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OFFICE OF THE
HEALTH INSURANCE COMMISSIONER
STATE OF RHODE ISLAND

MARKET STABILITY WORKGROUP 2.0

Meeting #6

Tuesday, December 11, 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 3rd
Meeting 2 **Reinsurance Financing Options**	Tuesday, October 16th
Meeting 3 **Affordability Programs in Addition to Reinsurance**	*Wednesday*, October 31st
Meeting 4 **Shared Responsibility Requirement**	Tuesday, November 13th
Meeting 5 **Wrap-Up/Opportunity for Follow-Up**	Tuesday, November 27th
Meeting 6 **Reaching Recommendations**	Tuesday, December 11th
Meeting 7 **Recommendations (*reserved if needed*)**	Tuesday, December 18th

TEN WEEK SYLLABUS

RI Market Stability Workgroup Schedule

Topic(s) for Discussion	Meeting Date
Break for the holidays	Mid-December – early January
Meeting 8 **Possible Codification of ACA Consumer and Market Protections**	Tuesday, January 8th
Meeting 9 **Legislative Recommendations**	Tuesday, January 22nd
Meeting 10 **Legislative Recommendations (*reserved if needed*)**	Tuesday, February 5th

TODAY'S AGENDA

1. **Actuarial Update**
2. **Follow-up Items from Previous Meetings**
3. **Reaching Recommendations**

Wakely

BEYOND THE NUMBERS

Reinsurance and 1332 Feasibility

December 11, 2018

PRESENTED BY

Matt Sauter, ASA, MAAA

Michael Cohen, PhD

Which States Benefit Most from a 1332

- Through a 1332 waiver, a state can receive the net Federal savings that result from lower premiums (and thus lower Advance Premium Tax Credit, or APTC, amounts) from a reinsurance program
- These "net savings" are referred to as a "pass-through". Pass-through funds can be used by the state to pay for the reinsurance program
- Some states will have a higher percent (pass-through rate) of Federal funding than others
- The primary driver of the pass-through rate is the portion of APTC enrollees in the market and how high the ATPC subsidy is on a per member per month (PMPM) basis

Feasibility Analysis for Rhode Island

- Wakely was retained to analyze the potential effects of a claims based reinsurance program on premiums for the year 2020 and the potential for a 1332 waiver, estimating the Federal pass-through amounts
- Wakely collected claims, enrollment, and premium data from Rhode Island issuers to create a baseline of the Rhode Island individual market
- Wakely also talked with Rhode Island issuers to gain qualitative insights into market dynamics

Rhode Island – Where we are now

- Average annual amounts for the entire Individual ACA market (all plans)
- Combined data from all Rhode Island issuers through August 2018
- 2018 average enrollment was adjusted for expected enrollment attrition throughout the year

Baseline	2017	2018	Change
Average Annual Enrollment			
Total Non-Group Enrollment	42,300	43,807	3.6%
Exchange Enrollment	29,385	31,666	7.8%
APTC Enrollment	23,375	26,179	12.0%
Non-APTC Exchange Enrollment	6,011	5,487	-8.7%
Off-Exchange Enrollment	12,914	12,141	-6.0%
Per Member Per Month (PMPM) Amounts			
Total Non-Group Premium PMPM	$383.46	$435.17	13.5%
APTC PMPM	$240.37	$305.49	27.1%
Total Annual Dollars			
Total Non-Group Premiums	$194,641,067	$228,762,613	17.5%
Total APTCs	$67,421,301	$95,968,219	42.3%

Key Assumptions for 2020 Baseline

- Enrollment scenarios[1] (impacts on premium & pass through)

Minimum Effect
- Minimal impact from recent statutory and regulatory changes (mandate repeal and RI mandate implementation have minimal impact)
- 2% enrollment decrease from 2018

KFF (Modified)

Moderate enrollment impact from the repeal of the individual mandate

Assumes new RI mandate stems enrollment decreases

5% enrollment decrease from 2018

OACT (Modified)
- Significant enrollment impact from the repeal of the individual mandate and other recent changes
- 16% enrollment decrease from 2018

- Premium increases
  - 2019 used the average of the filed rate increases (8.1%)
  - 2020 Wakely assumed slightly higher than trend increases (9% to 15%) due to morbidity differences and the return of the provider fee

[1] Minimum Effect Scenario – The mandate repeal has a minimal effect on enrollment.
KFF(Modified) – Kaiser survey where mandate repeal has a moderate effect on enrollment (modified to mute the impact).
OACT (Modified) – Relies on Office of the Actuary estimates the repeal has a substantial effect on enrollment – primarily on the unsubsidized enrollees.

Rhode Island – 2020 Baseline

- Given the regulatory and statutory uncertainty, multiple scenarios for the 2020 average annual amounts were estimated for the entire Individual ACA market (all plans)
- Below are the baseline enrollment/premium estimates, before reinsurance

Baseline	2018	2020 Minimum Effect	2020 KFF	2020 OACT
Average Annual Enrollment				
Total Non-Group Enrollment	43,807	42,711	41,617	36,767
Exchange Enrollment	31,666	31,325	30,481	27,858
APTC Enrollment	26,179	26,179	25,449	23,832
Non-APTC Exchange Enrollment	5,487	5,146	5,032	4,026
Off-Exchange Enrollment	12,141	11,386	11,135	8,908
Per Member Per Month (PMPM) Amounts				
Total Non-Group Premium PMPM	$435.17	$511.87	$518.24	$542.21
APTC PMPM	$305.49	$374.50	$380.74	$404.22
Total Annual Dollars				
Total Non-Group Premiums	$228,762,613	$262,350,654	$258,810,044	$239,225,406
Total APTCs	$95,968,219	$117,648,759	$116,274,182	$115,602,435

Scenarios for Reinsurance Impact

Three different total funding levels were also analyzed (i.e., includes both the Federal and Rhode Island portions of the funding)

- $13 million
- $21 million
- $26 million

Key Findings (Impact on Premiums)

- Different assumptions on the size of the individual market, health of the individual market, and the assessment used to fund the program results in a reinsurance program having different levels of effects
- Reductions in premiums are estimated to increase enrollment by 1% to 2% compared to the baseline
- Premium Impacts*:

Funding Level	$13 million	$21 million	$26 million
Minimal Impact	-5.2%	-8.3%	-10.3%
KFF	-5.2%	-8.4%	-10.4%
OACT	-5.6%	-9.1%	-11.3%

* The premium impacts represent how much lower premiums would be due to reinsurance relative to what they otherwise would have been. They do not show 2020 premium changes relative to 2019.

Key Findings (Funding)

- Different assumptions will also impact the estimated pass-through (Federal dollars)
- The greater the pass-through, the less state funding is needed
- Estimated Federal pass-through rates and needed state funding (in millions):

Funding Level	$13 million	$21 million	$26 million
Minimal Impact	60.7%	60.7%	60.6%
KFF	60.6%	60.5%	60.5%
OACT	64.0%	64.0%	64.0%

Funding Level	$13 million	$21 million	$26 million
Minimal Impact	$5.1 million	$8.3 million	$10.2 million
KFF	$5.1 million	$8.3 million	$10.3 million
OACT	$4.7 million	$7.6 million	$9.4 million

Alternative Scenarios (Impacts on Pass Through)

Various scenarios and factors can significantly impact these estimates. A few examples include:

- **CSR Spread**
  Starting in 2018, Silver premiums were increased to offset the government's defunding of CSRs. If CSR costs are spread across all metals, the pass through could decrease by around 7%.
- **Subsidized Member Changes**
  The proportion of subsidized (APTC) members could deviate from expectations due to a number of factors such as mandate repeal. Generally, a +/- 2% change in the percent of subsidized members results in an associated +/- 2% change in pass through.
- **Different 2020 SLCSP Premium Increase than Market**
  If premiums for the SLCSP differ by +/- 5% relative to estimated market average, the pass through will also vary by approximately +/- 3% (lower SLCSP, less pass-through and vice-versa).
- **Reinsurance Impact to SLCSP**
  It is possible that the impact of reinsurance for lower premium plans will be different than that of the market average. If the reinsurance impact to the SLCSP is +/- 2% relative to the market average, the pass through could change by +/- 12% to 24%.

Modeling Range and Best Estimates

Ultimately based on 2018 experience, carrier input, and current regulatory environment (e.g., Silver loading):

- Wakely estimates a pass through range of 60% to 64% assuming moderate assumptions
- However, the pass through estimates are extremely sensitive to various levers that could change the pass through significantly (more than 20%), which could increase needed state funding

Funding Level	$13 million	$21 million	$26 million
Premium Impact	-5.2% to -5.6%	-8.3% to -9.1%	-10.3% to -11.3%
Federal Pass-through	$7.9 to $8.3 million	$12.7 to $13.4 million	$15.7 to $16.6 million
Needed State Funding	$4.7 to $5.1 million	$7.6 to $8.3 million	$9.4 to $10.3 million
Federal Pass-through %	60.6% to 64.0%	60.5% to 64.0%	60.5% to 64.0%

Limitations and Next Steps

Estimates May Change

- ACA world forever changing
- Latest data and policy considerations should be updated before a waiver is submitted
- Operational implementation may influence results

Funding Uncertainty

- Ultimately the Federal Government (Treasury Department) calculates pass-through amounts
- Different assumptions by Treasury may alter actual amounts
- Wakely made assumptions on state funding amounts available but did not estimate mandate collections

Issuer Pricing

- Ultimately how issuers price reinsurance determines impact
- Understanding their concerns and considerations is paramount

Disclosures and Limitations

Responsible Actuary. Julie Peper and Matt Sauter are the actuaries responsible for this communication. They are Members of the American Academy of Actuaries and Fellows or Associates of the Society of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to issue this report. Michael Cohen, PhD, also contributed significantly to this report.

Intended Users. This information has been prepared for the State of Rhode Island to assess the feasibility and impact of a state-based reinsurance and 1332 waiver on the individual Affordable Care Act market in 2020.

Risks and Uncertainties. The assumptions and resulting estimates included in this report and produced by the modeling are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. Wakely does not warrant or guarantee that the state or the issues will attain the estimated values included in this report. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

Conflict of Interest. The responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying these analyses. In addition, Wakely is organizationally and financially independent of both the state of Rhode Island and the issuers affected by the program.

Data and Reliance. We have relied on others for data and assumptions used in the assignment. We have reviewed the data for reasonableness, but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly.

Subsequent Events. The analyses, assumptions and results may change based on discussions and if any new information is received that may influence the estimates. The 2020 benefit and payment parameters, any Federal or state regulatory or legislative changes, and other potential factors could impact the results significantly.

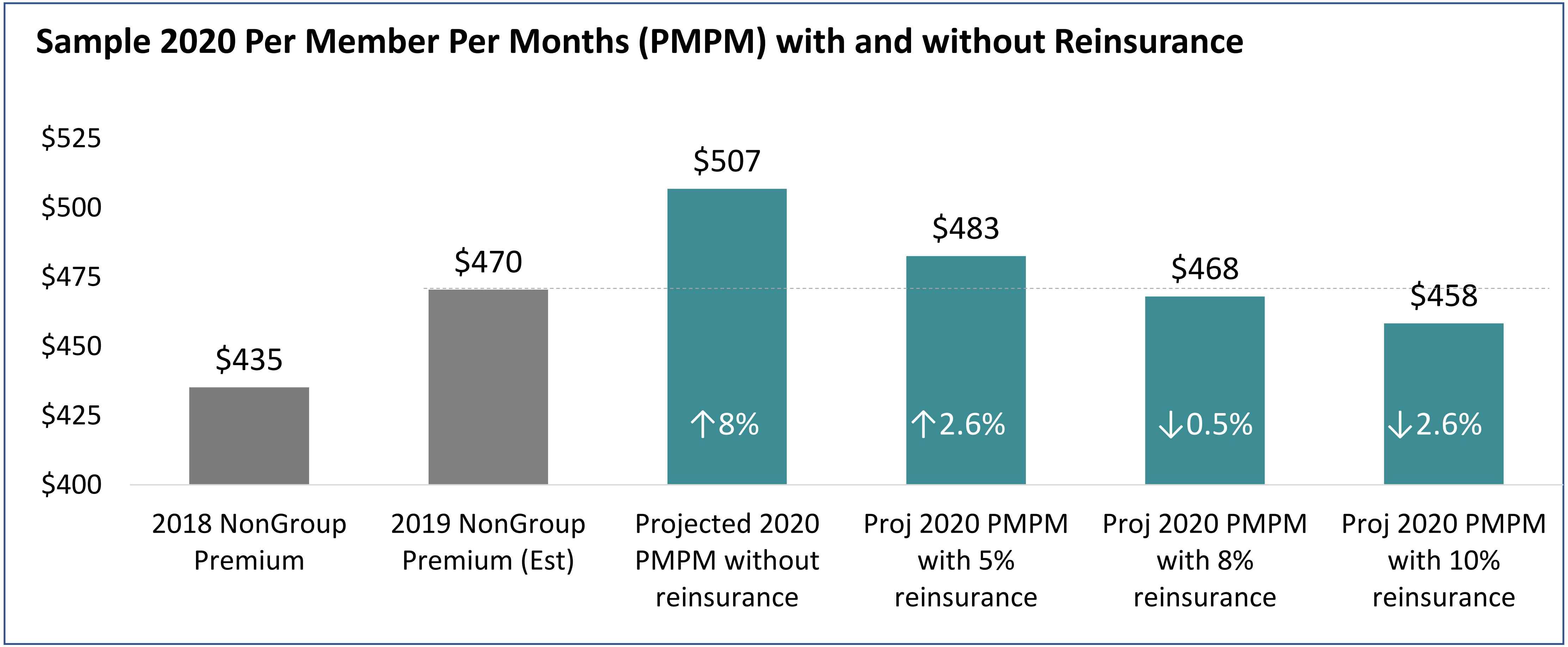
Contents of Actuarial Report. This document constitutes the entirety of actuarial communication and supersede any previous communications on the project.

Deviations from ASOPs. Wakely completed the analyses using sound actuarial practice. To the best of our knowledge, the report and methods used in the analyses are in compliance with the appropriate ASOPs with no known deviations. A summary of ASOP compliance will be included in the final report.

UPDATES SINCE OUR LAST MEETING

1. **Reinsurance in Context of Rate Scenarios**
2. **List of Exemptions Included in Appendix**
3. **Newest 1332 Guidance—Health Affairs summary was distributed**

ILLUSTRATIVE REINSURANCE EFFECT IN CONTEXT OF RATE INCREASE



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.

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?

HOW DID WE GET HERE?

Meeting Title	Information Covered
Meeting 1 **Regrouping: Workgroup "2.0" + Reinsurance Recap**	• Reinsurance Recap • Program Size in other states • Funding sources from other states
Meeting 2 **Reinsurance Financing Options**	• Premium impact, total cost, and state vs. federal share • Funding options—SRP, assessments narrow to broad, others • Assessments premium impact for partial/full funding
Meeting 3 **Affordability Programs in Addition to Reinsurance**	• RI uninsured characteristics • Affordability programs from other states • Cost of MA/VT subsidies, MN 400%+ subsidies, young adult subsidies
Meeting 4 **Shared Responsibility Requirement**	• Reasons for, effectiveness of, and structure of federal SRP • Impact of current federal SRP • 4 Variations with estimated revenue change and impact to payers
Meeting 5 **Wrap-Up/Opportunity for Follow-Up**	• Tax threshold changes, existing market assessments/taxes, RI premium tax • Different combinations of reinsurance, SRP, and affordability programs
Meeting 6 **Reaching Recommendations**	• Actuarial estimates for reinsurance • Updated scenarios

REACHING RECOMMENDATIONS

- In order to reach a consensus on recommendations, the following questions remain:
  1. Should the SRP structure include any additional exemptions, such as for income 138% FPL?
  2. Should there be an additional affordability program beyond reinsurance?
     - If yes, should it be “paid for” by reducing the size of reinsurance?
     - Or by finding additional revenue through an assessment?
- To that end, we’ve put together text of potential recommendations from this group
  - Aiming for agreement on policy recommendations which will inform cost estimates

POTENTIAL VERSIONS OF CORE WRITTEN RECOMMENDATIONS:

<table>
<tr><th></th><th>Version A</th><th>Version B</th><th>Version C</th></tr>
<tr><td>SRP</td><td colspan="3">• SRP should be implemented close to federal model,
  • with the addition of an exemption for those with incomes less than 138% of the Federal Poverty Level
  • with the addition of an exemption for those who were unable to obtain coverage due to a technical barrier.
• SRP revenue should be specifically designated for healthcare programs.</td></tr>
<tr><td>Additional Affordability Program</td><td>• [No additional affordability program]</td><td>• Additional affordability program
  • Targeting young adults to maximize support of guiding principles</td><td>• Additional affordability program
  • Targeting young adults to maximize support of guiding principles
  • Funded by an additional revenue source (general revenue or a premium assessment)</td></tr>
<tr><td>Reinsurance</td><td>• Reinsurance should be as meaningful as possible</td><td>• Reinsurance should be as meaningful as possible after funding an affordability program.</td><td>• Reinsurance should be as meaningful as possible</td></tr>
</table>

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

- Clearly define items for further discussion next week
- Reach final recommendations

PUBLIC COMMENT?

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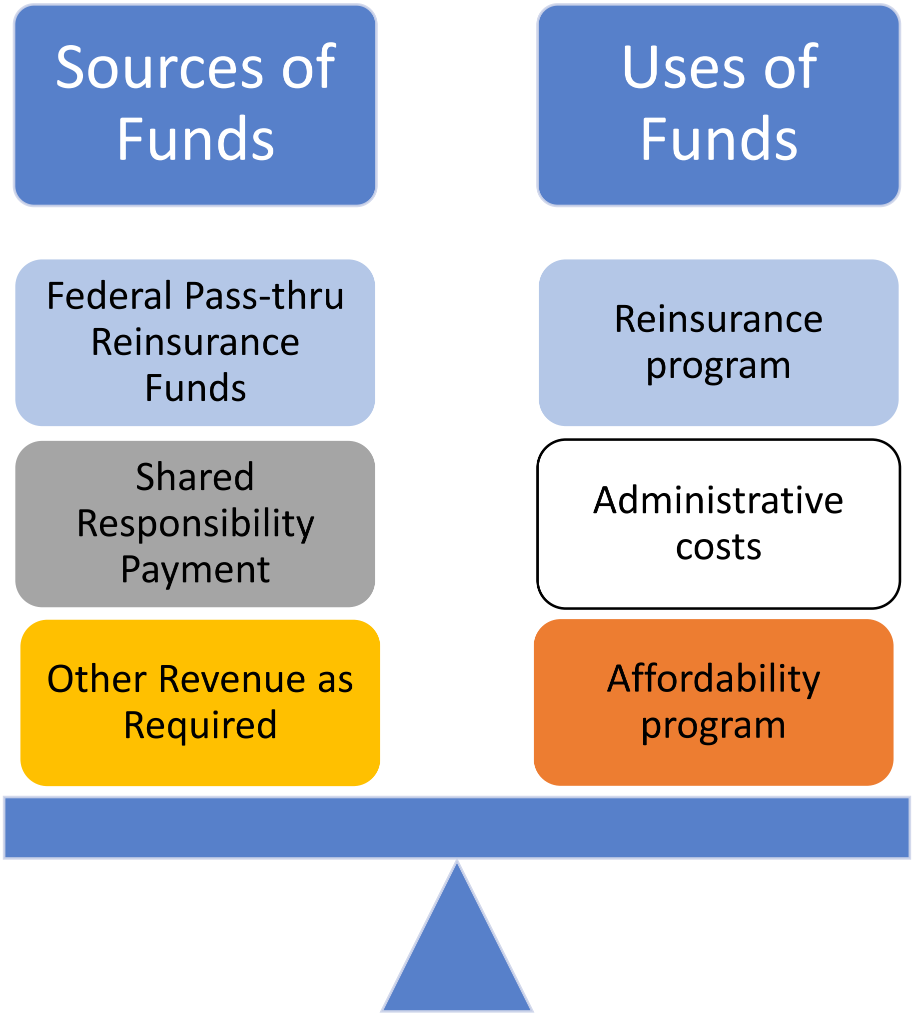
APPENDIX

OVERVIEW OF OPTIONS



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

SELECTED OPTIONS

Selected range of combinations to best illustrate tradeoffs for discussion.

	Policy Choice			Use of Funds $M				Source of Funds $M				
Option	Reinsurance Target	SRP Model	YATC?	Reinsurance	YATC	Admin	Excess Funds	Federal Pass-thru Reins Funds	SRP	Other Rev Source	Total Funds	*% Fed Funds*
1	10.3%	Fed Model	Yes	$26	$5.0	$0.5		$15.8	$11.3	$4.4	**$31.5**	*50%*
2	10.3%	Fed Model	No	$26		$0.5	$0.6	$15.8	$11.3	**None**	**$27.1**	*58%*
10	8.3%	<138 Exempt	No	$21		$0.5	$0.9	$12.8	$9.6	**None**	**$22.4**	*57%*
11	8.3%	1/2 Flat Penalty	Yes	$21	$5.0	$0.5		$12.8	$8.1	$5.6	**$26.5**	*48%*
13	5.2%	Fed Model	Yes	$13	$5.0	$0.5	$0.7	$7.9	$11.3	**None**	**$19.2**	*41%*
15	5.2%	<138 Exempt	Yes	$13	$5.0	$0.5		$7.9	$9.6	$1.0	**$18.5**	*43%*

UNIVERSE OF OPTIONS

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

	Policy Choice			Use of Funds $M				Source of Funds $M				
Option	Reinsurance Target	SRP Model	YATC?	Reinsurance	YATC	Admin	Excess Funds	Federal Pass-thru Reins Funds	SRP	Other Source	Total Funds	% *Fed Funds*
1	10.3%	Fed Model	**Yes**	$26	$5.0	$0.5		$15.8	$11.3	$4.4	**$31.5**	*50%*
2	10.3%	Fed Model	No	$26		$0.5	$0.6	$15.8	$11.3	None	**$27.1**	*58%*
3	10.3%	<138 Exempt	**Yes**	$26	$5.0	$0.5		$15.8	$9.6	$6.1	**$31.5**	*50%*
4	10.3%	<138 Exempt	No	$26		$0.5		$15.8	$9.6	$1.1	**$26.5**	*60%*
5	10.3%	1/2 Flat Penalty	**Yes**	$26	$5.0	$0.5		$15.8	$8.1	$7.6	**$31.5**	*50%*
6	10.3%	1/2 Flat Penalty	No	$26		$0.5		$15.8	$8.1	$2.6	**$26.5**	*60%*
7	8.3%	Fed Model	**Yes**	$21	$5.0	$0.5		$12.8	$11.3	$2.4	**$26.5**	*48%*
8	8.3%	Fed Model	No	$21		$0.5	$2.6	$12.8	$11.3	None	**$24.1**	*53%*
9	8.3%	<138 Exempt	**Yes**	$21	$5.0	$0.5		$12.8	$9.6	$4.1	**$26.5**	*48%*
10	8.3%	<138 Exempt	No	$21		$0.5	$0.9	$12.8	$9.6	None	**$22.4**	*57%*
11	8.3%	1/2 Flat Penalty	**Yes**	$21	$5.0	$0.5		$12.8	$8.1	$5.6	**$26.5**	*48%*
12	8.3%	1/2 Flat Penalty	No	$21		$0.5		$12.8	$8.1	$0.6	**$21.5**	*60%*
13	5.2%	Fed Model	**Yes**	$13	$5.0	$0.5	$0.7	$7.9	$11.3	None	**$19.2**	*41%*
14	5.2%	Fed Model	No	$13		$0.5	$5.7	$7.9	$11.3	None	**$19.2**	*41%*
15	5.2%	<138 Exempt	**Yes**	$13	$5.0	$0.5		$7.9	$9.6	$1.0	**$18.5**	*43%*
16	5.2%	<138 Exempt	No	$13		$0.5	$4.0	$7.9	$9.6	None	**$17.5**	*45%*
17	5.2%	1/2 Flat Penalty	**Yes**	$13	$5.0	$0.5		$7.9	$8.1	$2.5	**$18.5**	*43%*
18	5.2%	1/2 Flat Penalty	No	$13		$0.5	$2.5	$7.9	$8.1	None	**$16.0**	*49%*

ALTERNATIVE OPTIONS FOR SRP

Levers Available:

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

Variations Modeled:

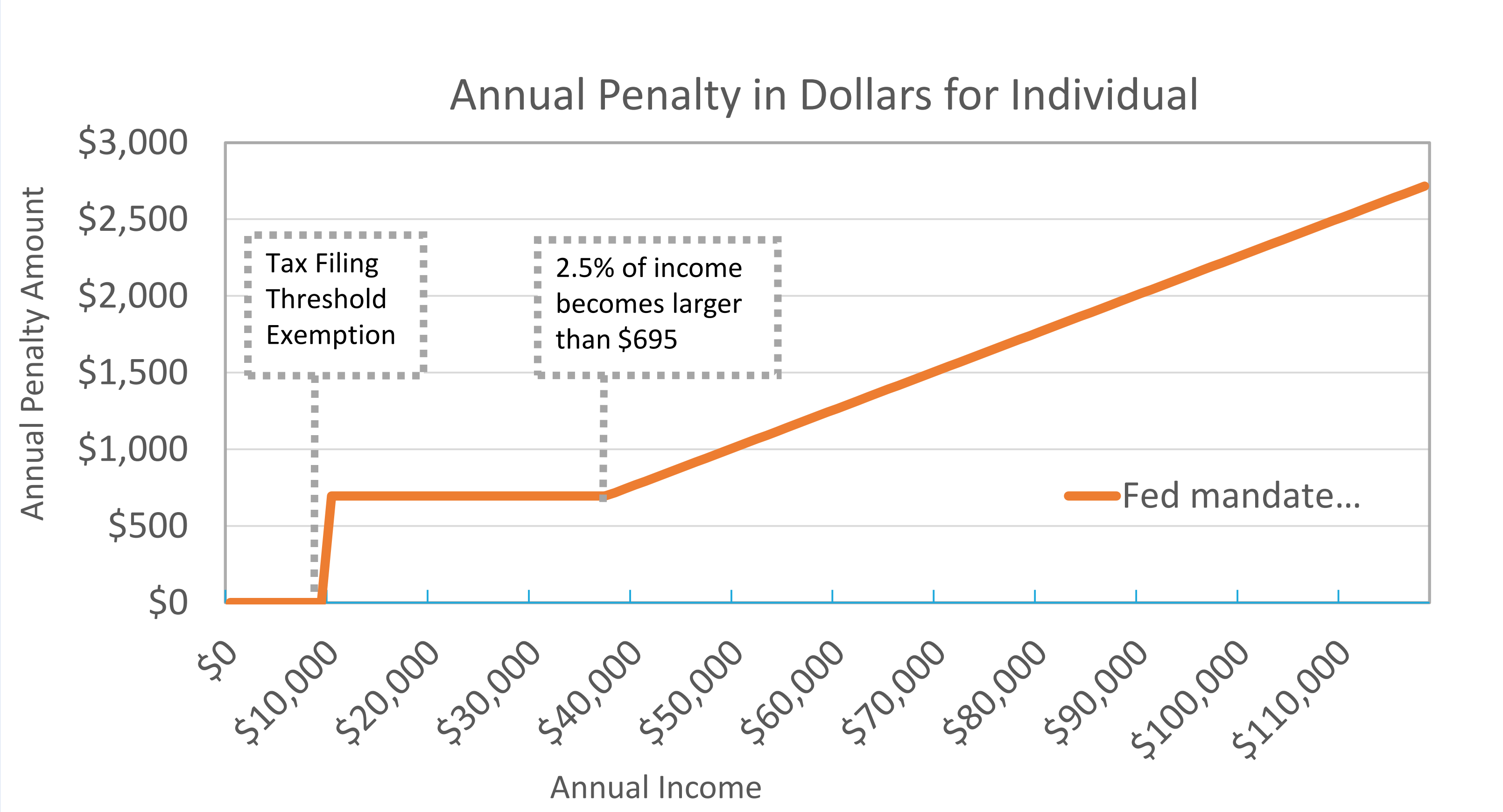
1. Exemption under 138% FPL
2. Flat Penalty Amount reduced by half ($350)
3. Flat Penalty Amount eliminated ($0)
4. Exemption under 138% FPL combined with increased income percentage to 3.5%

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*

Current Federal SRP Exemptions

Income Related Exemptions
Income is below the filing threshold
The cheapest available plan was unaffordable
Hardship Exemptions
You were homeless
You were evicted or were facing eviction or foreclosure
You received a shut-off notice from a utility company
You experienced domestic violence
You experienced the death of a family member
You experienced a fire, flood, or other natural or human-caused disaster that caused substantial damage to your property
You filed for bankruptcy
You had medical expenses you couldn't pay that resulted in substantial debt
You experienced unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member
You claim a child as a tax dependent who's been denied coverage for Medicaid and CHIP for 2017, and another person is required by court order to give medical support to the child. In this case you don't have to pay the penalty for the child.
As a result of an eligibility appeals decision, you're eligible for enrollment in a qualified health plan (QHP) through the Marketplace, lower costs on your monthly premiums, or cost-sharing reductions for a time period when you weren't enrolled in a QHP through the Marketplace in 2016
You had another hardship. If you experienced another hardship obtaining health insurance, describe your hardship and apply for an exemption.

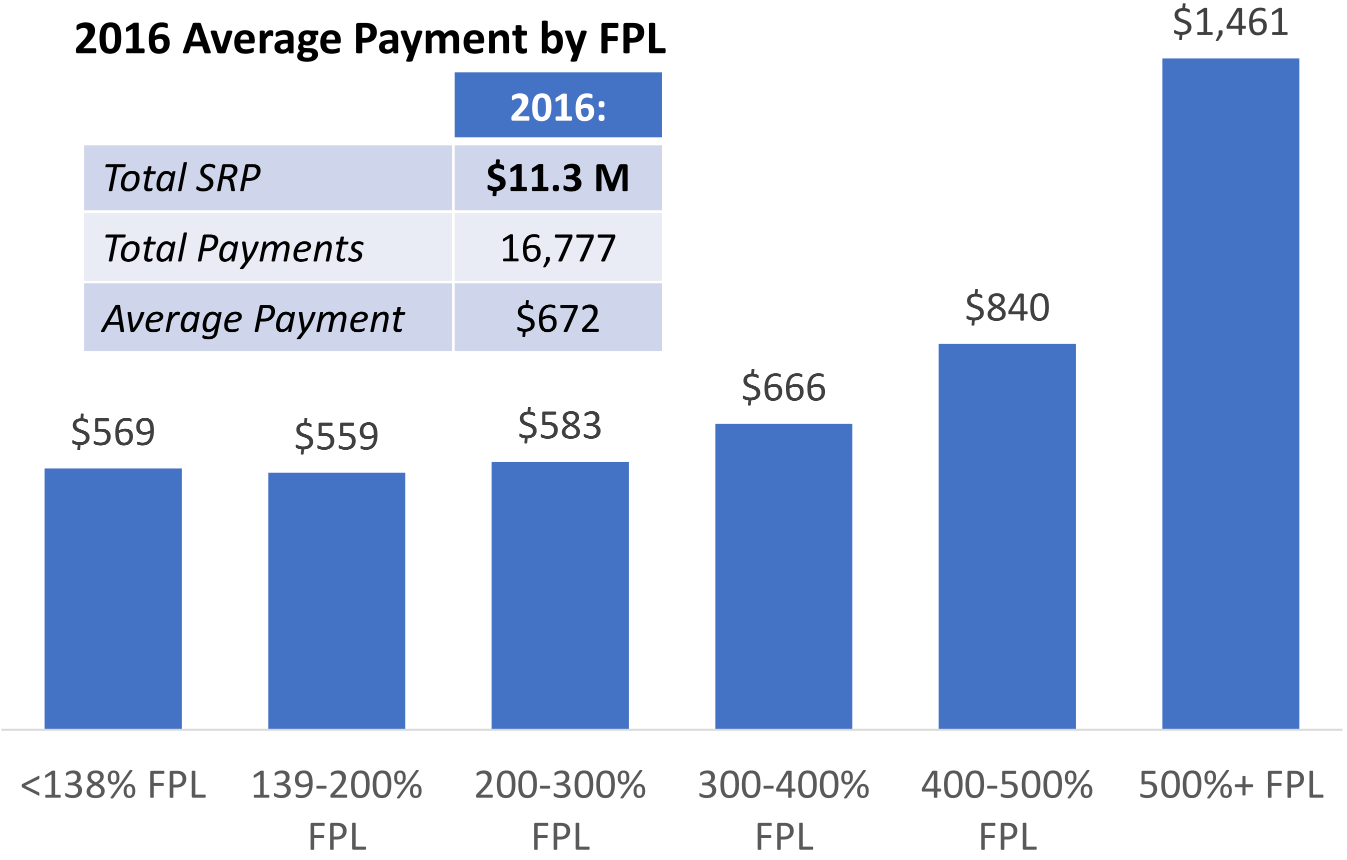
Health Coverage-Related Exemptions
You were uninsured for less than 3 consecutive months of the year.
You lived in a state that didn't expand its Medicaid program and your household income was below 138% of the federal poverty level.
Group Membership Exemptions
You're a member of a federally recognized tribe or eligible for services through an Indian Health Services provider.
You're a member of a recognized health care sharing ministry.
You're a member of a recognized religious sect with religious objections to insurance, including Social Security and Medicare. Application required.
Other Exemptions
You're incarcerated (serving a term in prison or jail).
You're a U.S. citizen living abroad, a certain type of non-citizen, or not lawfully present.
A member of your tax household was born or adopted during the year. This exemption applies only to the month of the event and the month before. You can claim this exemption only if you're also claiming another exemption.
A member of your tax household died during the year. This exemption applies only to the month of the death and the month before. You can claim this exemption only if you're also claiming another exemption.

Hardship Exemptions (Not Relevant In RI)
You were determined ineligible for Medicaid because your state didn't expand eligibility for Medicaid in 2017 under the Affordable Care Act
Your "grandfathered" individual insurance plan (a plan you've had since March 23, 2010 or before) was canceled because it doesn't meet the requirements of the Affordable Care Act and you believe other Marketplace plans are unaffordable

RI SHARED RESPONSIBILITY PAYMENTS: 2016

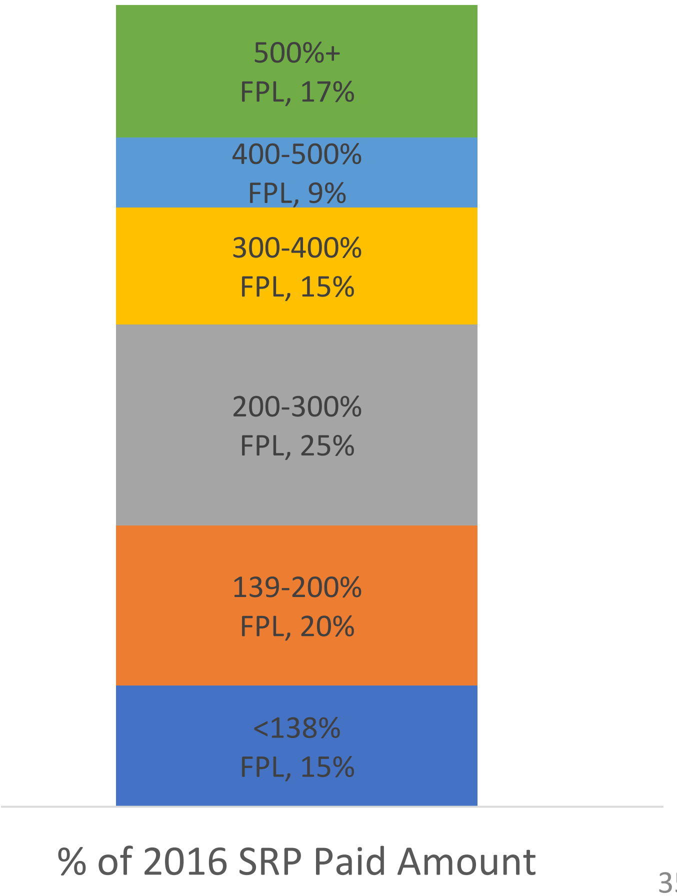
2016 Average Payment by FPL

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

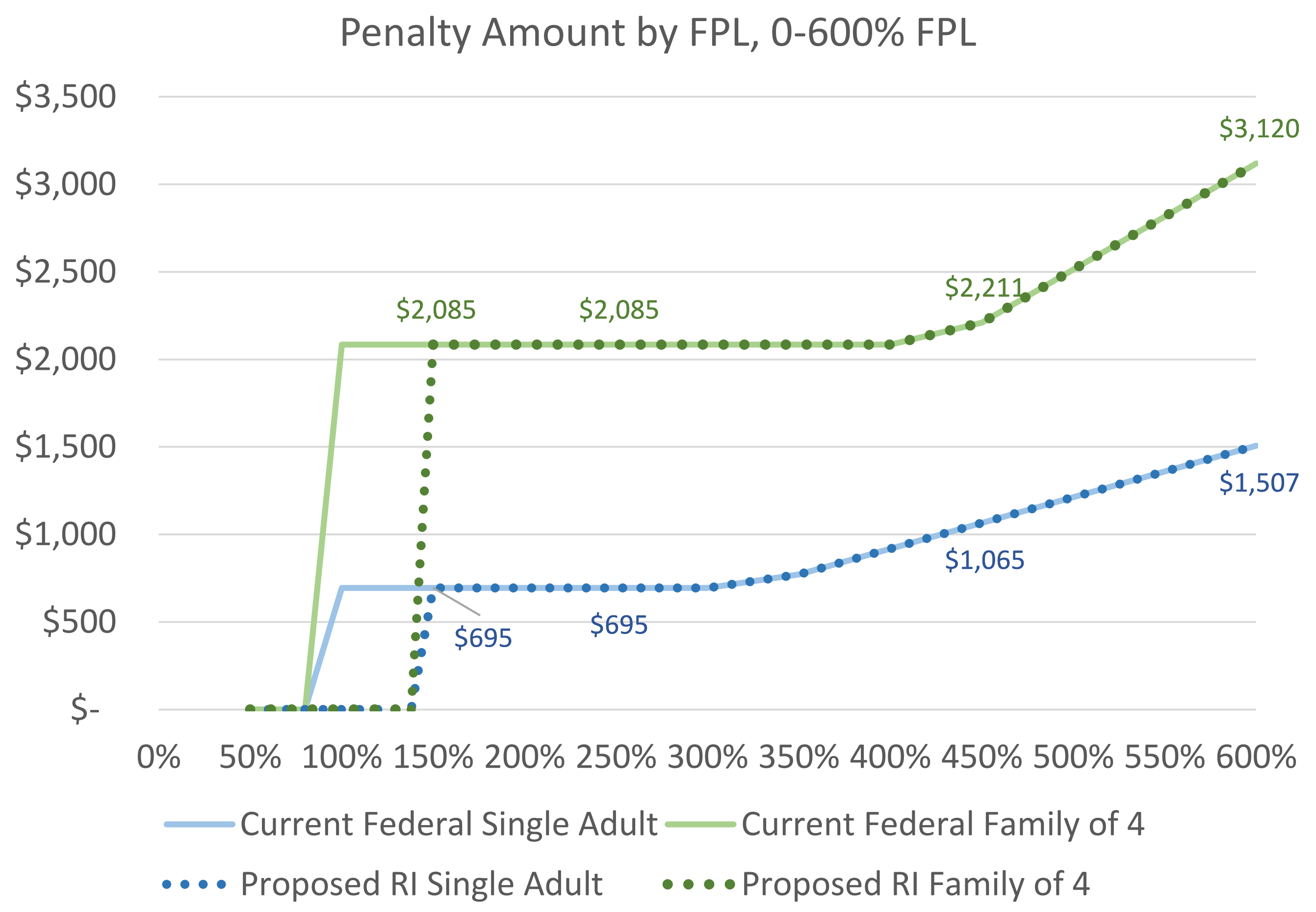


# Payments	2,993	4,027	4,840	2,467	1,177	1,274

Share of Total Paid Amount by FPL



VARIATION 1: EXEMPTION UNDER 138% FPL



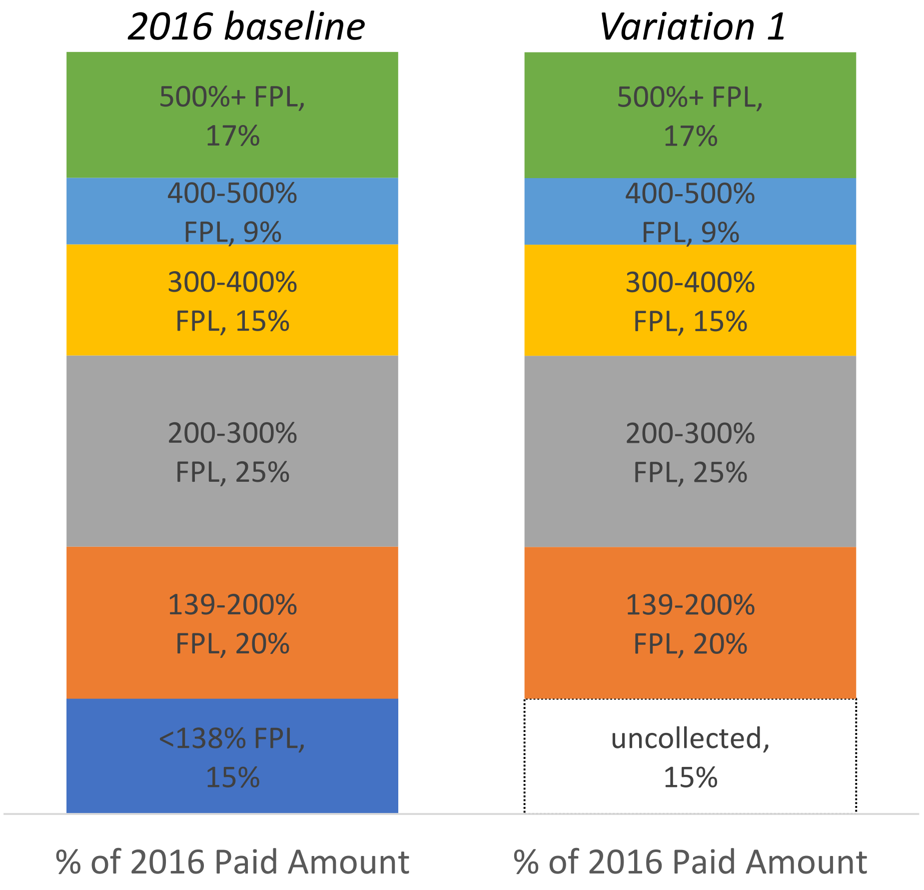
- Corresponds with Medicaid eligibility for most adults
- Many ought to be exempt via affordability exemption, but simplification may make it easier to avoid being penalized
- Estimated revenue reduction of $1.7M
- 100% reduction at lowest income ranges. No impact above that
- Could be “revenue neutral”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

VARIATION 1: EXEMPTION UNDER 138% FPL

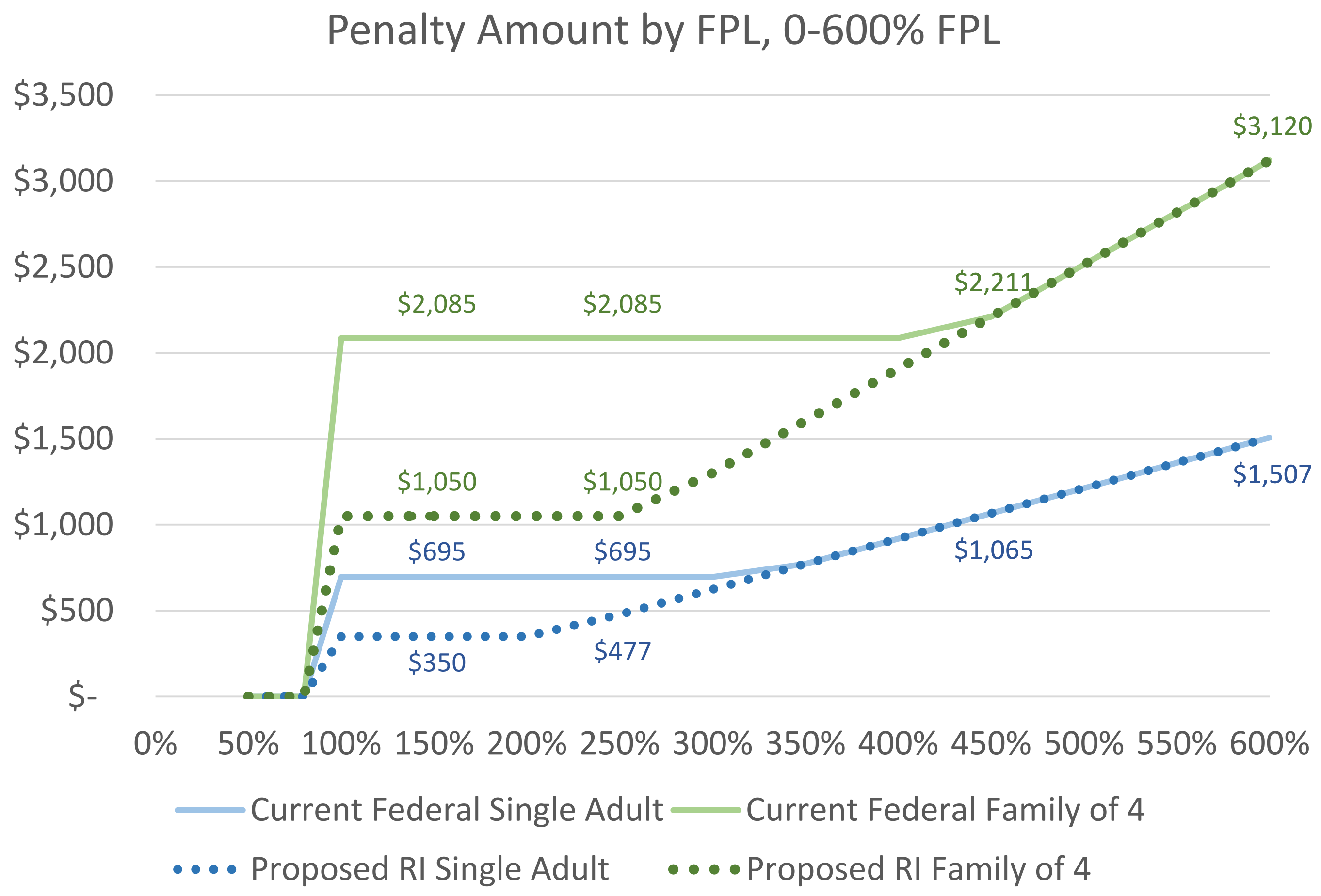
Payment by FPL: 2016 vs. Variation 1

	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



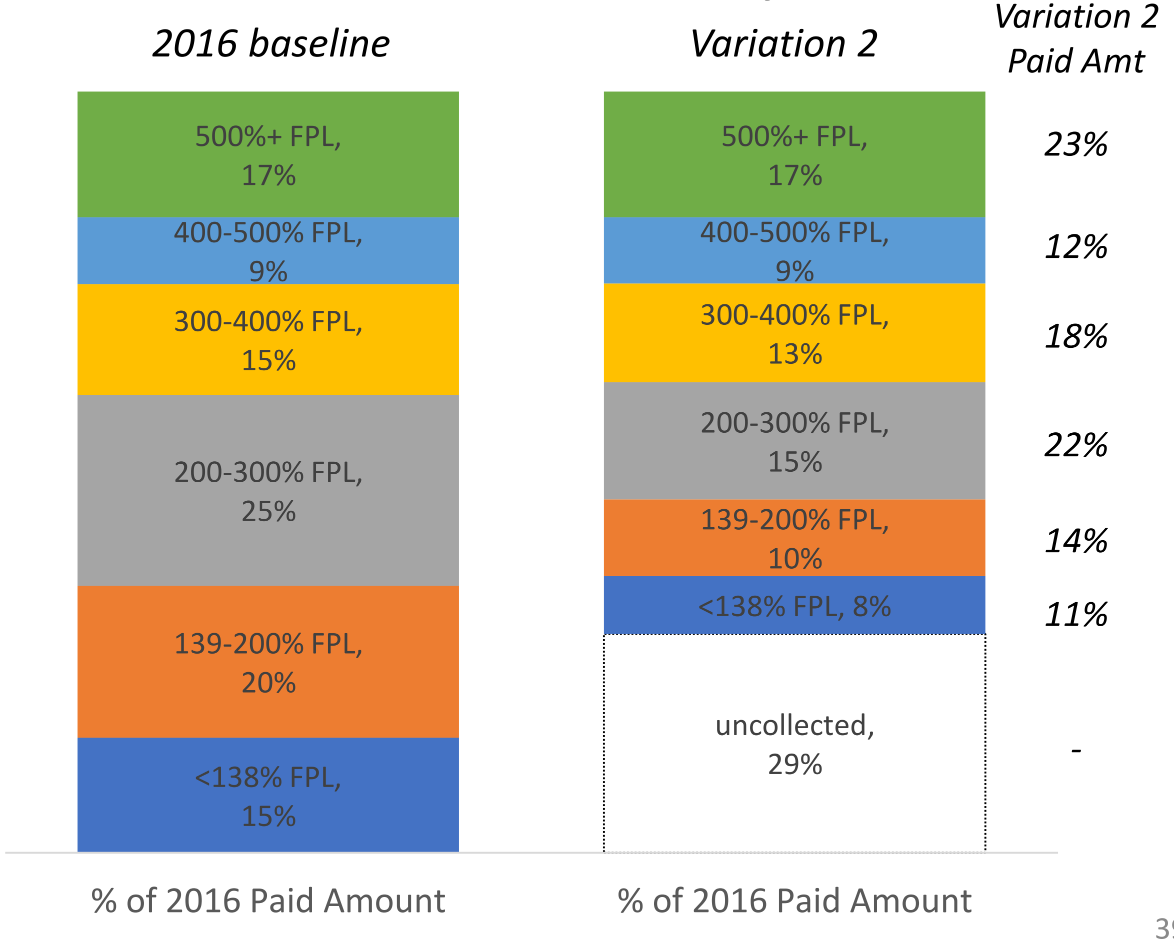
- Estimated revenue reduction of $3.3M
- Impact largest at lowest income ranges—aggregate 50+% reduction below 200% FPL
- Modification phases out as income increases—aggregate 30-44% reduction for 200%-300% FPL
- No impact above 450% FPL
- Could be “revenue neutral” if the percentage were also increased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

VARIATION 2: CUT FLAT PENALTY AMOUNT IN HALF

Payment by FPL: 2016 vs. Variation 2

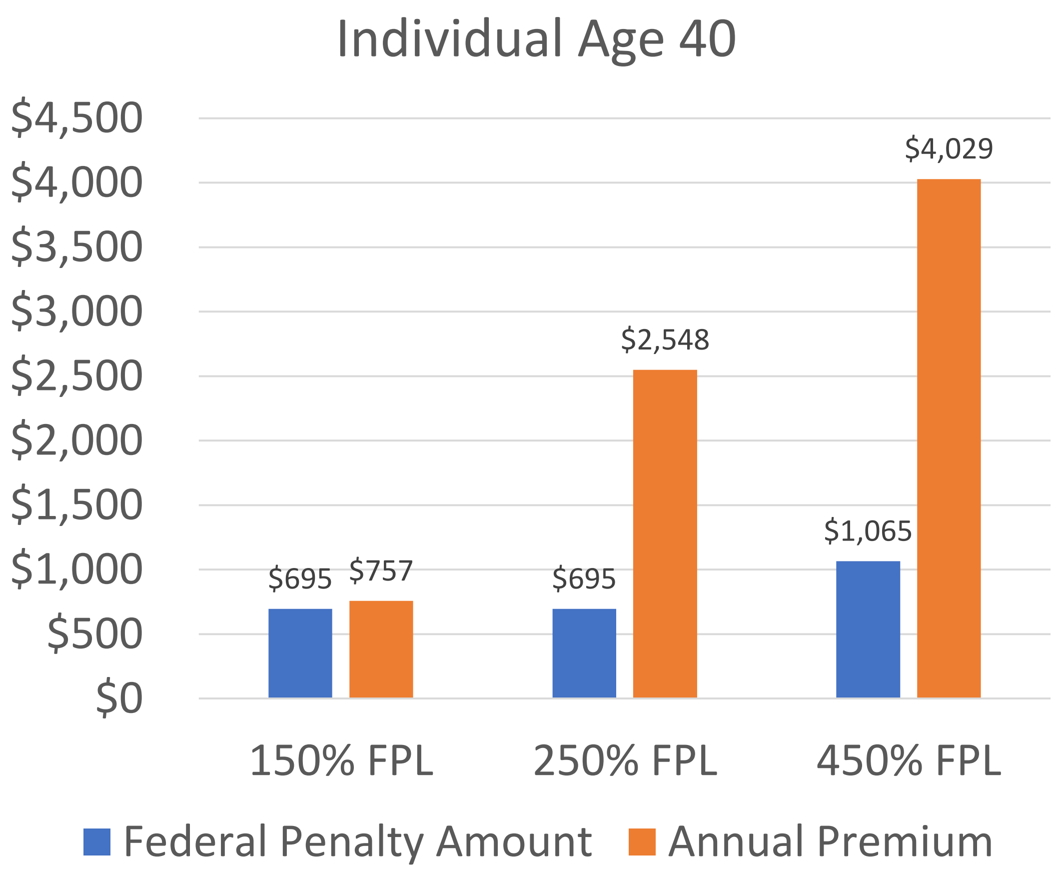
	2016:	Variation 2:	Difference
Total SRP	$11.3 M	$8.1 M	-$3.3 M
Total Payments	16,777	16,777	-
Average Payment	$672	$479	-$193

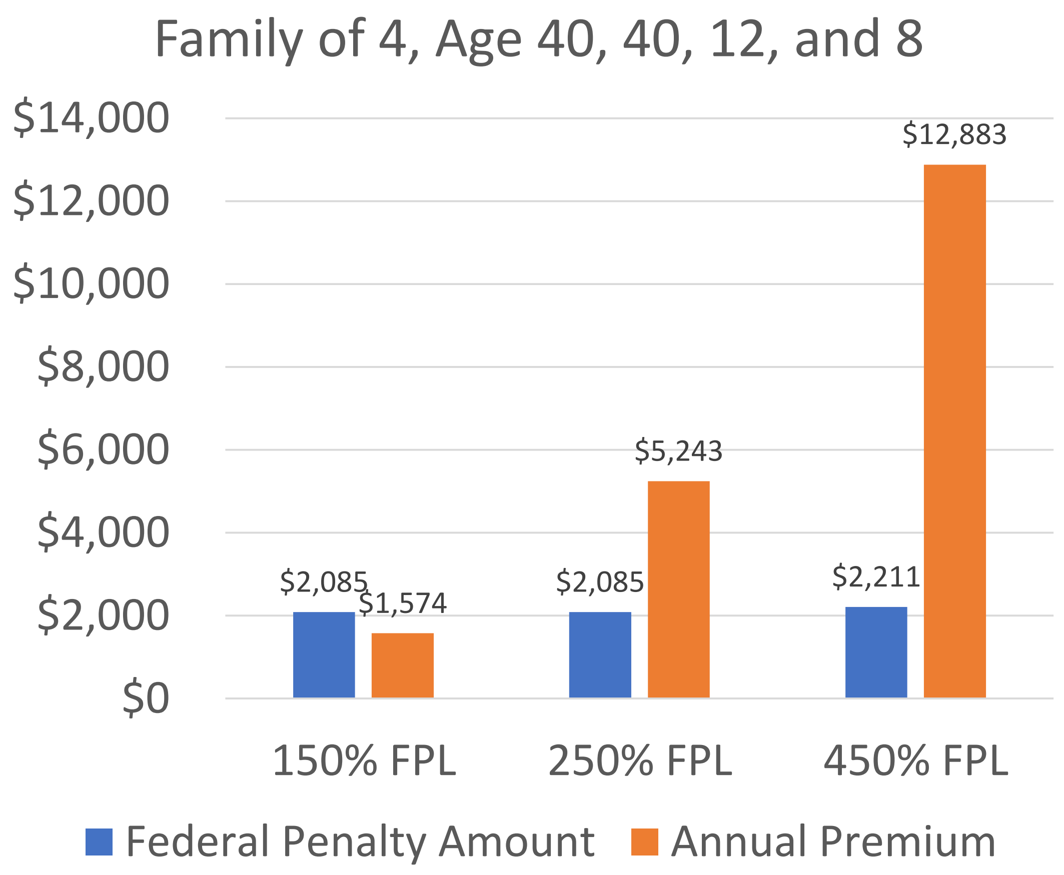
Share of 2016 Paid Amount by FPL



FEDERAL PENALTY AMOUNTS VS. ANNUAL PREMIUM

2019 benchmark plan, after APTC if eligible





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

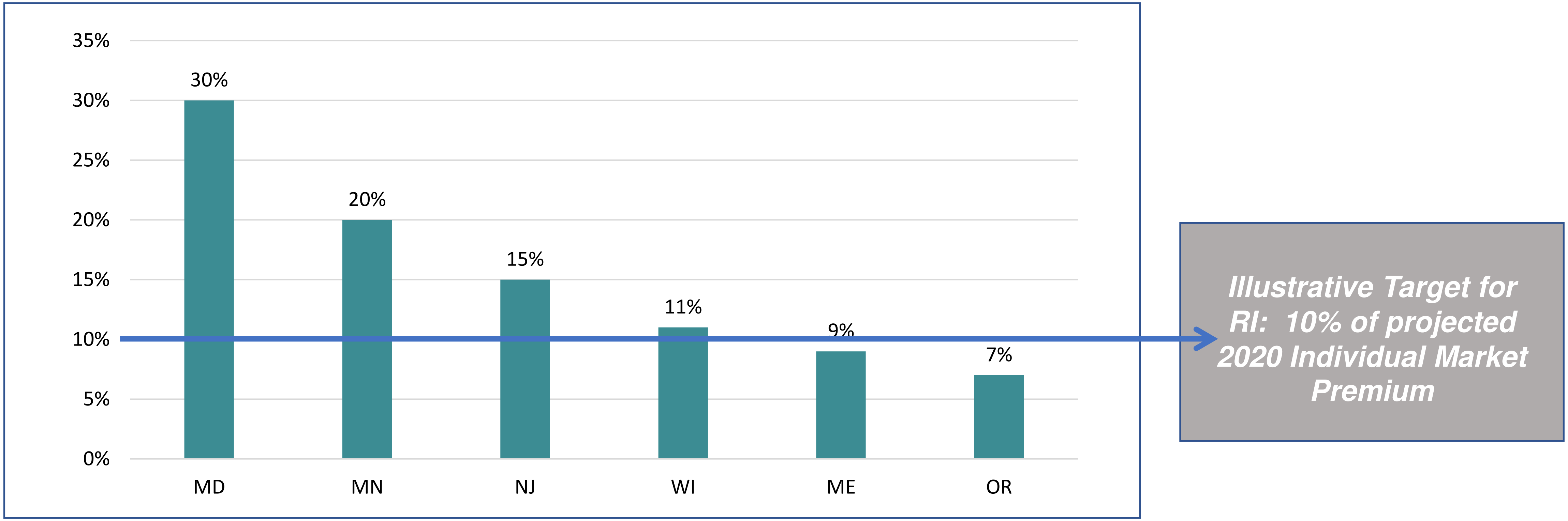
- Subsidized market as % of total market

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.

Note: This slide from a prior meeting, not updated for Meeting 6

(1) Reinsurance Programs: Targeted Premium Impact by State

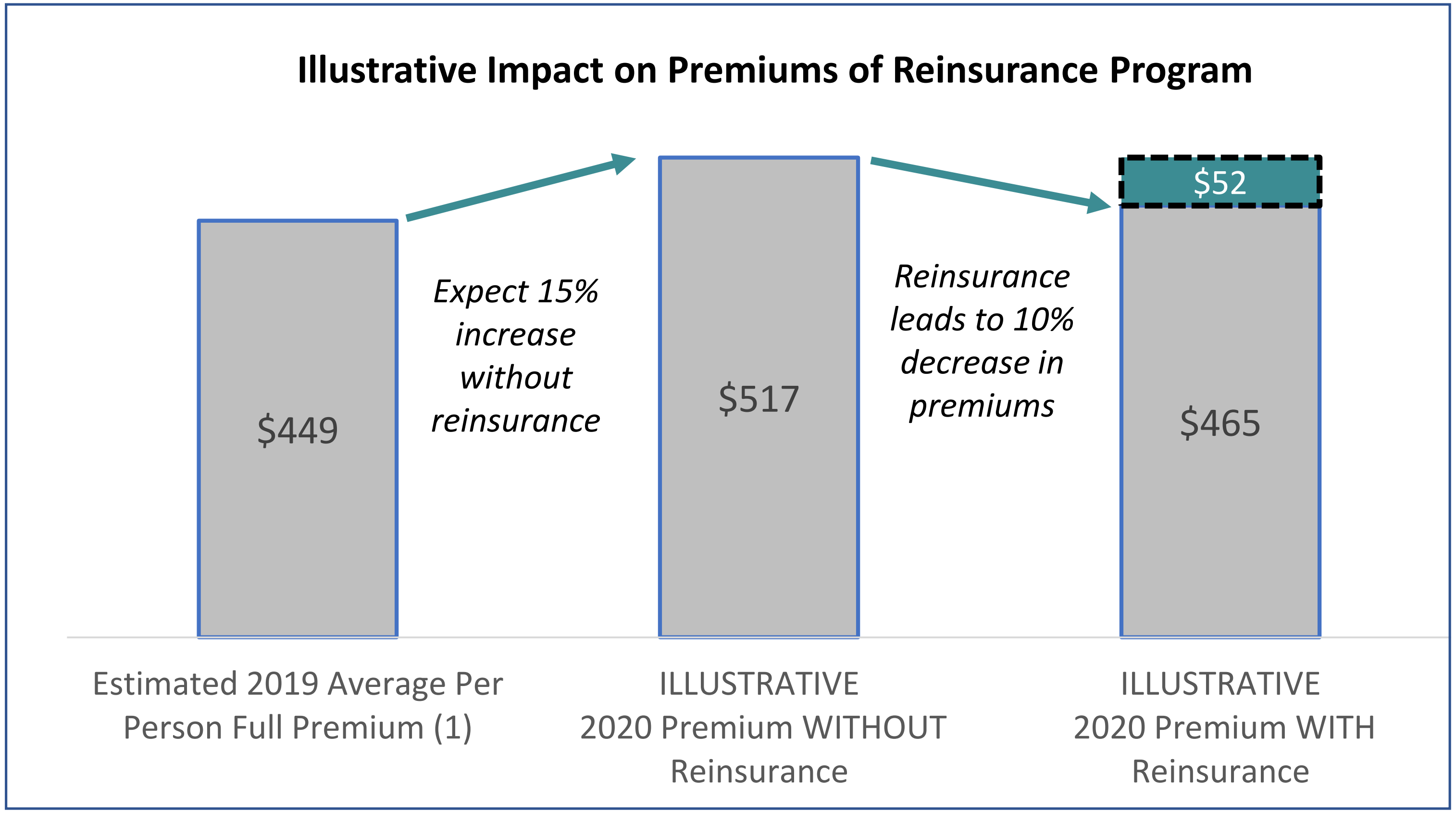
States with approved 1332 waivers have targeted between 7% and 30% premium impact from their reinsurance programs.



Note: This slide from a prior meeting, not updated for Meeting 6

(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.



Total Cost: $27.6 M

- $52 pmpm premium reduction
- 44,500 individual market size
- *Assumes no change in enrollment from reinsurance program*

(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.

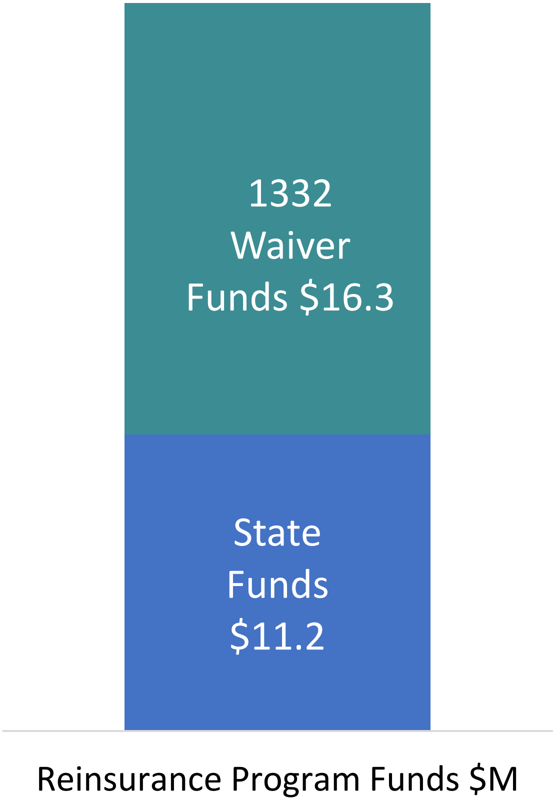
These are illustrative estimates for policy discussion only – actuarial projections of these numbers to be completed in early 2019.

Note: This slide from a prior meeting, not updated for Meeting 6

(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

These are illustrative estimates for policy discussion only – actuarial projections of these numbers to be completed in early 2019.

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)

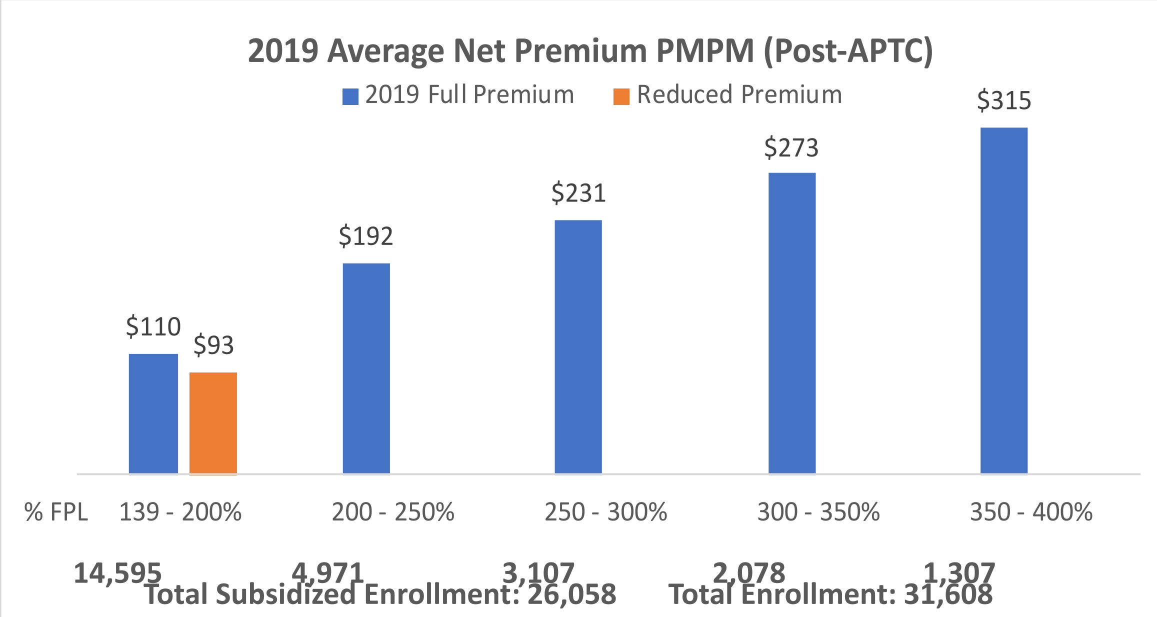
Do these options support the Workgroup's Guiding Principles:
***(1)** Sustain balanced risk pool; (2) Maintain attractive market, or; (3) Protect coverage gains achieved under the ACA?*

Example 1: Target Low Income Populations

(A) Target the lowest income bracket only

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

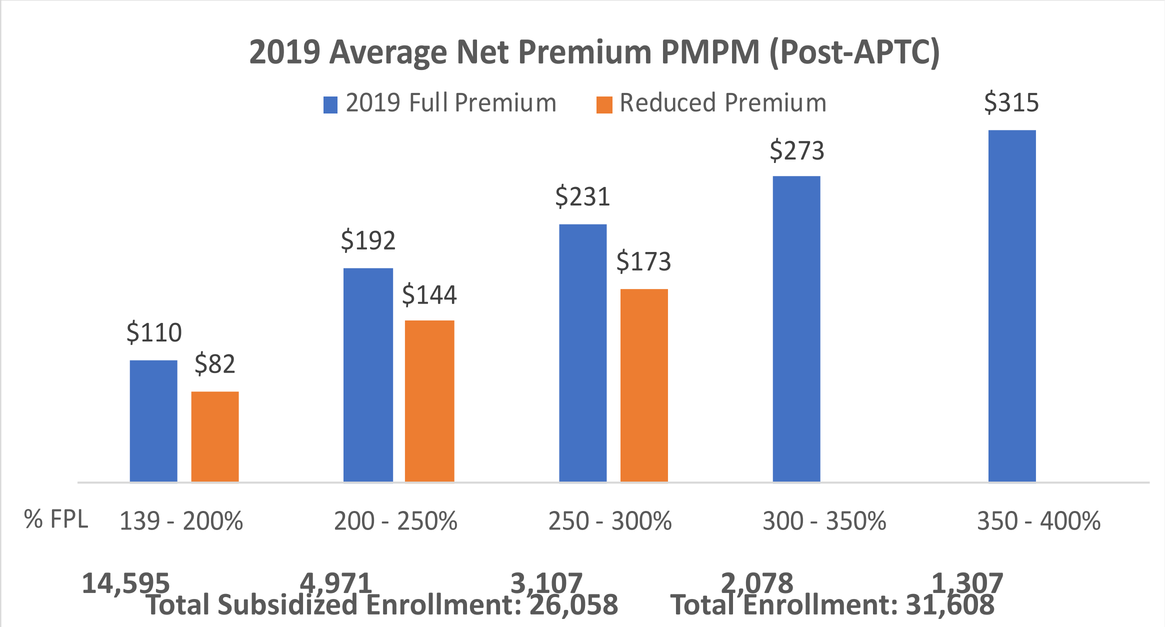
Est. Cost: **$2.9 Million**



(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

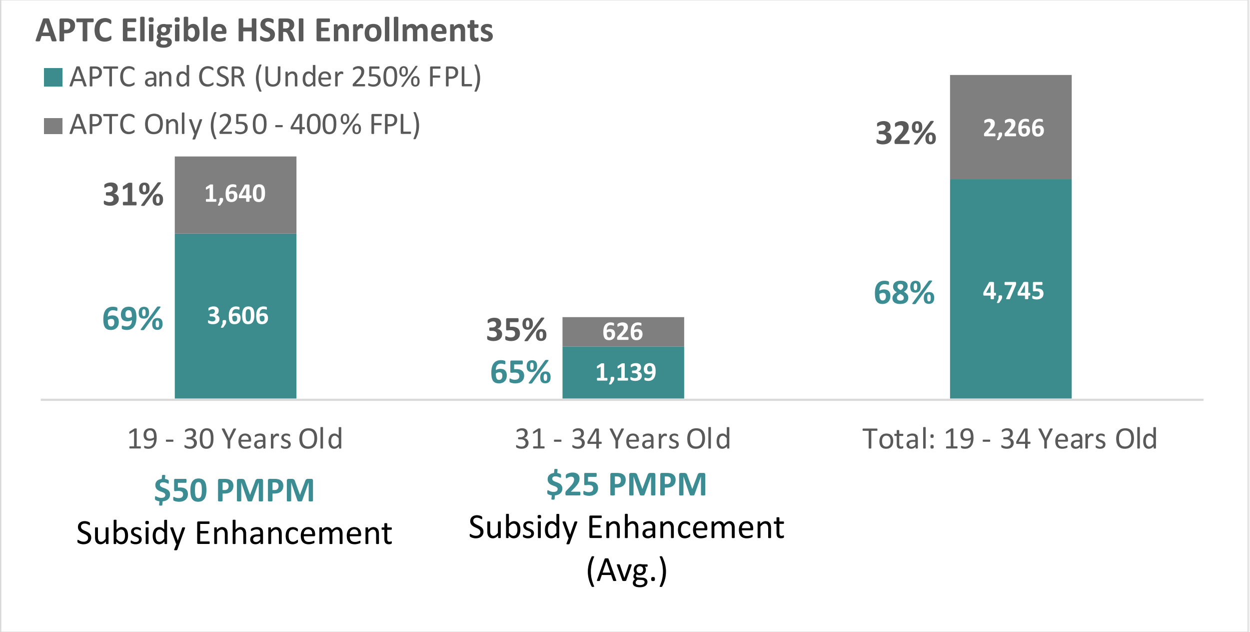
Obama Administration/ Senator Tammy Baldwin Proposal

- 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)

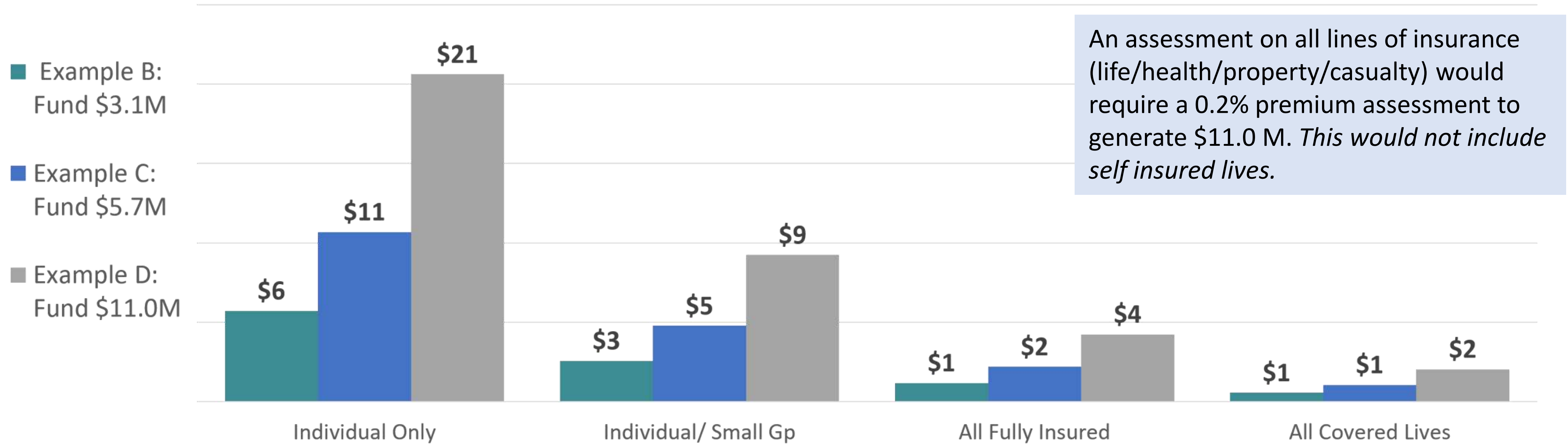
Estimate for funding needed for 30% take-up = $5 million. Used in Scenario Options shown here.

Note: This slide from a prior meeting, not updated for Meeting 6

Other Assessments: Who Pays?

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

Estimated Range of PMPM Assessment to Fund Remaining State Share



% Premium	1.6%	3.0%	5.8%	0.6%	1.1%	2.1%	0.3%	0.5%	1.0%	0.1%*	0.2%*	0.4%*

*% 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.

These are illustrative estimates for policy discussion only – actuarial projections of these numbers to be completed in early 2019.