

Virginia's Section 1332 Reinsurance Waiver

Virginia Bureau of Insurance
Virtual Public Hearing
October 14, 2021
10:00 am



Commonwealth of Virginia

STATE CORPORATION COMMISSION

Before we get started

- Bureau of Insurance will give a presentation on the proposed reinsurance program and the section 1332 waiver.
- Once the presentation has completed, registered commenters will be contacted via phone and given an opportunity to speak.

Background

- Reinsurance is a mechanism for spreading the costs of expensive claims by pooling them together and paying for them through a separate financing system so that insurers do not have to price those costs into their standard premiums.
- Originally, the Affordable Care Act included a federal reinsurance program to stabilize premiums in the individual market, but this program was discontinued after 2016.
- Since then, 15 states have received federal approval to use federal funds to establish state-based reinsurance programs modeled on the prior federal program.

What is Virginia proposing?

- Virginia is seeking to implement a state-based reinsurance program to increase affordability for individual health insurance coverage
- Virginia is seeking to utilize the Section 1332 program under the Affordable Care Act to apply for a State Innovation Waiver to permit and help fund the reinsurance program.
- The waiver application submitted by Virginia, if approved, will take effect in the 2023 plan year and will remain in effect for five years.

Authority for the Proposal

- During 2021, the Virginia General Assembly passed and the Governor signed into law HB 2332, the **Commonwealth Health Reinsurance Program** which directs the SCC to:
 - submit a section 1332 waiver application to the federal government specific to a reinsurance program beginning in 2023
 - establish a state-based reinsurance program (for up to 20% premium reduction)
 - maximize federal pass-through funding for that reinsurance program
- Directs the General Assembly to appropriate funds to ensure the operation of the state-based reinsurance program.

What is a Section 1332 Waiver?

- Named for section 1332 of the Affordable Care Act (ACA)
- Allows a state to modify ACA rules to pursue innovative programs to meet the unique needs of their markets and their residents.
- Proposal must meet statutory “guardrails” set forth under the ACA
- Importantly, a 1332 waiver allows states to receive federal “pass-through” funding for savings that the federal government may realize as a result of state initiatives.

How does Reinsurance Work?

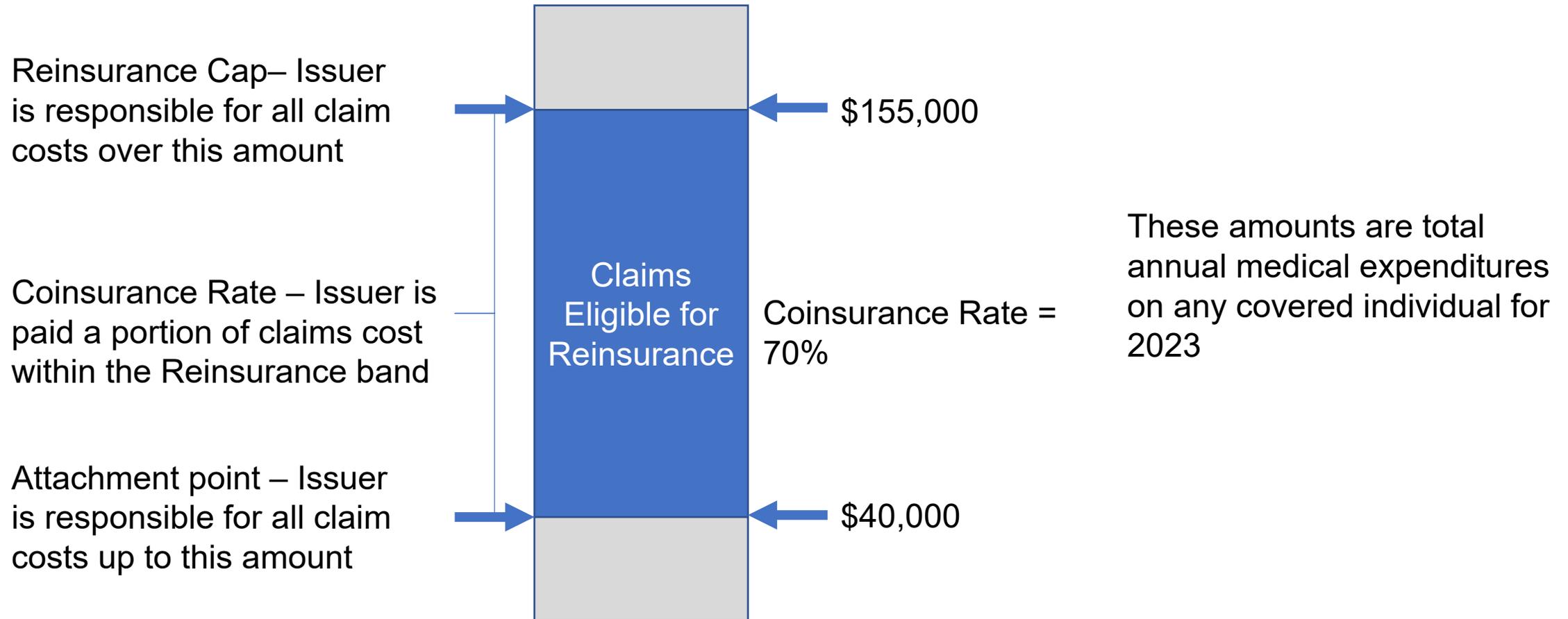
Reinsurance Cap– Issuer is responsible for all claim costs over this amount

Coinsurance Rate – Issuer is paid a portion of claims cost within the Reinsurance band

Attachment point – Issuer is responsible for all claim costs up to this amount



Payment Parameters in Current Proposal





Projected Reinsurance Program Impact

- Lower claims cost for insurers is projected to reduce premium rates by 15.6%
- Subsidized individuals on the Exchange will see, on average, minimal difference in out of pocket because their premium tax credits (PTCs) will be reduced in line with the reduction in premium rates.
- Unsubsidized individuals who benefit from premium reduction are expected to move onto the Exchange (from off-exchange plans or being uninsured.)



Federal Pass-through Funding

- Allows states to take the federal dollars currently being expended for their residents through the ACA's premium tax credits (PTCs) and reallocate those funds to state-specific initiatives, such as reinsurance.
- Reducing baseline premium prices lowers the cost of these PTCs to the federal government
 - Savings provided to the State as a “pass-through”



ACA Statutory Guardrails

- 1. Comprehensiveness of Coverage** – The waiver will not change the scope of benefits provided and will result in an increase in the number of individuals with coverage that meets the ACA’s Essential Health Benefits requirements.
- 2. Affordability of Coverage** – The waiver will reduce premiums and will not impact cost sharing.
- 3. Scope of Coverage** – Under the waiver, more Virginians will enroll in coverage than would be covered absent the waiver.
- 4. Federal Deficit** – The waiver will not result in increased spending or expenses to the federal government.

Projected Reinsurance Program Funding

	2022	2023	2024	2025	2026	2027
Cost of Reinsurance Program (millions)	\$0.00	\$292.50	\$308.50	\$325.70	\$343.80	\$362.90
Federal Pass Through Funding (millions)	\$0.00	\$223.90	\$244.50	\$258.40	\$273.10	\$288.60
State Funding (millions)	\$0.00	\$68.60	\$64.00	\$67.30	\$70.70	\$74.30

- State share of the program costs will be paid from State General Funds.
- Estimated state costs for 2023 range from \$60.8M-\$83.3M based on scenarios of how membership, premium price, and medical costs are impacted.
- These estimates assume that the enhanced premium subsidies under the American Rescue Plan Act (ARPA) expire at the end of the 2022 plan year.



Impact of Enhanced Federal Subsidies

- The American Rescue Plan Act (ARPA) increased the amount and number of PTCs available through 2022.
- If enhanced subsidies are funded past 2022, it would result in greater federal savings and substantially lower state costs to fund the reinsurance program.
- If federal action extends the enhanced PTCs, the Commonwealth anticipates adjusting its reinsurance program to target a 20% reduction in premium rate.

Timeline of Approval and Funding

Date	
3/31/2021	HB 2332 signed into law
10/1/2021 – 11/1/2021	Draft Waiver Application published for public comment
10/14/2021	Public Hearings on proposed reinsurance program (federal requirement)
1/1/2022	Section 1332 waiver application is submitted to the federal government
4/1/2022	Expected federal approval of waiver application
5/1/2022	Virginia finalizes 2023 reinsurance parameters
5/2022	Issuers submit 2023 rates including reinsurance impact
8/2022	BOI approves 2023 rates
1/1/2023	Reinsurance program begins
4/2023	Federal pass-through funding for 2023 awarded
4/30/2024	Final deadline for issuers to submit reinsurance claims for the 2023 plan year
9/30/2024	BOI notifies issuers of their reinsurance payment amount
11/15/2024	Payment to issuers for reinsurance claims incurred during the 2023 plan year

Public Comment Period and Hearings

- SCC is hosting 2 virtual public hearings to gather public input
 - October 14, 2021 at 10 am
 - October 14, 2021 at 7 pm
- We are accepting public comments on the 1332 Waiver Application for Reinsurance beginning October 1, 2021 and ending November 1, 2021
 - Comments can be submitted through an online form available at <https://scc.virginia.gov/casecomments/comment/INS-2021-00110>
 - Or by postal mail to:
 - Clerk of the State Corporation Commission
 - c/o Document Control Center
 - P.O. Box 2118, Richmond, Virginia 23218-2118
 - Refer to Case No. INS-2021-00110 in your comments



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Resources

- Links to waiver documents, public notices and updates are posted on the SCC website – <https://scc.virginia.gov/pages/Reinsurance-Waiver>
- Please contact BOI at reinsurance.waiver@scc.virginia.gov with any questions you may have.

Public Comment



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