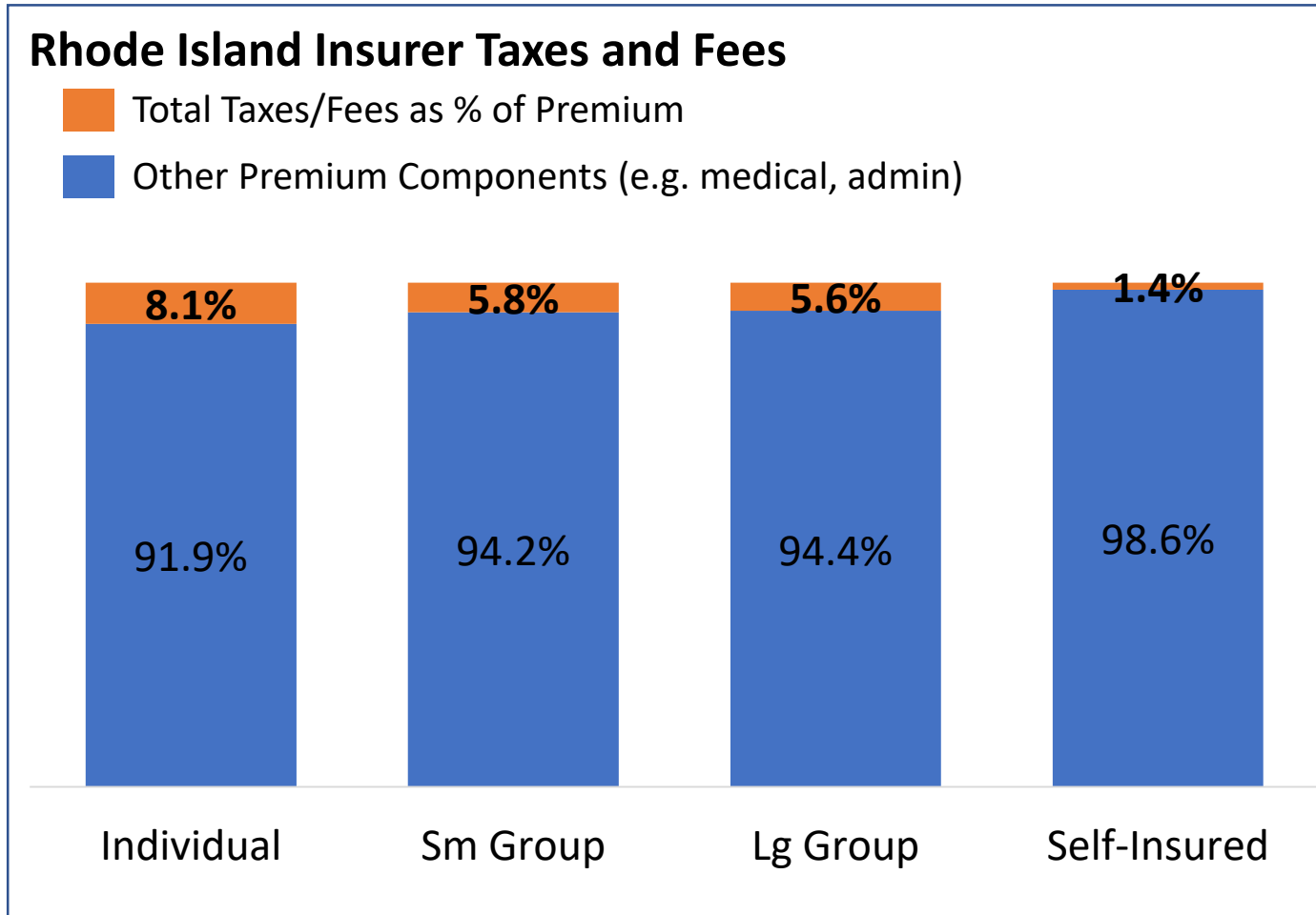
FOLLOW-UP ITEMS

How does the updated tax filing threshold compare from 2016 to 2018?



FOLLOW-UP ITEMS

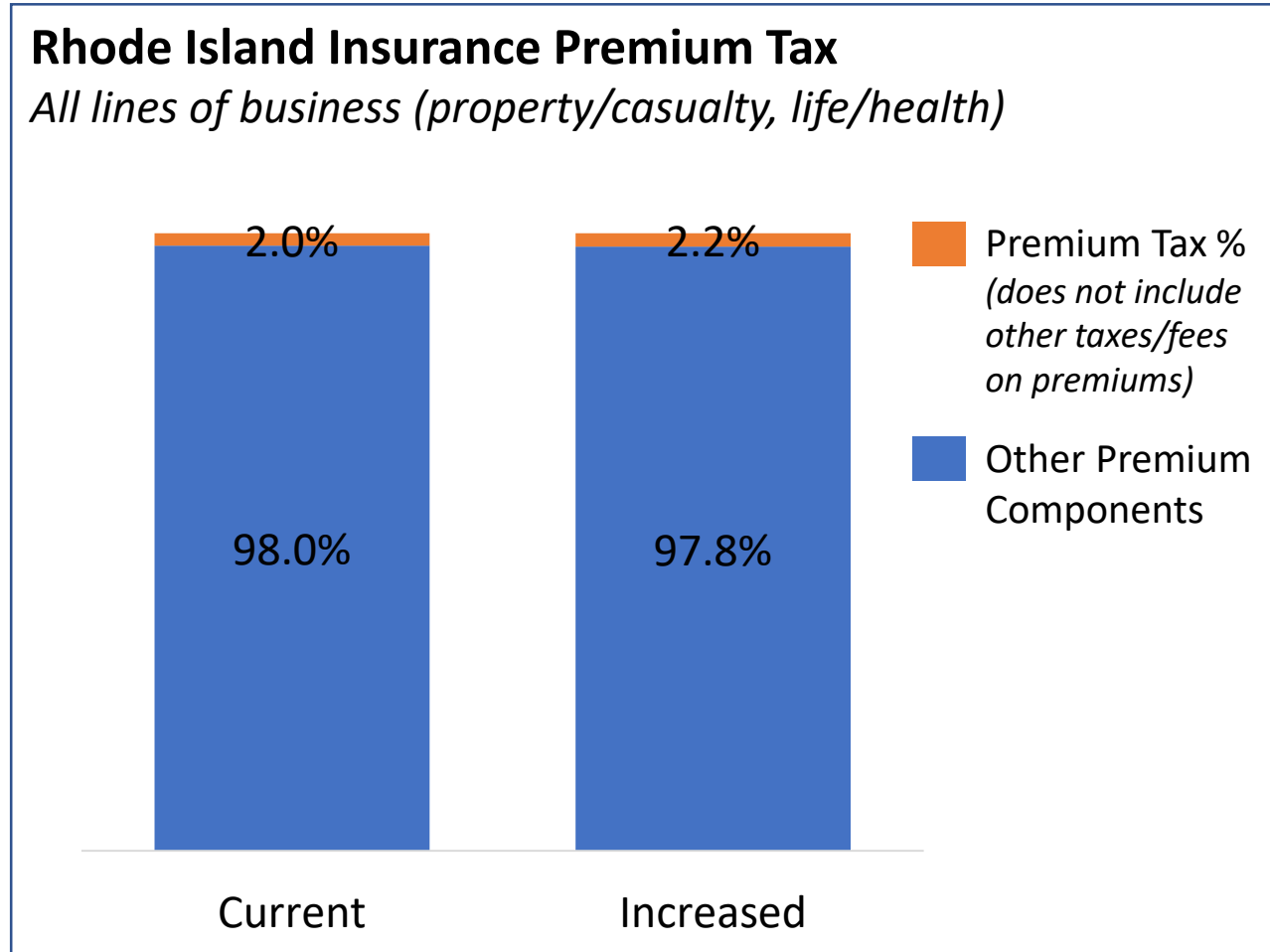
What taxes and fees are health insurers currently paying?



Healthcare Services Funding Contribution <i>(all)</i>	<ul style="list-style-type: none"> Immunization Assessment \$16.35 PMPM (children), \$3.03 (adults) Children's Health Account Assessment \$8.23 PMPM (children only) 1.3-1.4% of premium for both assessments
ACA Health Insurer Tax (HIT) <i>(all fully insured)</i>	<ul style="list-style-type: none"> Suspended for 2019. Estimated at 2.2% for 2020 by Oliver Wyman
Premium Tax <i>(all fully insured)</i>	<ul style="list-style-type: none"> 2% on fully insured plans
HSRI Fee <i>(Ind/Sm Gp only)</i>	<ul style="list-style-type: none"> 3.5% of premium weighted by on-exchange enrollment 2.53% of Individual Market and 0.34% of Small Group after weighting by exchange enrollment (avg across plans)

FOLLOW-UP ITEMS

What increase to the RI insurance premium tax would be required to fund Reinsurance?



Assumptions:

- 2% of premium currently charged for all insurance written in state, \$126 M collected
- \$11 M needed for 10% reinsurance program



Raising \$11 Million in additional premium tax revenue would require an increase from 2% to 2.2% of premium

This would NOT include self insured market

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.

OBJECTIVES - OVERVIEW

Shared Responsibility Payment

- Design and implementation strategy

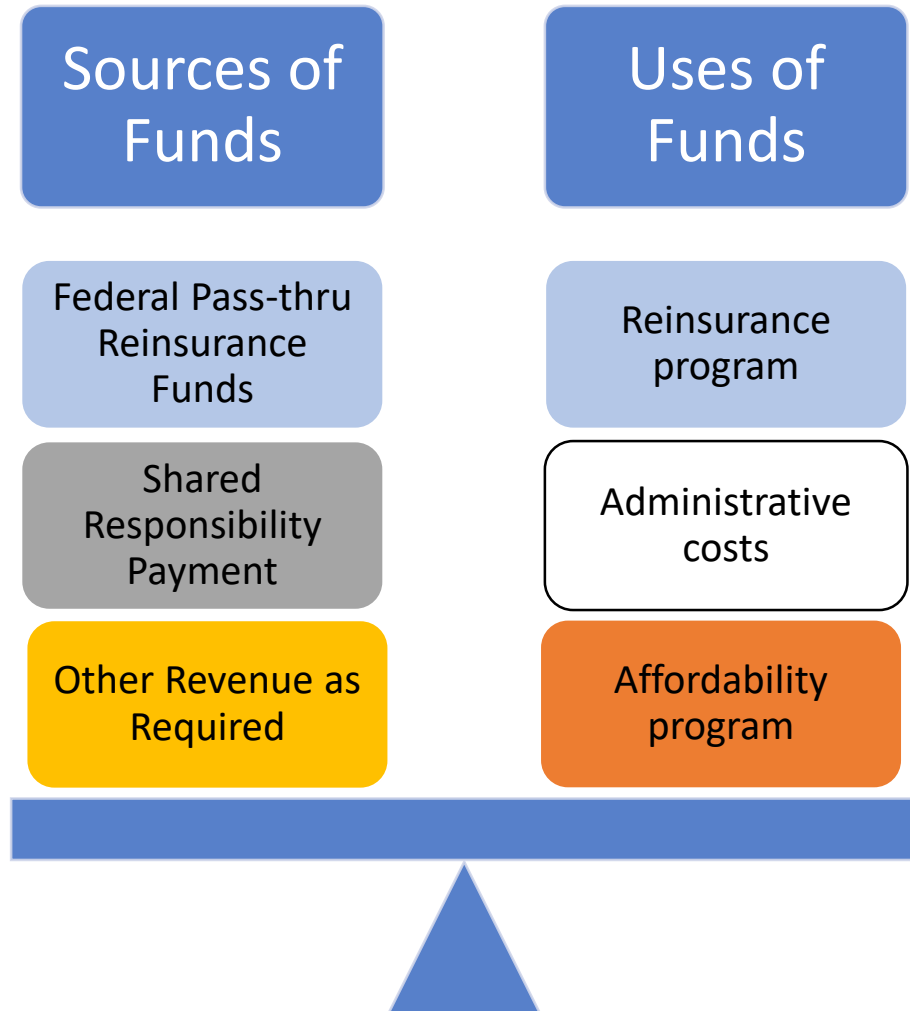
RI Reinsurance Program

- Recommend funding source(s)

Additional Affordability Programs

- What programs, if any, are recommended?

OVERVIEW OF OPTIONS



- Balanced combinations of **Sources of Funds** and **Uses of Funds**
- Goal is to **illustrate tradeoffs required** to achieve market stability objectives

COMPONENTS OF POTENTIAL OPTIONS

Reinsurance Program

- **Three Scenarios:**
10%, 8%, and 5%
- **Use of Funds:**
Total cost of Targeted reduction in Individual Market premium
- **Source of Funds:**
Federal pass-thru funding shown as a source of funds

Shared Responsibility Payment

- **Three Scenarios**
 - Federal structure
 - <138% FPL exempt
 - Cut flat penalty in half
- **Source of Funds:**
Estimated penalty collected for each scenario

Affordability Programs

- **Use of Funds:**
Analysis based on Young Adult Tax Credit (YATC) affordability option
- **Two Scenarios:**
funding YATC or not funding YATC
- Other programs discussed would require higher funding

Other Revenue Sources

- **Source of Funds:**
Makes up difference in sources/uses by option
- Modeled as needed by option
- Options include premium assessment or state general revenue

OVERVIEW OF OPTIONS: KEY POLICY CHOICES

Option	Reinsurance Target	SRP Model	Added Affordability?	Added Revenue Needed?
1	10%	Fed Model	Yes	Yes
2			No	
3		<138 Exempt	Yes	
4			No	
5		1/2 Flat Penalty	Yes	
6			No	
7	8%	Fed Model	Yes	Yes
8			No	None
9		<138 Exempt	Yes	Yes
10			No	None
11		1/2 Flat Penalty	Yes	Yes
12			No	Yes
13	5%	Fed Model	Yes	None
14			No	None
15		<138 Exempt	Yes	Yes
16			No	None
17		1/2 Flat Penalty	Yes	Yes
18			No	None

SELECTED OPTIONS

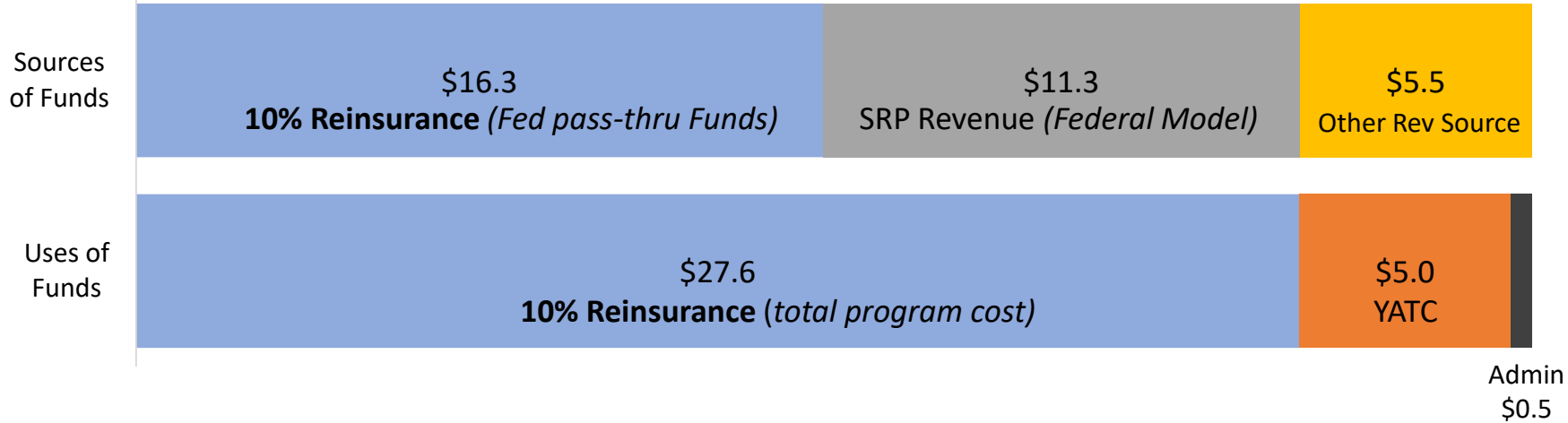
Selected range of combinations to best illustrate tradeoffs for discussion.

Option	Policy Choice			Use of Funds \$M				Source of Funds \$M			Total Funds	% Fed Funds
	Reinsurance Target	SRP Model	YATC?	Reinsurance	YATC	Admin	Excess Funds	Federal Pass-thru Reins Funds	SRP	Other Rev Source		
1	10%	Fed Model	Yes	\$27.6	\$5.0	\$0.5		\$16.3	\$11.3	\$5.5	\$33.1	49%
2	10%	Fed Model	No	\$27.6		\$0.5		\$16.3	\$11.3	\$0.5	\$28.1	58%
10	8%	<138 Exempt	No	\$22.1		\$0.5	\$0.1	\$13.1	\$9.6	None	\$22.7	58%
11	8%	1/2 Flat Penalty	Yes	\$22.1	\$5.0	\$0.5		\$13.1	\$8.1	\$6.4	\$27.6	47%
13	5%	Fed Model	Yes	\$13.8	\$5.0	\$0.5	\$0.2	\$8.2	\$11.3	None	\$19.5	42%
15	5%	<138 Exempt	Yes	\$13.8	\$5.0	\$0.5		\$8.2	\$9.6	\$1.5	\$19.3	42%

OPTIONS FOR 10% REINSURANCE PROGRAM

Option 1: Total Funds = \$33.1 M

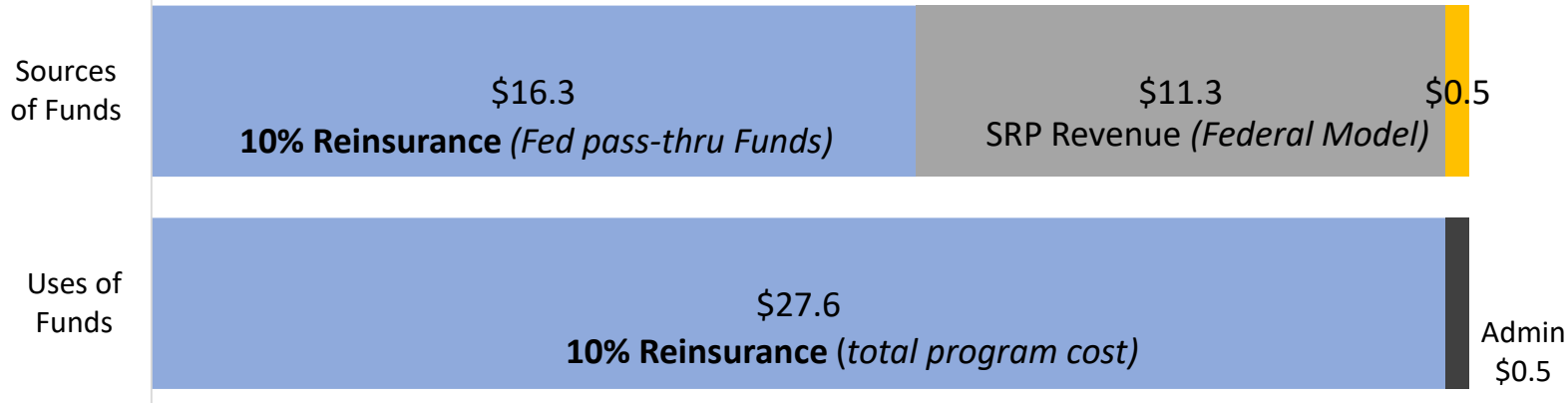
10% Reinsurance Program/ Federal Model SRP/ YATC



- Other Revenue Req'd: \$5.5 M
- SRP: Federal model
- Other Affordability Programs: Fund Young adult tax credit (YATC)

Option 2: Total Funds = \$28.1 M

10% Reinsurance Program / Federal Model SRP/ No YATC

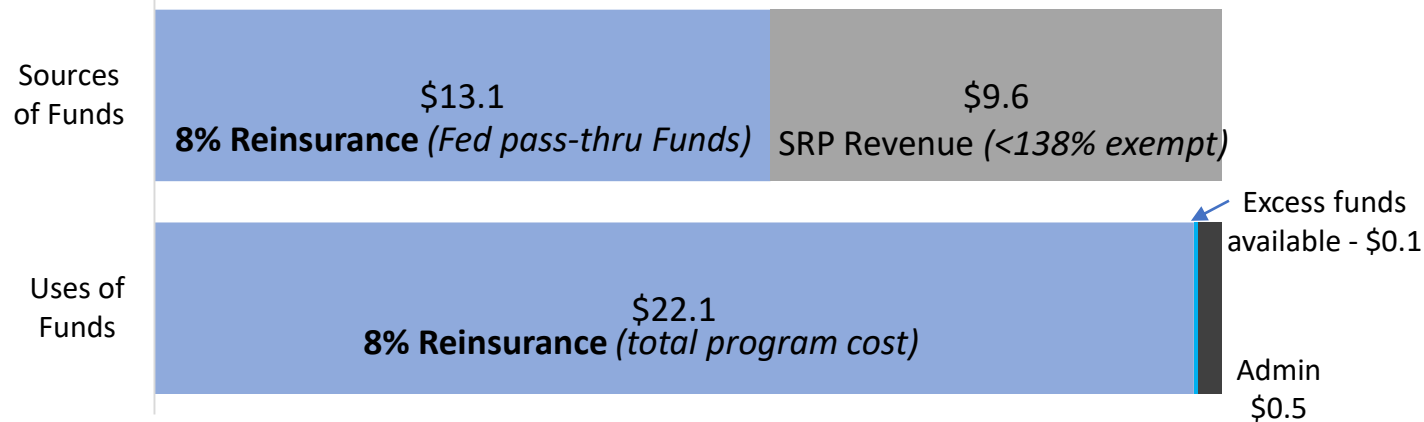


- Other Revenue Req'd: \$0.5 M
- SRP: Federal model
- Other Affordability Programs: NONE

OPTIONS FOR 8% REINSURANCE PROGRAM

Option 3: Total Funds = \$22.7 M

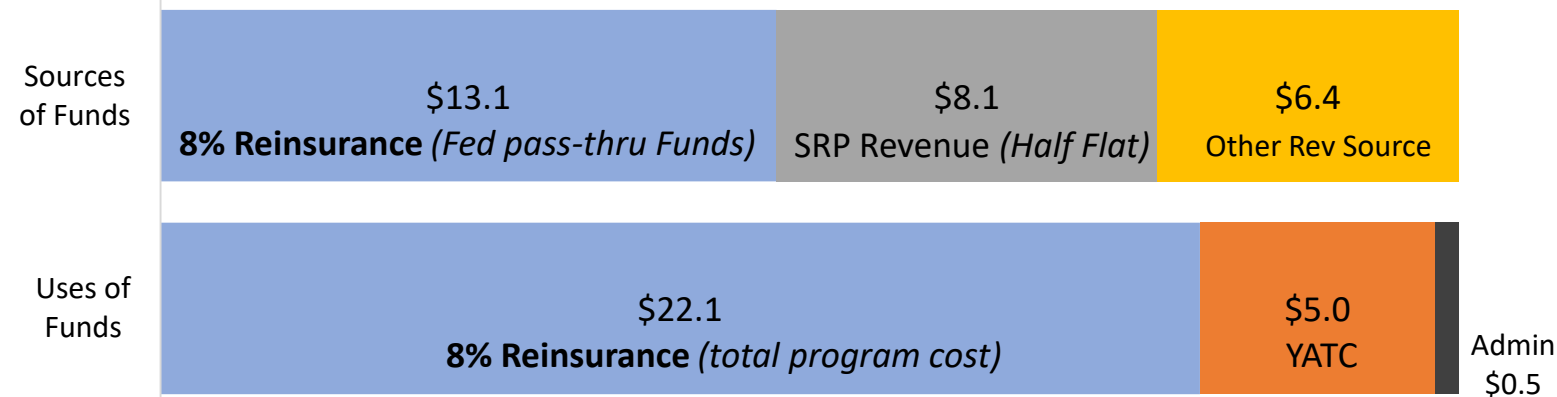
8% Reinsurance Program/ <138% FPL Exempt SRP /No YATC



- Other Revenue Required: NONE
- SRP: Under 138% FPL exempt
- Other Affordability Programs: NONE
- Excess funds of \$0.1 M may be available

Option 4: Total Funds = \$27.6 M

8% Reinsurance Program / Cut SRP Flat Penalty in Half/ YATC

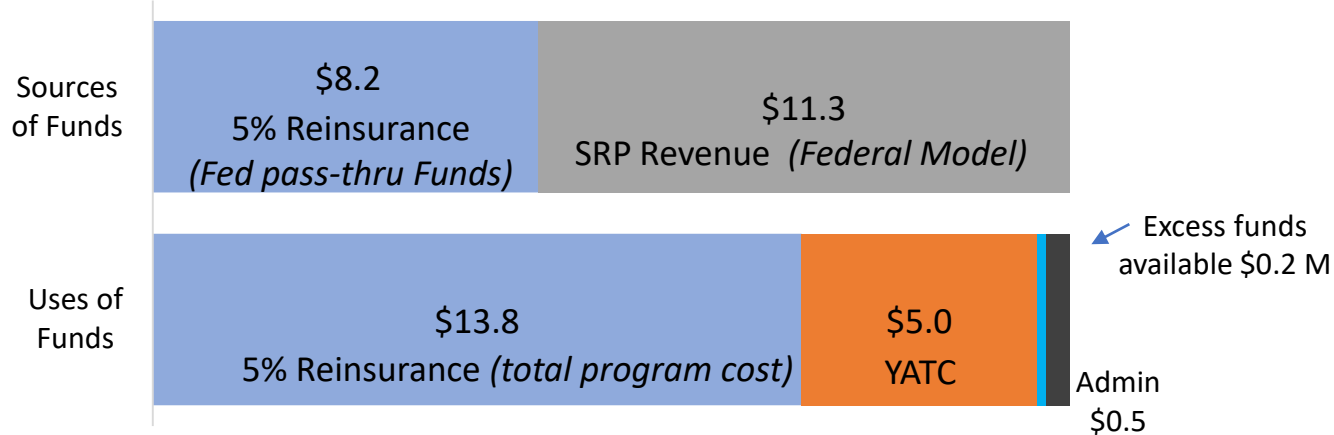


- Other Revenue Req'd: \$6.4 M
- SRP: Flat penalty cut in half
- Other Affordability Programs: Fund Young adult tax credit (YATC)

OPTIONS FOR 5% REINSURANCE PROGRAM

Option 5: Total Funds = \$19.5 M

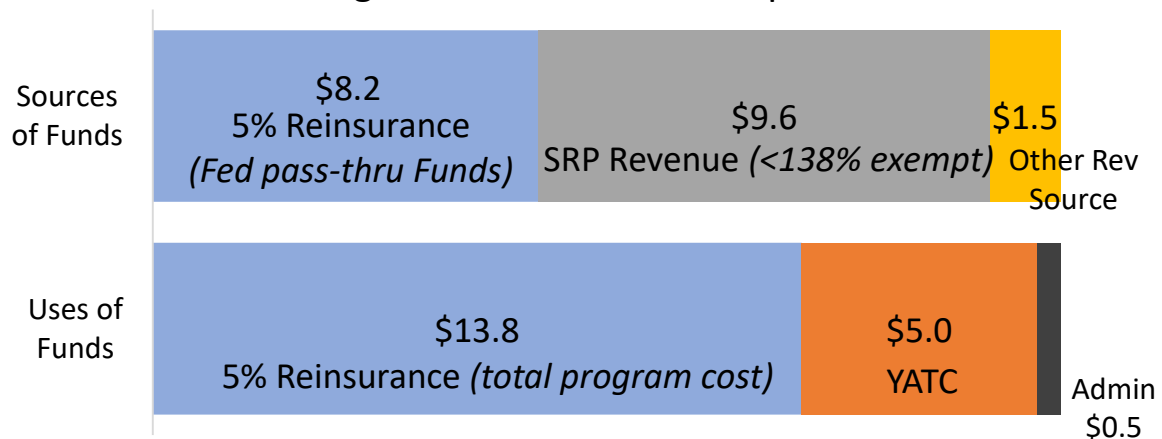
5% Reinsurance Program/ Fed Model SRP / YATC



- Other Revenue Required: NONE
- SRP: Federal structure
- Other Affordability Programs: Young adult tax credit (YATC)
- Excess funds of \$0.2 M may be available

Option 6: Total Funds = \$19.3 M

5% Reinsurance Program / <138% FPL Exempt SRP / YATC



- Other Revenue Required: \$1.5 M
- SRP: Under 138% FPL exempt
- Other Affordability Programs: Fund young adult tax credit (YATC)

DISCUSSION

- ❑ Are there additional options we should consider?
- ❑ Should we consider options that require alternative sources of funds?
 - ❑ If so, what type of assessment?
- ❑ Which option(s) best meet our market stability goals?

Do these options support the Workgroup's Guiding Principles:

(1) Sustain balanced risk pool; (2) Maintain attractive market, or; (3) Protect coverage gains achieved under the ACA?

NEXT STEPS AND UPCOMING MEETINGS

- How to combine options into a workable package?
- What have we not covered that you need to be comfortable making recommendations?

PUBLIC COMMENT?

THANK YOU



APPENDIX

UNIVERSE OF OPTIONS

Of 18 potential combinations - selected 6 to illustrate and discuss...

Option	Policy Choice			Use of Funds \$M				Source of Funds \$M			Total Funds	% Fed Funds
	Reinsurance Target	SRP Model	YATC?	Reinsurance	YATC	Admin	Excess Funds	Federal Pass-thru Reins Funds	SRP	Other Source		
➔ 1	10%	Fed Model	Yes	\$27.6	\$5.0	\$0.5		\$16.3	\$11.3	\$5.5	\$33.1	49%
➔ 2	10%	Fed Model	No	\$27.6		\$0.5		\$16.3	\$11.3	\$0.5	\$28.1	58%
3	10%	<138 Exempt	Yes	\$27.6	\$5.0	\$0.5		\$16.3	\$9.6	\$7.2	\$33.1	49%
4	10%	<138 Exempt	No	\$27.6		\$0.5		\$16.3	\$9.6	\$2.2	\$28.1	58%
5	10%	1/2 Flat Penalty	Yes	\$27.6	\$5.0	\$0.5		\$16.3	\$8.1	\$8.7	\$33.1	49%
6	10%	1/2 Flat Penalty	No	\$27.6		\$0.5		\$16.3	\$8.1	\$3.7	\$28.1	58%
7	8%	Fed Model	Yes	\$22.1	\$5.0	\$0.5		\$13.1	\$11.3	\$3.2	\$27.6	47%
8	8%	Fed Model	No	\$22.1		\$0.5	\$1.8	\$13.1	\$11.3	None	\$24.4	54%
9	8%	<138 Exempt	Yes	\$22.1	\$5.0	\$0.5		\$13.1	\$9.6	\$4.9	\$27.6	47%
➔ 10	8%	<138 Exempt	No	\$22.1		\$0.5	\$0.1	\$13.1	\$9.6	None	\$22.7	58%
➔ 11	8%	1/2 Flat Penalty	Yes	\$22.1	\$5.0	\$0.5		\$13.1	\$8.1	\$6.4	\$27.6	47%
12	8%	1/2 Flat Penalty	No	\$22.1		\$0.5		\$13.1	\$8.1	\$1.4	\$22.6	58%
➔ 13	5%	Fed Model	Yes	\$13.8	\$5.0	\$0.5	\$0.2	\$8.2	\$11.3	None	\$19.5	42%
14	5%	Fed Model	No	\$13.8		\$0.5	\$5.2	\$8.2	\$11.3	None	\$19.5	42%
➔ 15	5%	<138 Exempt	Yes	\$13.8	\$5.0	\$0.5		\$8.2	\$9.6	\$1.5	\$19.3	42%
16	5%	<138 Exempt	No	\$13.8		\$0.5	\$3.5	\$8.2	\$9.6	None	\$17.8	46%
17	5%	1/2 Flat Penalty	Yes	\$13.8	\$5.0	\$0.5		\$8.2	\$8.1	\$3.0	\$19.3	42%
18	5%	1/2 Flat Penalty	No	\$13.8		\$0.5	\$2.0	\$8.2	\$8.1	None	\$16.3	50%

SUMMARY OF SRP VARIATIONS

Variation	Expected Revenue \$M	Revenue Change from \$11.3 M	Description
Use federal model	\$11.3	N/A	<ul style="list-style-type: none"> No change
1. <138% Exemption	\$9.6	-\$1.7M	<ul style="list-style-type: none"> 100% reduction at lowest incomes (Medicaid level) No impact above 138%
2. Half Flat Amount	\$8.1	-\$3.3M	<ul style="list-style-type: none"> Phased impact 50+% reduction below 200% FPL No impact above 450%
3. No Flat Amount	\$6.8	-\$4.5M	<ul style="list-style-type: none"> Phased impact 80+% reduction below 150% FPL No impact above 450%
4. <138% Exemption + increase to 3.5%	\$11.2	-\$0.1	<ul style="list-style-type: none"> 100% reduction at lowest incomes (Medicaid level) Higher payments above 300% FPL

***Do these options support the Workgroup’s Guiding Principles:
(1) Sustain balanced risk pool; (2) Maintain attractive market, or; (3) Protect coverage gains achieved under the ACA?***

ALTERNATIVE OPTIONS FOR SRP

Levers Available:

- Income Based Exemption
- Flat Penalty Amount (\$695)
- % of Income Penalty Amount (2.5%)

Variations Modeled:

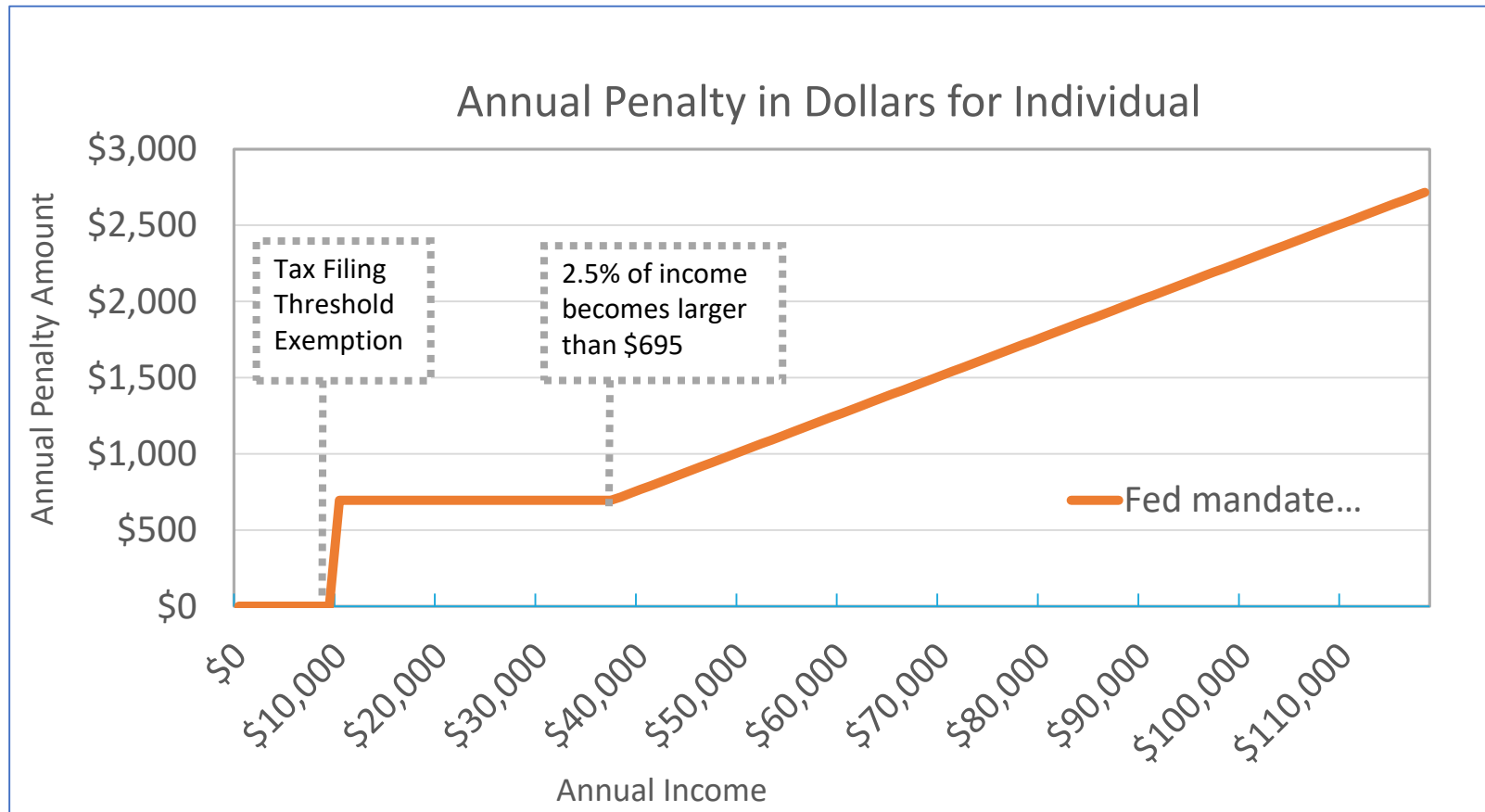
1. Exemption under 138% FPL
2. Flat Penalty Amount reduced by half (\$350)
3. Flat Penalty Amount eliminated (\$0)
4. Exemption under 138% FPL combined with increased income percentage to 3.5%

About the model:

- Developed by DOR using IRS and RI tax filing data.
- Aggregates 2016 filers into categories based on their family size and FPL
- Models a change by applying an estimate to each category
- See appendix for assumptions

FEDERAL PENALTY STRUCTURE (ending 12/31/18)

Larger of 1) \$695 per adult, or 2) 2.5% of income above filing threshold*



KEY EXEMPTIONS

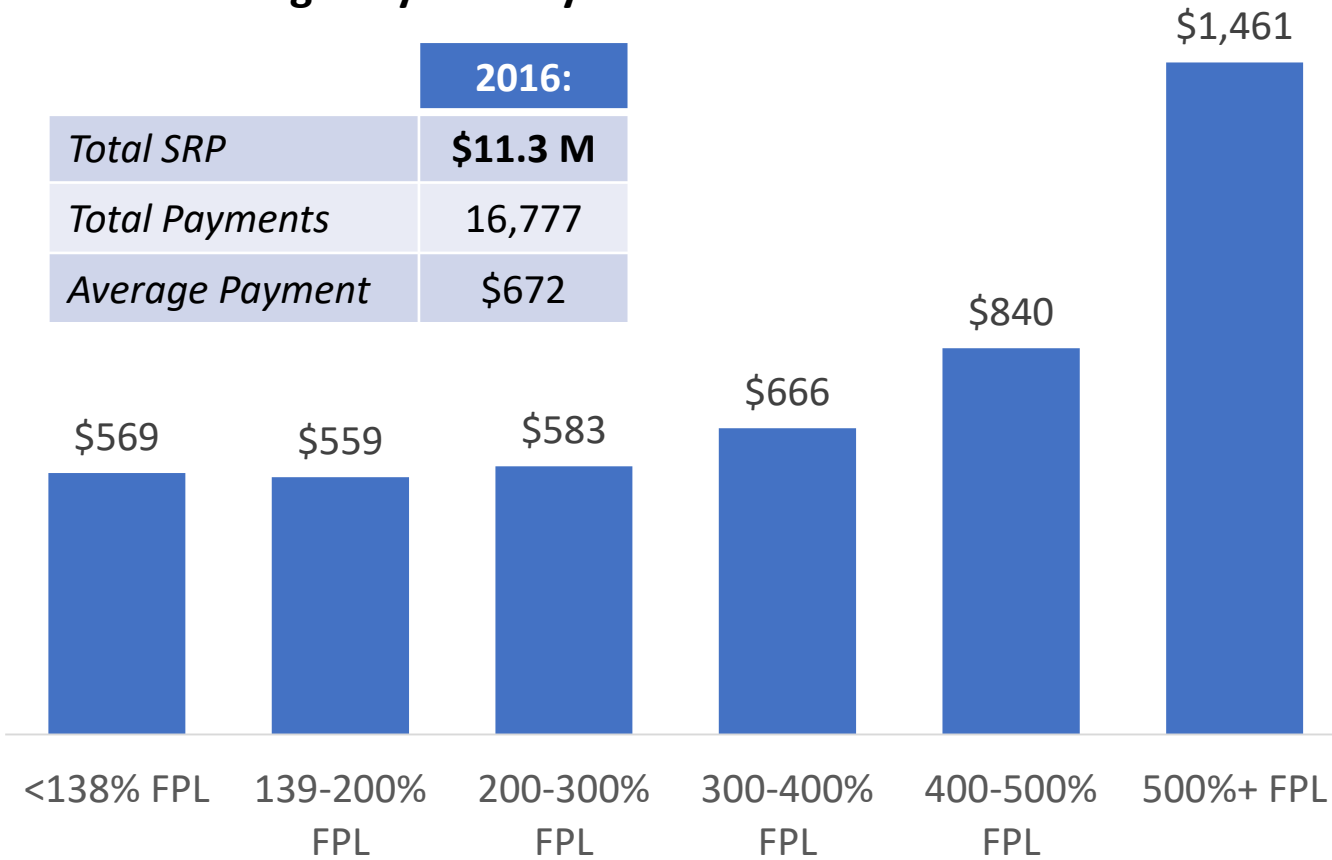
- **Income Exemption** if income below tax filing threshold
- **Affordability Exemption** if coverage costs more than 8.13% of income
- **Hardship Exemption** in case of bankruptcy, flood/fire, death in family, etc.

*Half dollar amount for children, and max per family is equivalent of 3 adults. Overall max set at bronze plan cost

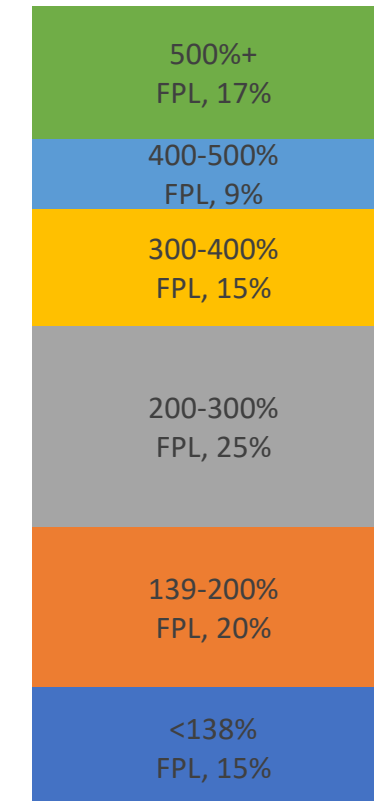
RI SHARED RESPONSIBILITY PAYMENTS: 2016

2016 Average Payment by FPL

	2016:
Total SRP	\$11.3 M
Total Payments	16,777
Average Payment	\$672



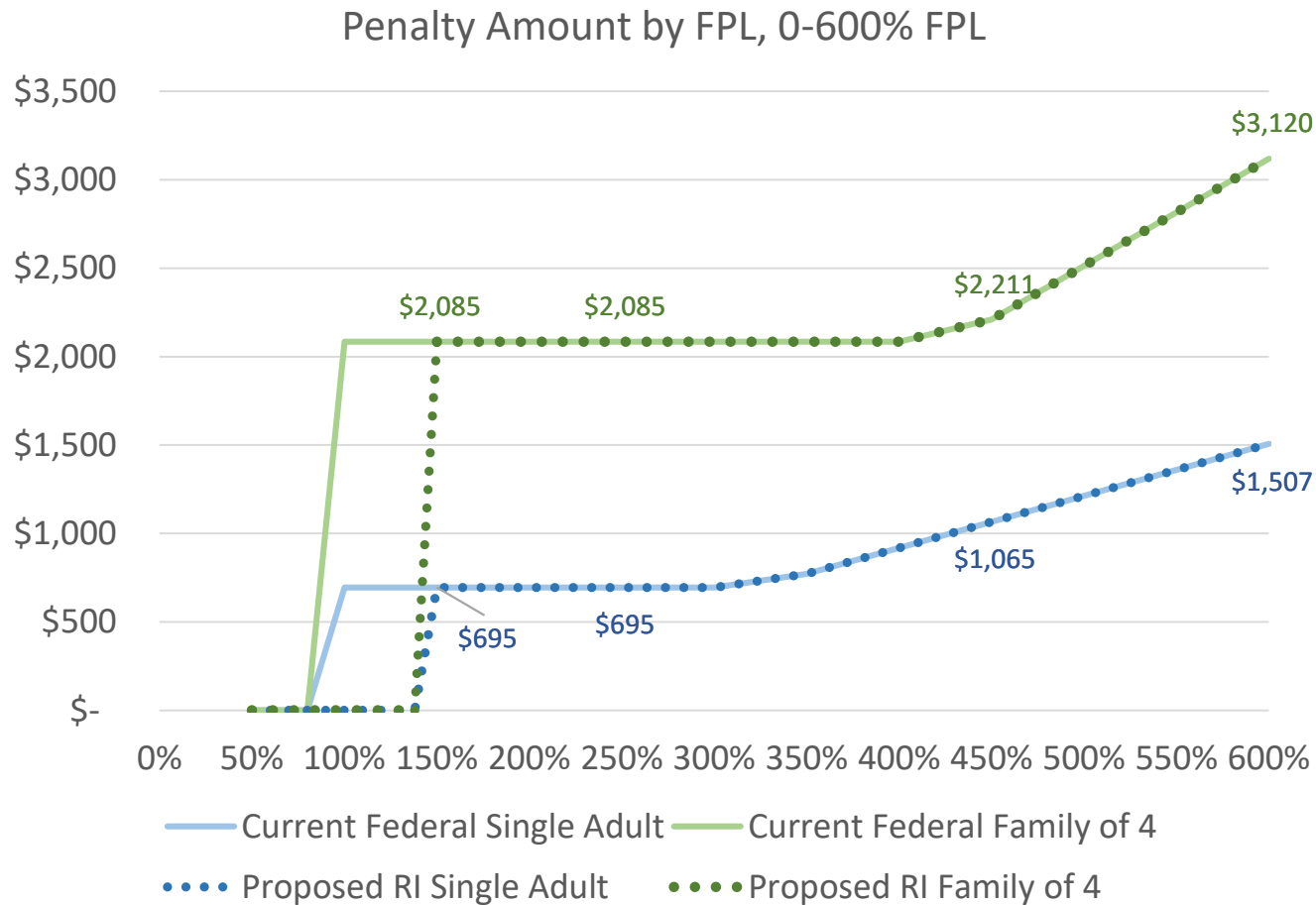
Share of Total Paid Amount by FPL



# Payments	<138% FPL	139-200% FPL	200-300% FPL	300-400% FPL	400-500% FPL	500%+ FPL
	2,993	4,027	4,840	2,467	1,177	1,274

% of 2016 SRP Paid Amount

VARIATION 1: EXEMPTION UNDER 138% FPL



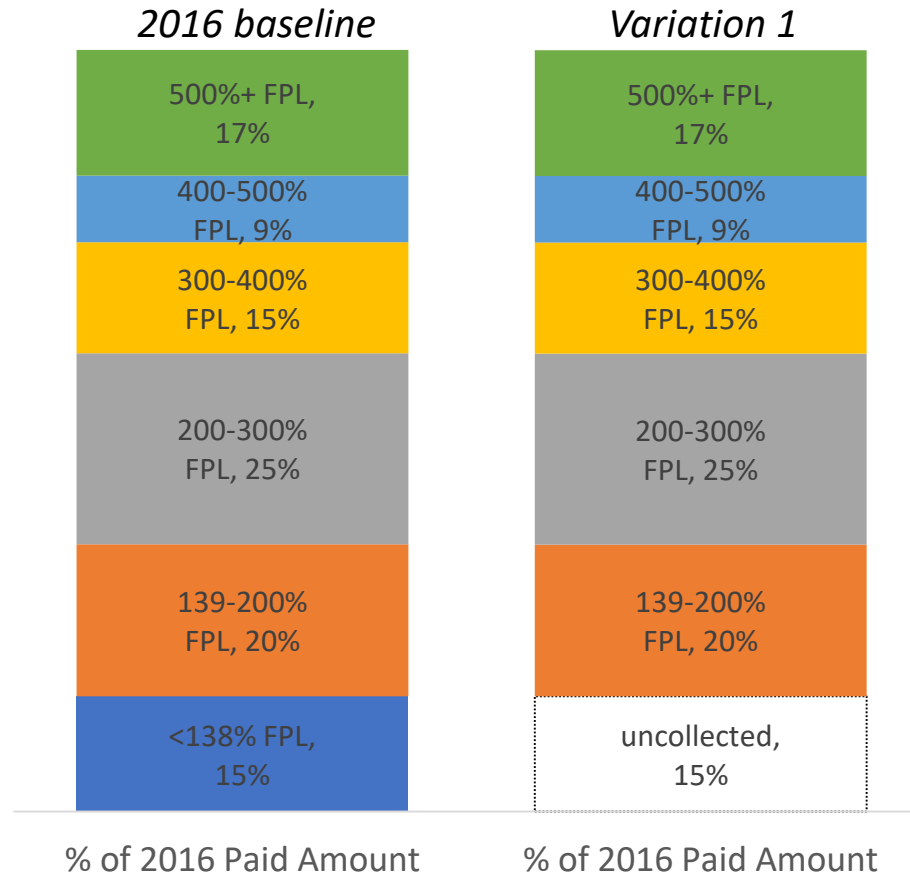
- Corresponds with Medicaid eligibility for most adults
- Many ought to be exempt via affordability exemption, but simplification may make it easier to avoid being penalized
- Estimated revenue reduction of \$1.7M
- 100% reduction at lowest income ranges. No impact above that
- Could be “revenue neutral” if the percentage were also increased to 3.5%

VARIATION 1: EXEMPTION UNDER 138% FPL

Payment by FPL: 2016 vs. Variation 1

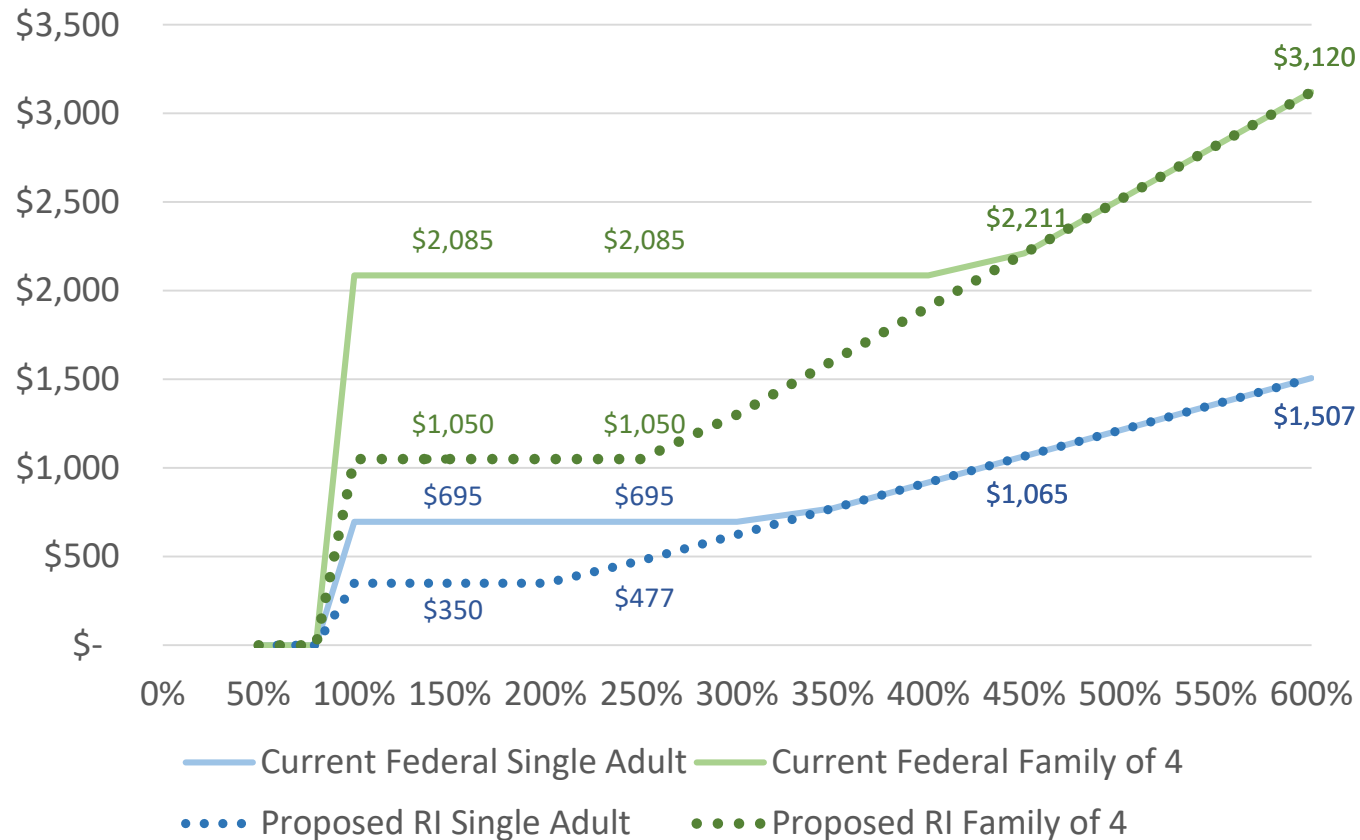
	2016:	Variation 1:	Difference
Total SRP	\$11.3 M	\$9.6 M	-\$1.7 M
Total Payments	16,777	13,784	-2,993
Average Payment	\$672	\$694	+\$22

Share of 2016 Paid Amount by FPL



VARIATION 2: CUT FLAT PENALTY AMOUNT IN HALF

Penalty Amount by FPL, 0-600% FPL



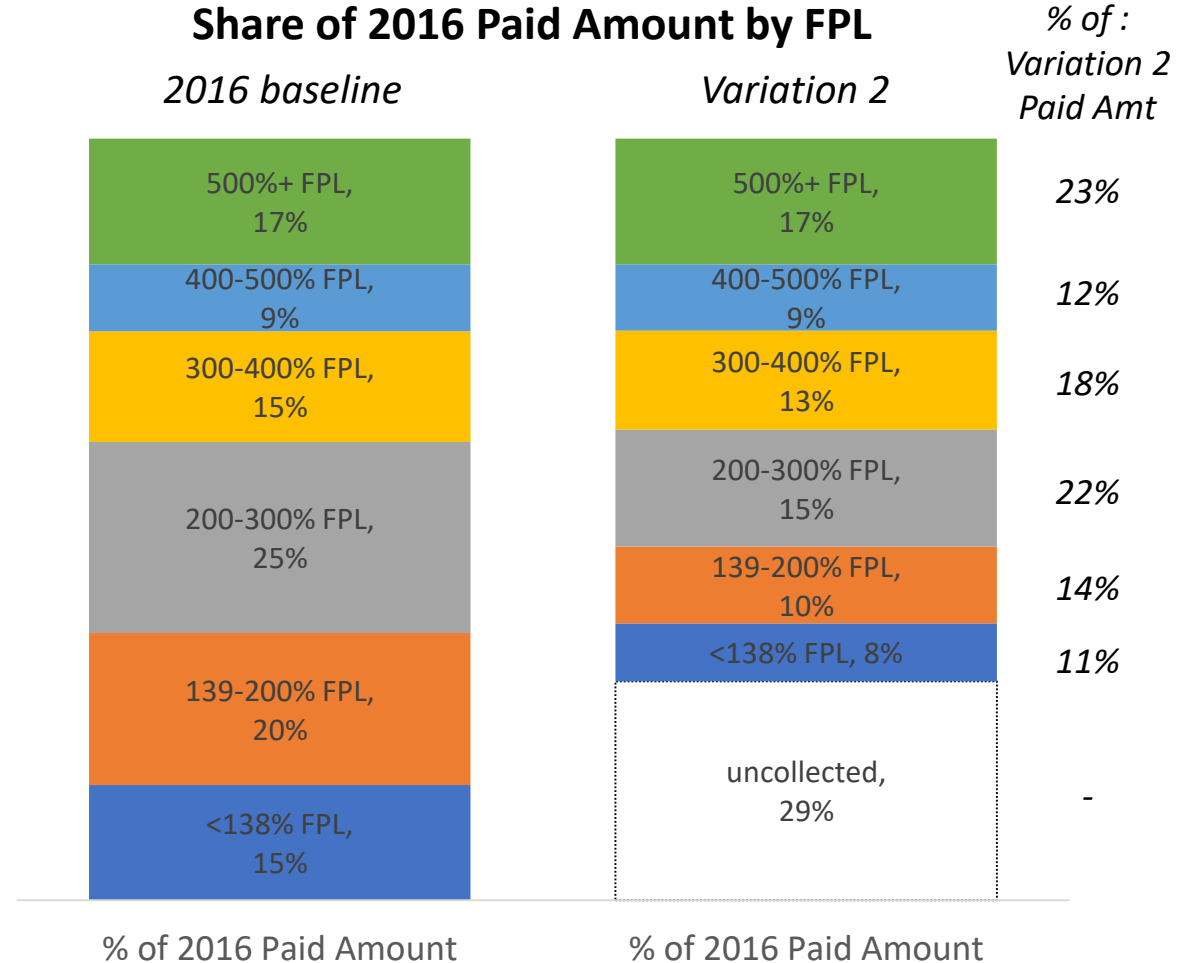
- Estimated revenue reduction of \$3.3M
- Impact largest at lowest income ranges—aggregate 50+% reduction below 200% FPL
- Modification phases out as income increases—aggregate 30-44% reduction for 200%-300% FPL
- No impact above 450% FPL
- Could be “revenue neutral” if the percentage were also increased to 3.9%

VARIATION 2: CUT FLAT PENALTY AMOUNT IN HALF

Payment by FPL: 2016 vs. Variation 2

	2016:	Variation 2:	Difference
Total SRP	\$11.3 M	\$8.1 M	-\$3.3 M
Total Payments	16,777	16,777	-
Average Payment	\$672	\$479	-\$193

Share of 2016 Paid Amount by FPL



Cost for RI Reinsurance Program: Three Factors

(1) Targeted Impact

State sets key parameters to accomplish desired impact

- Scalable, budget dependent
- Typical: 7-20%

(2) Total Program Cost

To be developed by actuaries, estimates based on key market characteristics

- Individual Market Size
- Premium Levels
- Market Volatility

(3) State Share

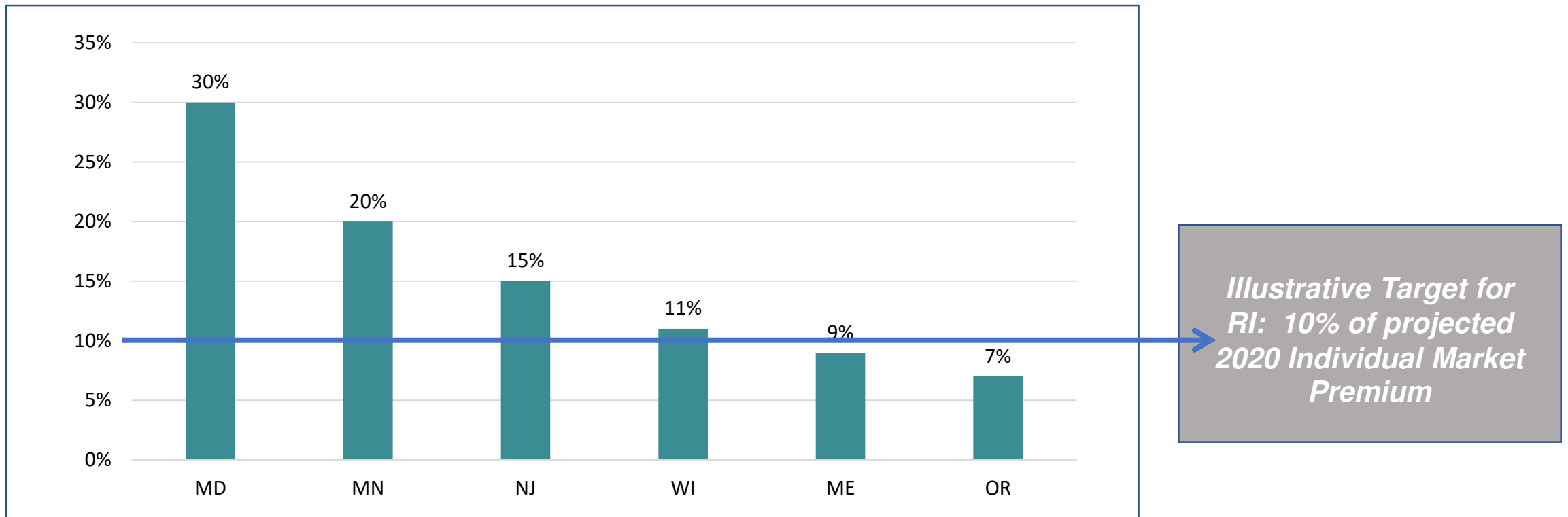
The 1332 Waiver allows RI to use APTC savings from reduced on-exchange premiums to fund the program

- Subsidized market as % of total market

Note: RI is in the process of contracting with an actuarial firm to provide detailed projections of total reinsurance program cost and anticipated federal pass-through funding from a 1332 Waiver.

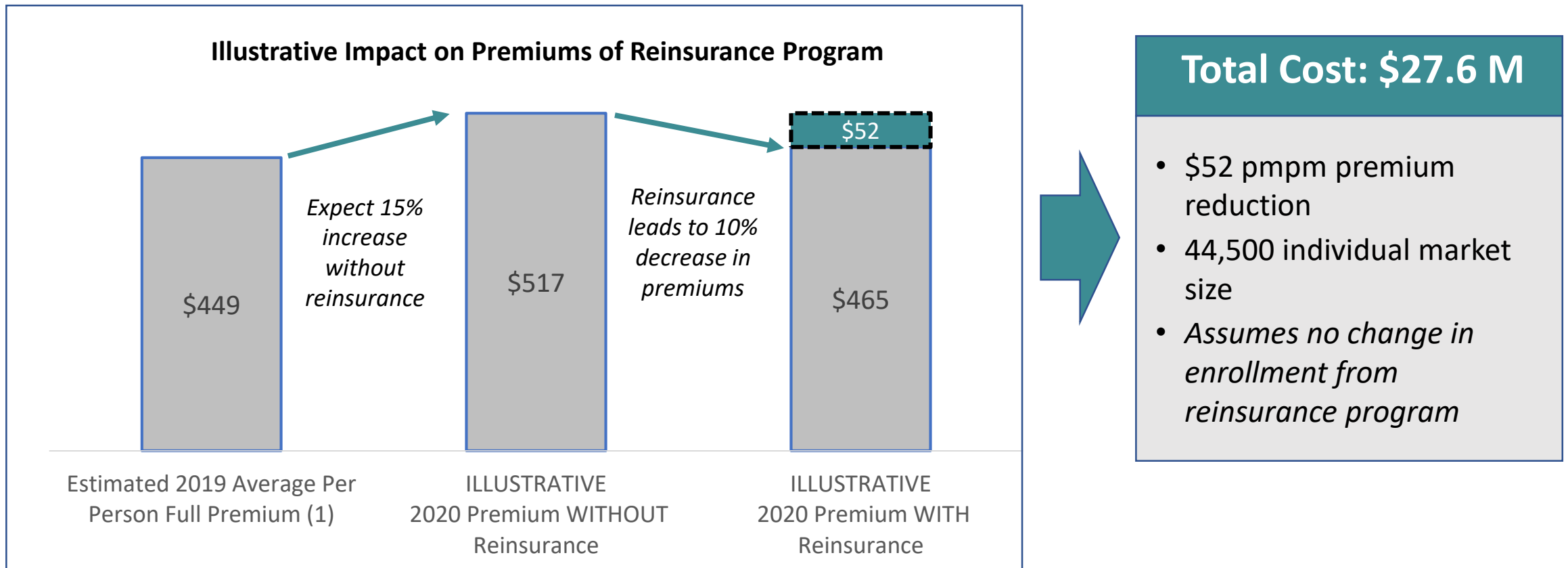
(1) Reinsurance Programs: Targeted Premium Impact by State

States with approved 1332 waivers have targeted between 7% and 30% premium impact from their reinsurance programs.



(2) Total Program Cost: Estimated \$27.6 Million

We estimate that in order to achieve a 10% premium impact in 2020 we would need to develop a reinsurance program that would cost an estimated \$27 M.



(1) This is estimate of on-exchange average premium based on 2019 rates and 2018 enrollment characteristics. Total individual market average premiums are slightly higher.

(3) State Share of Funds: Estimated \$11 M

The 1332 Waiver allows RI to use APTC savings from reduced on-exchange premiums to fund the reinsurance program.

\$27.6 M Total Program



Estimated \$16.3 M federal contribution to Reinsurance (59%)

- \$52 pmpm APTC reduction
- 26,000 subsidized enrollees
- *Likely that unsubsidized market enrollment will vary depending on premiums and other regulations*

Estimated \$11.2 M state share (41%)

- State must fund remainder

Reinsurance Program Funds \$M

Affordability Program Options Review

	Example 1	Example 2	Example 3
Target Population:	Low income populations APTC/CSR eligible	Unsubsidized Populations	Subsidy Eligible Young Adults APTC/CSR eligible
Description:	Supplemental premium subsidy or CSR	Premium rebate program /other premium subsidy	Supplemental premium subsidy
Benchmark States:	Massachusetts Vermont	Minnesota	Former Federal Proposal (Obama/Senator Baldwin)

Do these options support the Workgroup’s Guiding Principles:

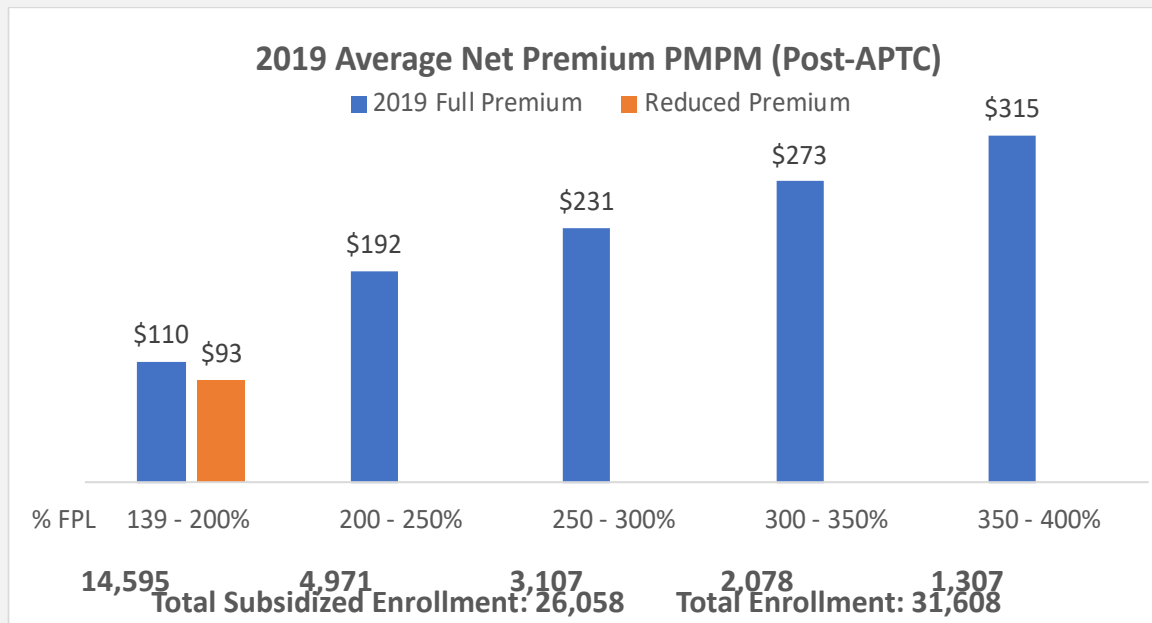
(1) Sustain balanced risk pool; (2) Maintain attractive market, or; (3) Protect coverage gains achieved under the

Example 1: Target Low Income Populations

(A) Target the lowest income bracket only

Reduce net premiums by 15% for 139 – 200% FPL segment

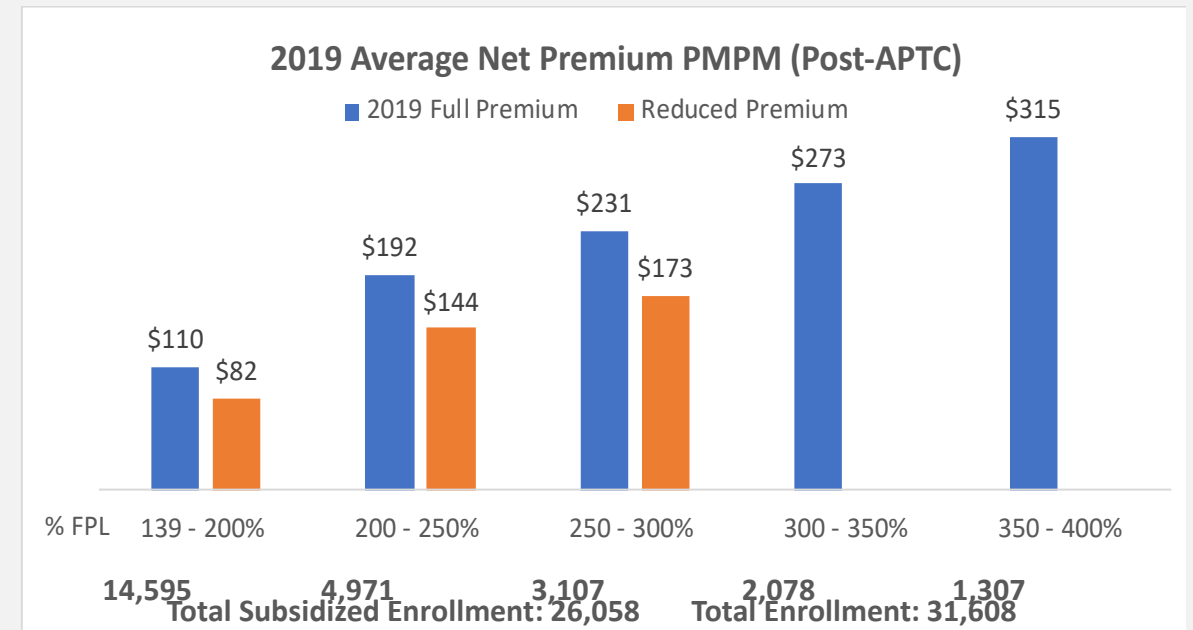
Est. Cost: \$2.9 Million



(B) Target the population up to 300% FPL

Reduce net premiums by 25% for 139 – 300% FPL segment

Est. Cost: \$9.8 Million



Funding estimates are based on 2018 HSRI enrollments, and do not consider take-up of uninsured in the target segment – added cost for increased take-up:

- **\$455,000** with 50% uninsured take-up (2,300 members; \$198 PMPY)
- **\$3.4 M** with 50% uninsured take-up (6,400 members; \$530 PMPY)

Note: 2019 Average Net Premiums shown are based on 2018 actual data, assuming no change in FPL or affordability standard for 2019 (consistent post-APTC premium for 2019)

Example 2: Target Unsubsidized Population

Minnesota Example

- Provide a **25%** premium rebate to **unsubsidized enrollees (400% FPL +)**

Estimated Cost: \$22.3 Million

Considerations

- MN's program was a one-year stop gap measure funded for 2017 only
 - Program was a response to dramatic 50 – 66% rate increases for 2017
 - In 2018, MN implemented a reinsurance program
-
- Note: Funding estimates are based on 2018 HSRI enrollments, and do not consider take-up of uninsured in the target segment. Added cost for increased take-up: **\$4.2 M** with 50% uninsured take-up (3,300 members; \$1,250 PMPY)
 - Note: the cost of this initiative is sensitive to annual rate increases - estimate shown is for 2019 based on a 9% average rate increase for 2019

Example 3: Target Subsidy Eligible Young Adults

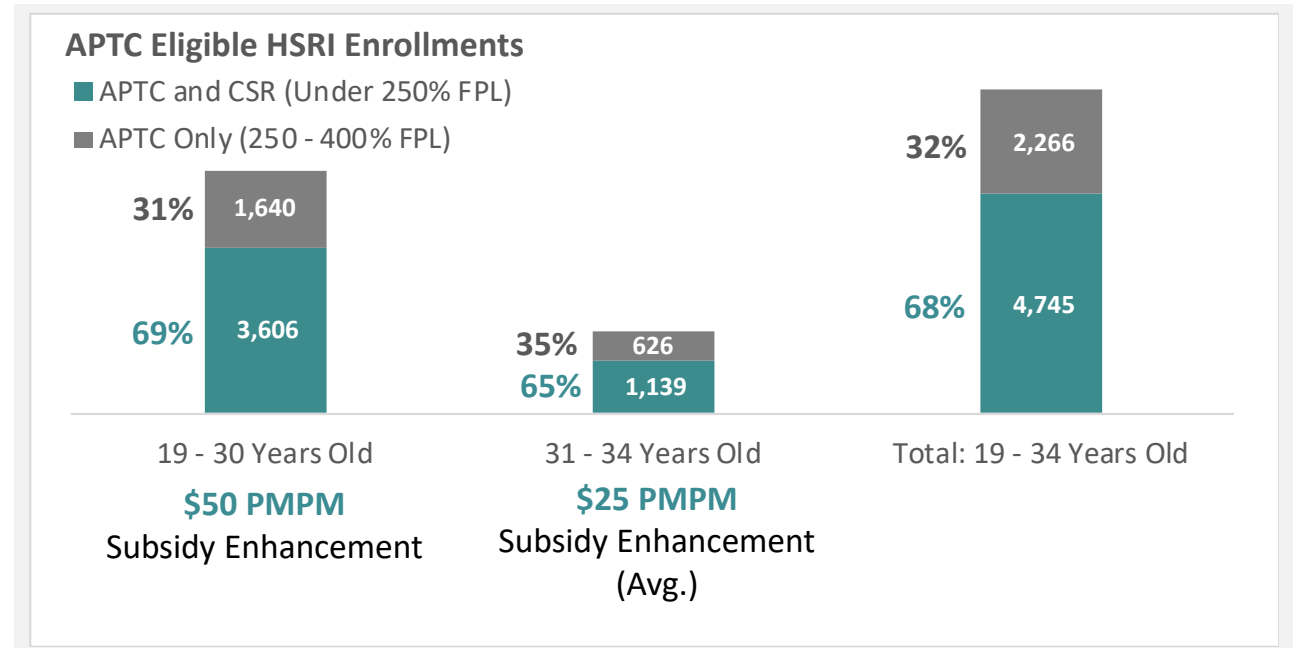
Obama Administration/ Senator Tammy Baldwin Proposal

- For APTC eligible **enrollees ages 19 - 30**, increase subsidy by **\$50 PMPM**
- For APTC eligible **enrollees ages 31 – 34**, increase subsidy **with sliding scale**, declining to \$0 at 35

Estimated Cost: \$3.7 Million*

Considerations

- Encourages young people to enroll
- Targeted: 26-35 year olds have high uninsured rate (11.4%)
- Younger people likely to be lower risk



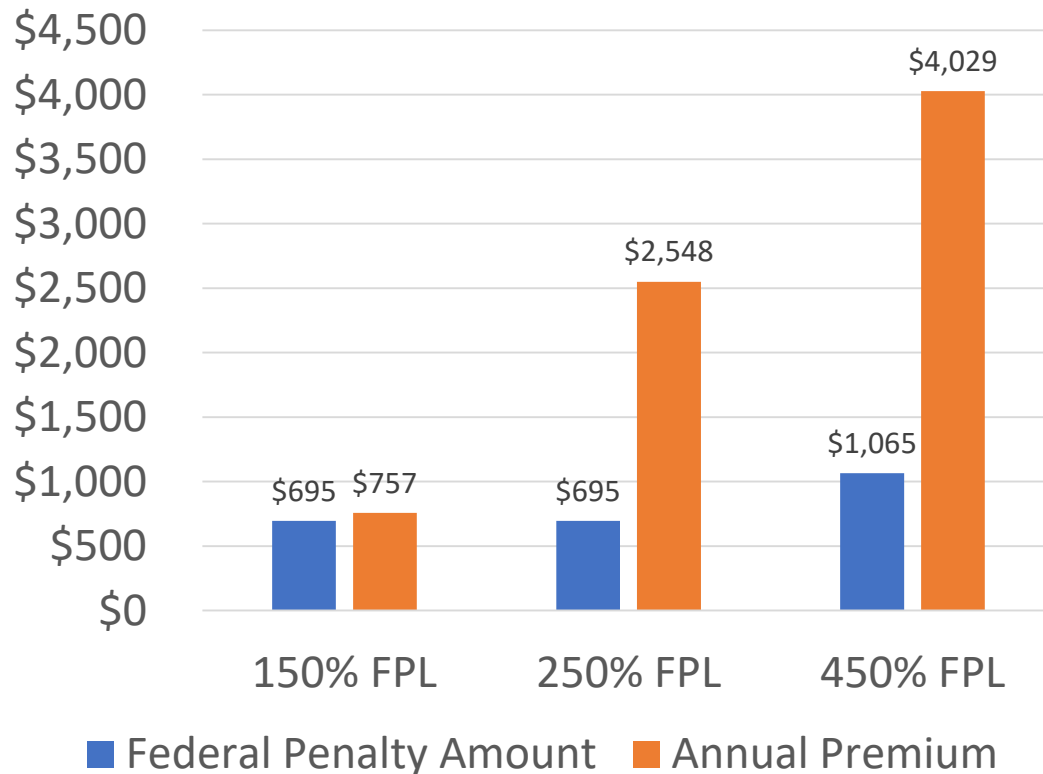
- * Preliminary estimate shown is based on total proposed premium enhancement; the total tax credit (APTC + enhancement) cannot exceed the cost of the SLCSP; does not consider the intersection of the SLCSP cost and the total enhanced tax credit at the member level (cost estimate is overstated)
- * Funding estimates are based on 2018 HSRI enrollments, and do not consider take-up of uninsured in the target segment – added cost for increased take-up: **\$2.3 M** with 50% uninsured take-up (4,300 members; \$527 PMPY)

Estimate for funding needed for 30% take-up = \$5 million. Used in Scenario Options shown here.

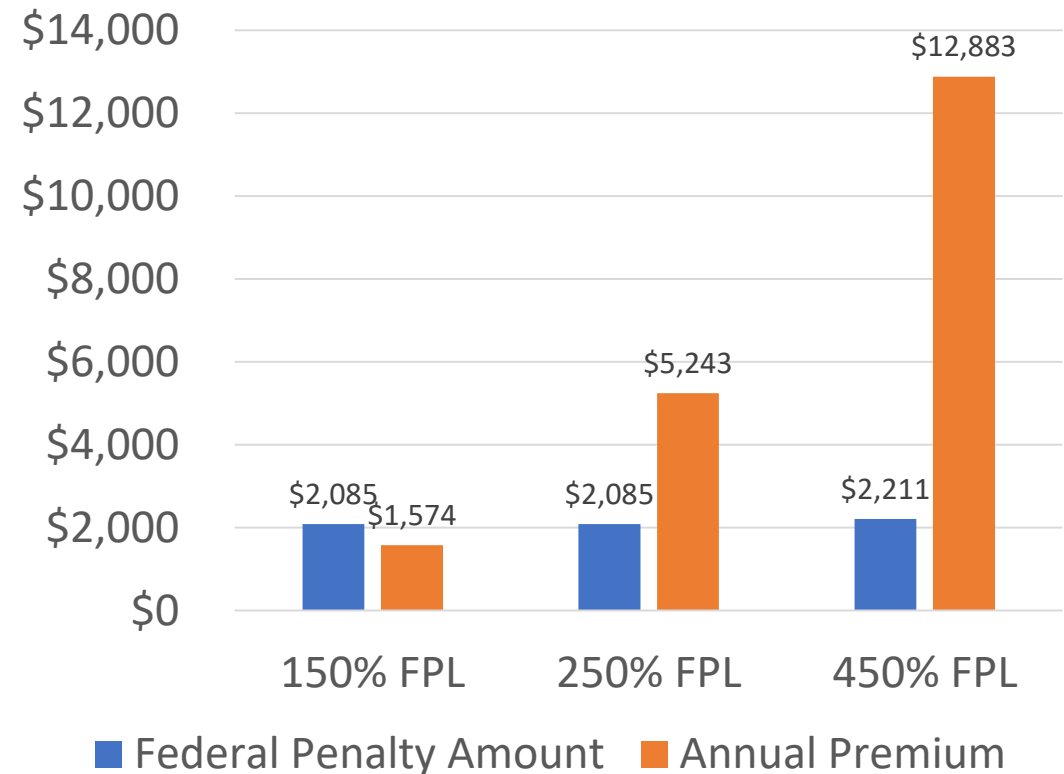
FEDERAL PENALTY AMOUNTS VS. ANNUAL PREMIUM

2019 benchmark plan, after APTC if eligible

Individual Age 40

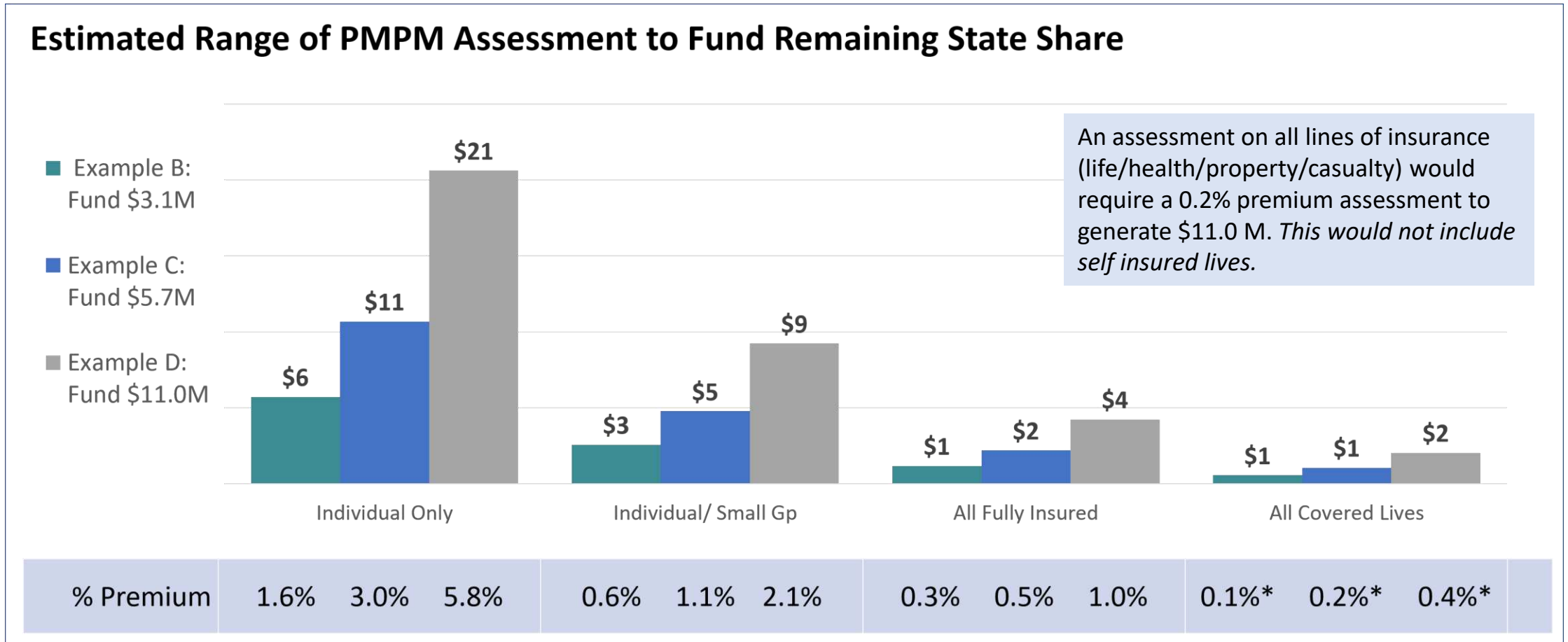


Family of 4, Age 40, 40, 12, and 8



Other Assessments: Who Pays?

The size of an assessment to raise funds in addition to SRP depends upon who pays.



*% Premium shown for all covered lives is illustrative and assumes similar premium rates to the fully insured market.

Source: PMPMs based on April 2018 OHIC enrolled lives report. % Premium based on 2017 Earned premiums from April 2018 carrier rate review filings.