

HB 413 Public Stakeholders Meeting #1: Reinsurance

May 11, 2023

Maryland Insurance Administration

Brad Boban, Chief Actuary



Overview of MD Reinsurance

Reinsurance Overview

- 15 states have pursued state reinsurance programs via 1332 waivers
 - Modeled after federal Transitional Reinsurance program that was part of ACA from 2014-2017
 - Reduce unsubsidized premiums in Individual market by covering a portion of claims for the highest costs members.
 - Funded by a combination of state funds and federal pass-throughs
 - Pass-throughs are generated by reducing federal spending on Advanced Premium Tax Credits (APTCs)
 - APTC amounts are linked to the unsubsidized premium of a benchmark plan (SLCSP)
 - Reinsurance reduces the unsubsidized premium level, reducing the APTC.

MD Reinsurance History

- MD's waiver was approved in summer of 2018 for a 5-year period of 2019-2023.
- Waiver extension for the period of 2024-2028 is currently being reviewed by CMS.
- MD waiver was originally funded by a one-time 2.75% assessment on fully-insured health insurance premiums in 2019, which replaced the aggregate amount of the federal Health Insurer Fee which was suspended for the year.
- A 1% annual assessment was implemented in 2020 and has been extended through 2028

Reinsurance Impact – Single Risk Pool

- Individual market plans both on and off-exchange form Single Risk Pool. All on-exchange plans must be available off-exchange at identical premium. Plans can be off-exchange only; in MD the only unique off-exchange plans are on silver.
- Reinsurance must be applied as market level factor to reduce unsubsidized premiums equally across metal levels and on/off Exchange.
- 56% of market receives APTC on-Exchange. Because the majority of premium for this portion of pool is paid by the federal government, premium reductions achieved through reinsurance DOES NOT directly benefit this group. Instead, reinsurance savings generate pass-throughs for these members.
- 29% purchase from carriers directly; pay full unsubsidized premium and benefits from premium reductions achieved through reinsurance
- 15% purchase on-exchange but receive no APTC. Pay full unsubsidized premium and benefits from premium reductions achieved through reinsurance

History

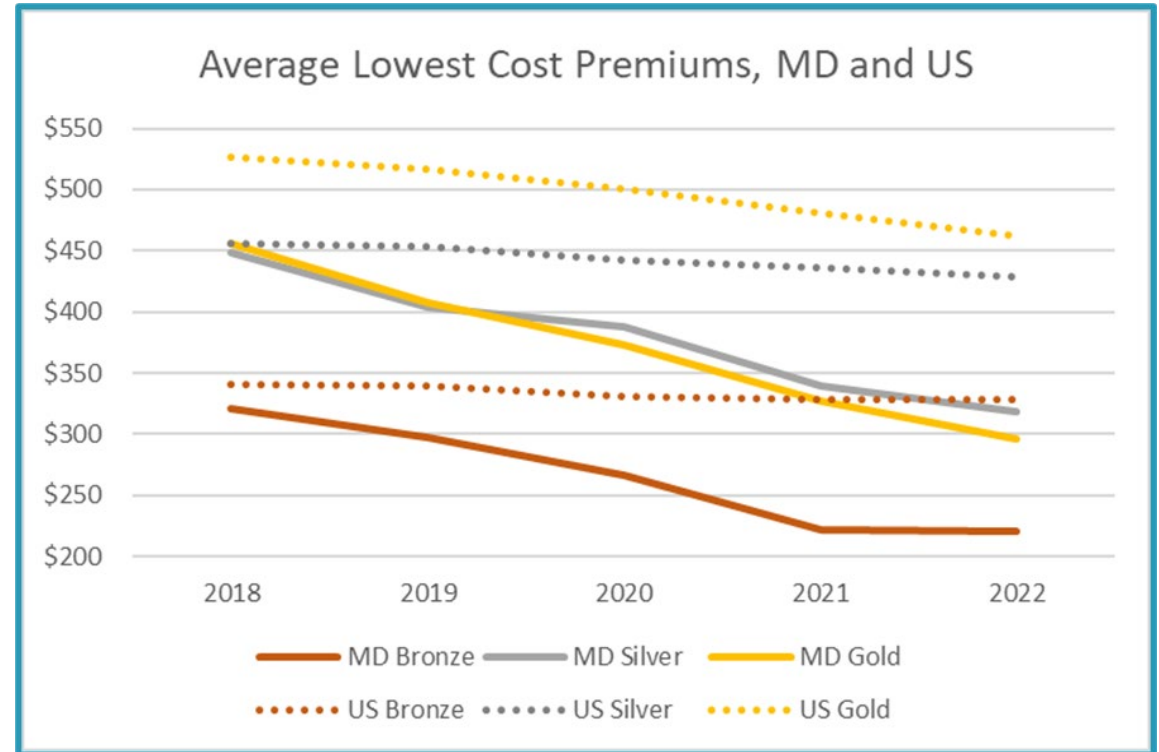
- **2014: ACA market reforms** went into effect, including no pre-existing condition exclusions, rates not based on health status
- **2014-2018: Individual market rates increased** by double digits each year; enrollment declined significantly
- **2019: Reinsurance program implemented** to stabilize the individual market
- **2019-2023: Rates down more than 25%** compared to 2018, enrollment rebounded

Plan Year	Avg. Individual Premium Change
2014	n/a
2015	10%
2016	18%
2017	21%
2018	28%
Reinsurance Starts	
2019	-13%
2020	-10%
2021	-12%
2022	2.1%
2023	6.6%



Reinsurance Program Impact: Premiums Successfully Reduced

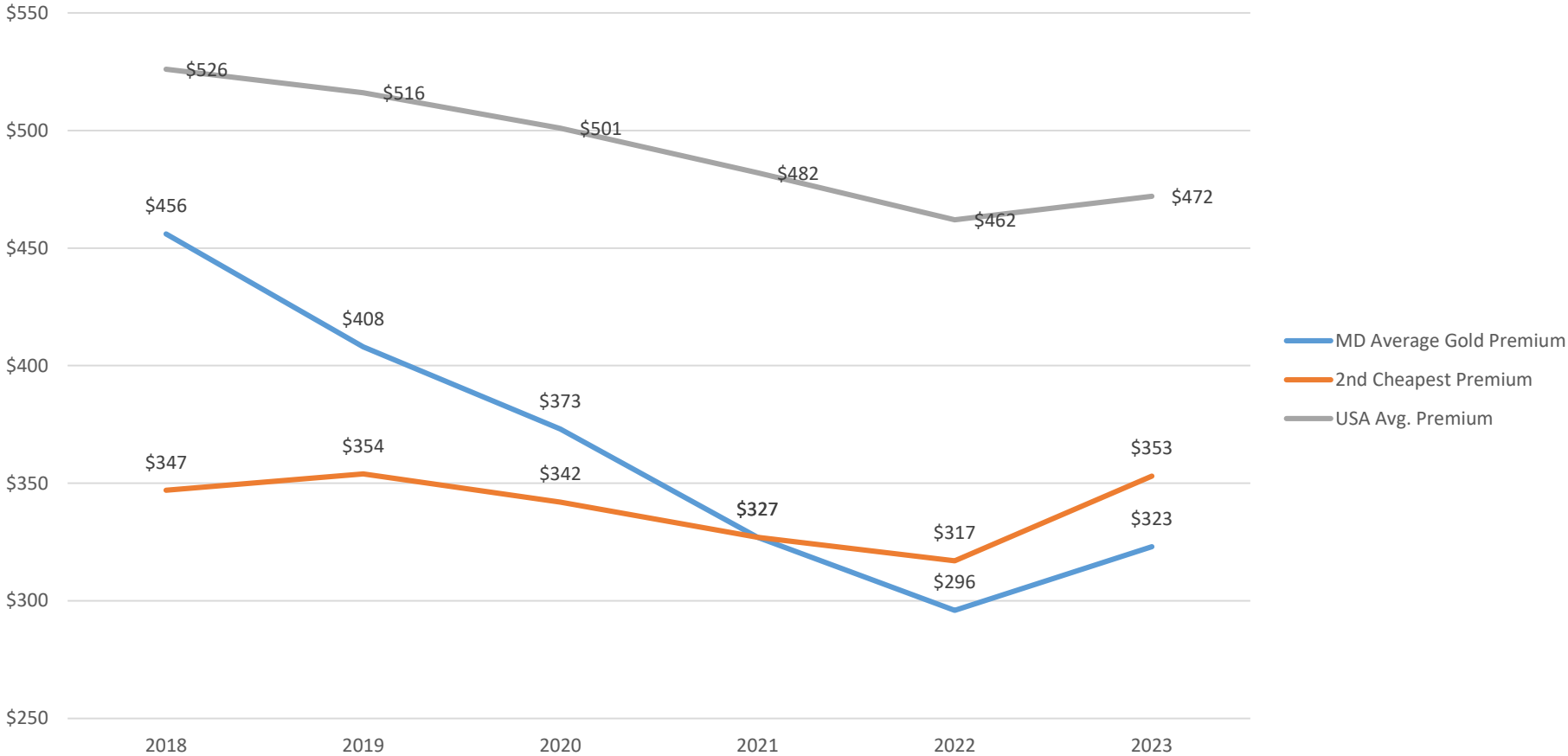
- Premiums are down more than 25% compared to 2018.
- Maryland's lowest cost plans are about 25-30% below US averages



Data source: Kaiser Family Foundation, <https://www.kff.org/health-reform/state-indicator/average-marketplace-premiums-by-metal-tier>

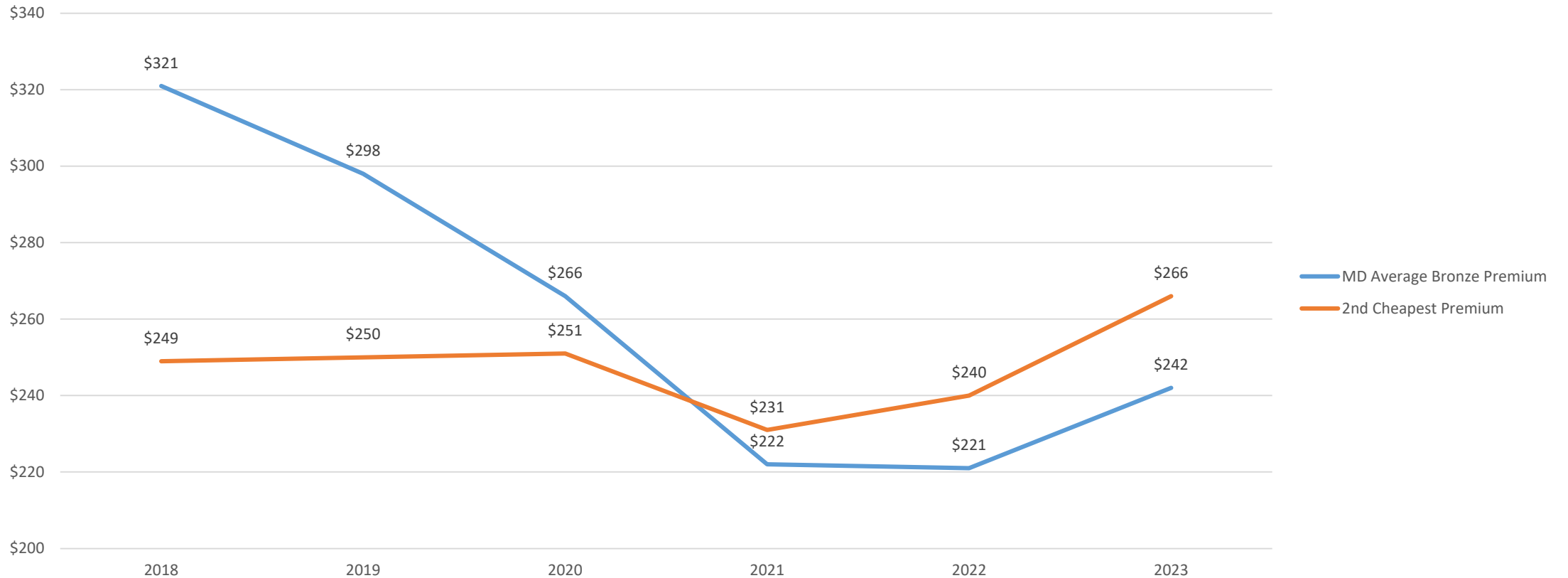
MD vs US vs 2nd Cheapest Gold Plan

Lowest Cost Gold Premium Comparison



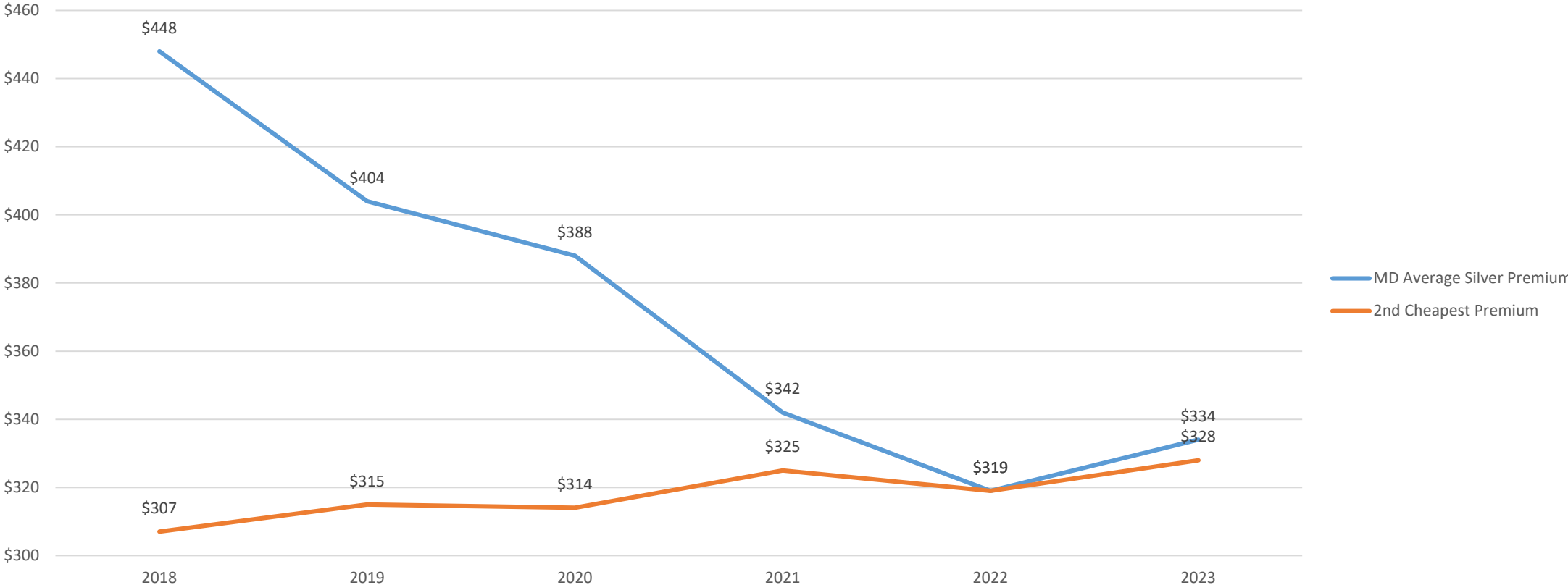
MD vs 2nd Lowest State – Bronze

Lowest Cost Bronze Premium Comparison



MD vs 2nd Lowest State – On-Exchange Silver

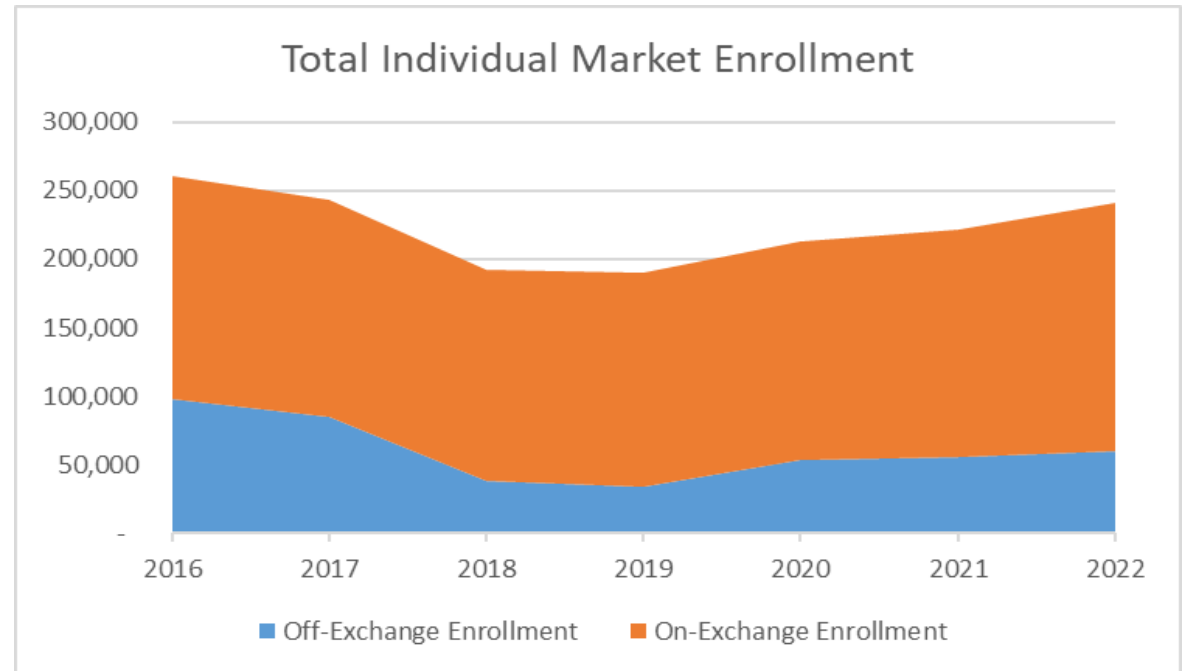
Lowest On-Exchange Silver Premium Comparison



Reinsurance Program Impact: Enrollment Continues to Rise

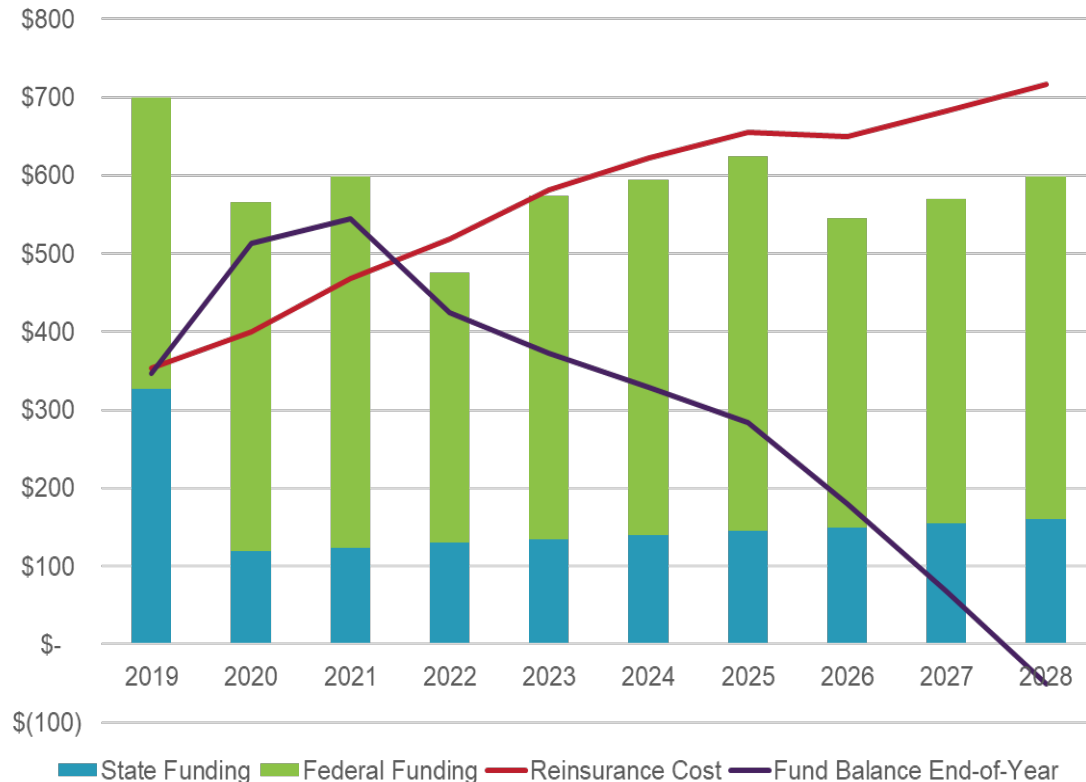
Between June 2019 and June 2022:

- On-exchange enrollment is up 25%
- Total individual market enrollment (on- and off-exchange) is up 22%.



Total market enrollment data from MIA, data as of 3/31 for 2016, 2017, and 2022, as of 6/30 for 2018, 2020, and 2021, and as of 7/31 for 2019. On-exchange data from MHBE as of the end of open enrollment for each plan year. Off-exchange enrollment calculated as total enrollment minus on-exchange enrollment.

Reinsurance Cost and Funding Projections Through 2028



- Reflected in end-of-year balance, but not otherwise shown: **\$219M removed from state SRP fund for other programs** across FY21-25, and est. \$30M used for Young Adult Subsidy.
- Projections assume attachment point increases by \$500 each year starting in 2024 through 2028; enhanced federal subsidies end in 2025.

MD Uninsured Rate 2021 By FPL and Age

Uninsured	
Age and Poverty Level	
0–18	4.4%
0–138% FPG	7.8%
139–250% FPG	5.9%
251–400% FPG	3.8%
401%+ FPG	2.4%

Uninsured	
Age and Poverty Level	
19–25	9.7%
0–138% FPG	10.5%
139–250% FPG	11.2%
251–400% FPG	7.2%
401%+ FPG	6.0%

Uninsured	
Age and Poverty Level	
26–34	10.4%
0–138% FPG	21.4%
139–250% FPG	14.4%
251–400% FPG	7.6%
401%+ FPG	3.9%

Uninsured	
Age and Poverty Level	
35–54	8.0%
0–138% FPG	20.7%
139–250% FPG	17.7%
251–400% FPG	10.7%
401%+ FPG	2.4%

Uninsured	
Age and Poverty Level	
55–64	5.3%
0–138% FPG	12.4%
139–250% FPG	12.5%
251–400% FPG	7.5%
401%+ FPG	2.1%

Uninsured	
Age and Poverty Level	
65+	0.8%
0–138% FPG	3.0%
139–250% FPG	0.8%
251–400% FPG	0.3%
401%+ FPG	0.2%

State Reinsurance Program Considerations

Reinsurance Program: Claims-Cost Based

- 14 out of 15 states are using some variation of a claims-cost based approach
- Directly model after federal transitional reinsurance
- 3 program parameters: Attachment point (AP), coinsurance, and cap.
- Reinsurance pays if a member's aggregate annual claims \$s reaches the attachment point.
- For the portion annual claims between the attachment point and the cap, the reinsurance program will reimburse a % of claims equal to the coinsurance.
- For annual claims over the cap, the carrier remains responsible

Reinsurance Program: Conditions Base

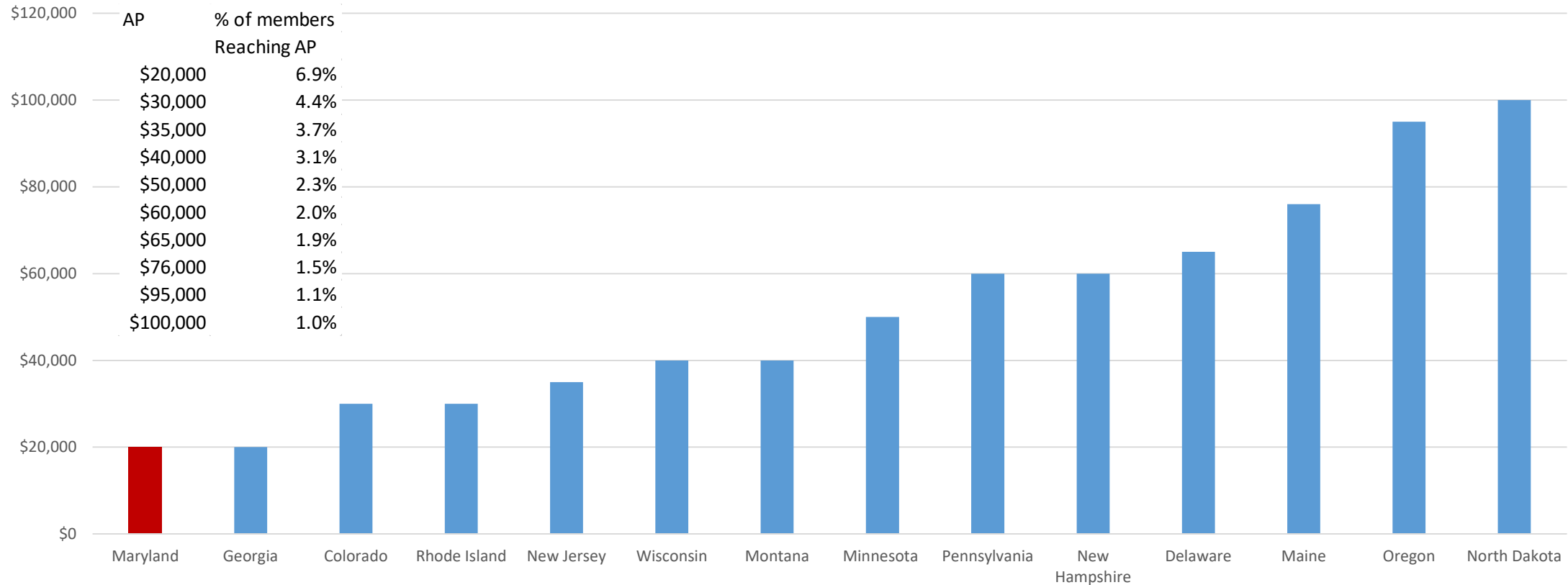
- 1 State (AK) is running a conditions based reinsurance program
- First reinsurance waiver to get approval (started in 2018)
- Identifies a list of high-cost diagnostic codes (currently 34 conditions)
- Reinsurance pays 100% of claims for members with these conditions
- Functionally operates as an invisible state high risk pool, analogous to MHIP.
- State is taking on more risk, there is no cap to what can be paid for reinsured member.

Comparison of Claims-Cost Based Programs

- 10 out of 14 of the claims-cost based reinsurance programs are “plain vanilla”. Parameters are set at various levels, but the calculation of the reinsurance amounts for each member is same simple formula.
- 2 states (CO and GA) have programs that vary reinsurance parameters by geographic region
 - Both have chosen to use one AP and cap for all regions and just vary coins
 - Reinsurance is still a market-level adjustment. So, the overall impact of reinsurance for a carrier will depend on mix between different geo regions.
- 1 state (MD) uses a dampening factor to account for the interaction between reinsurance and risk adjustment.
 - Carriers who pay into risk adjustment program see increased reinsurance payments
 - Carriers who receive risk adjustment payments see decreased reinsurance payments.
 - Without a dampening factor, high risk members generate an excess profit for carriers because the sum of reinsurance and risk adjustment payments is too high compared to claims (sometimes higher than claims).

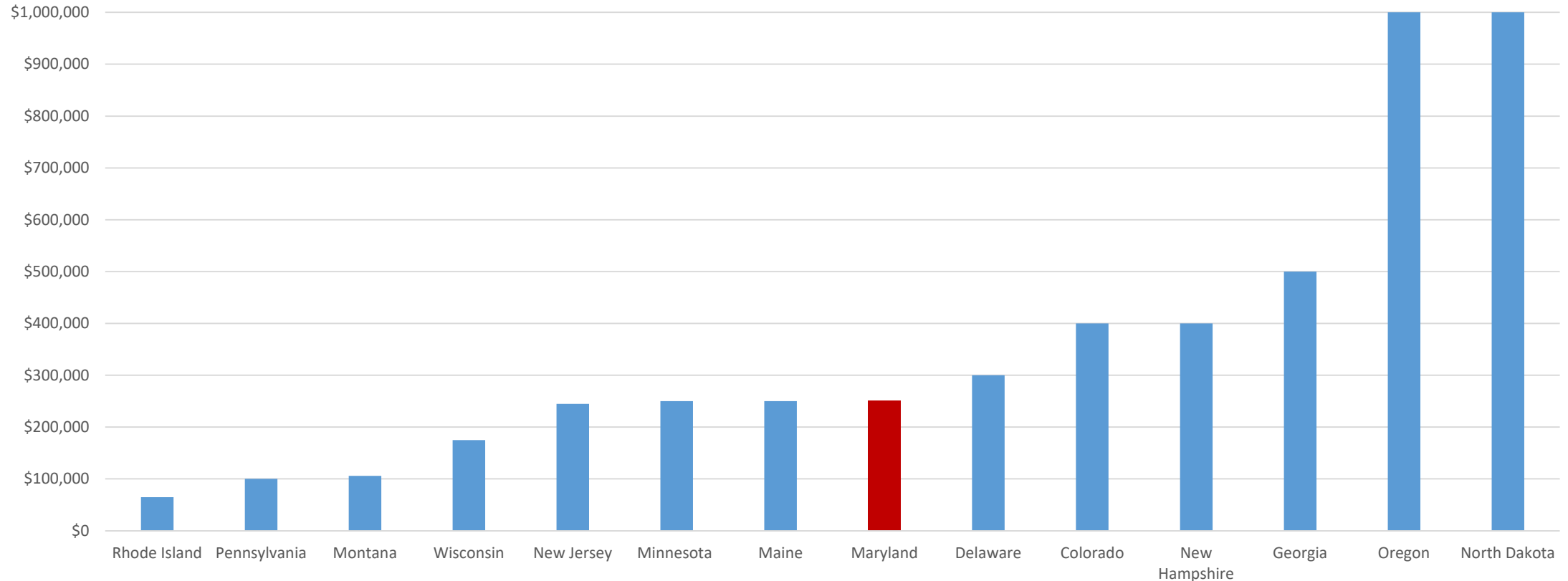
Comparison of Parameters: Attachment Point

2022 Attachment Point



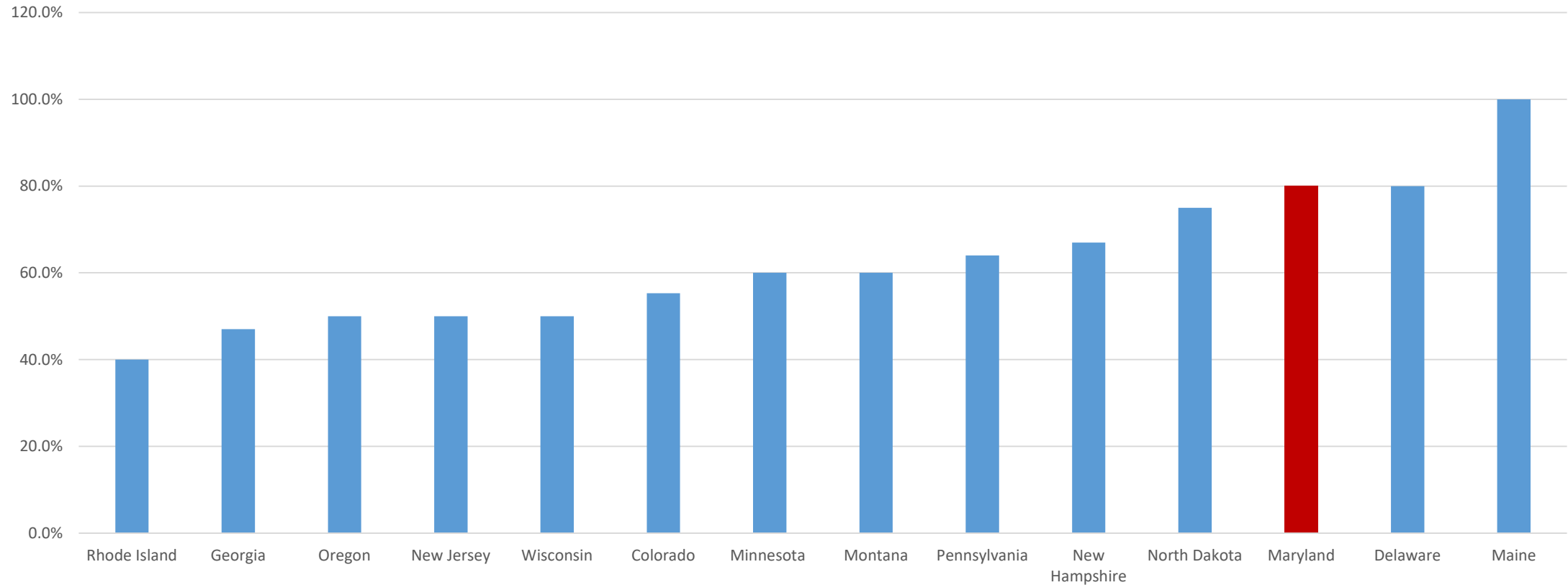
Comparison of Parameters: Cap

2022 Reinsurance Cap



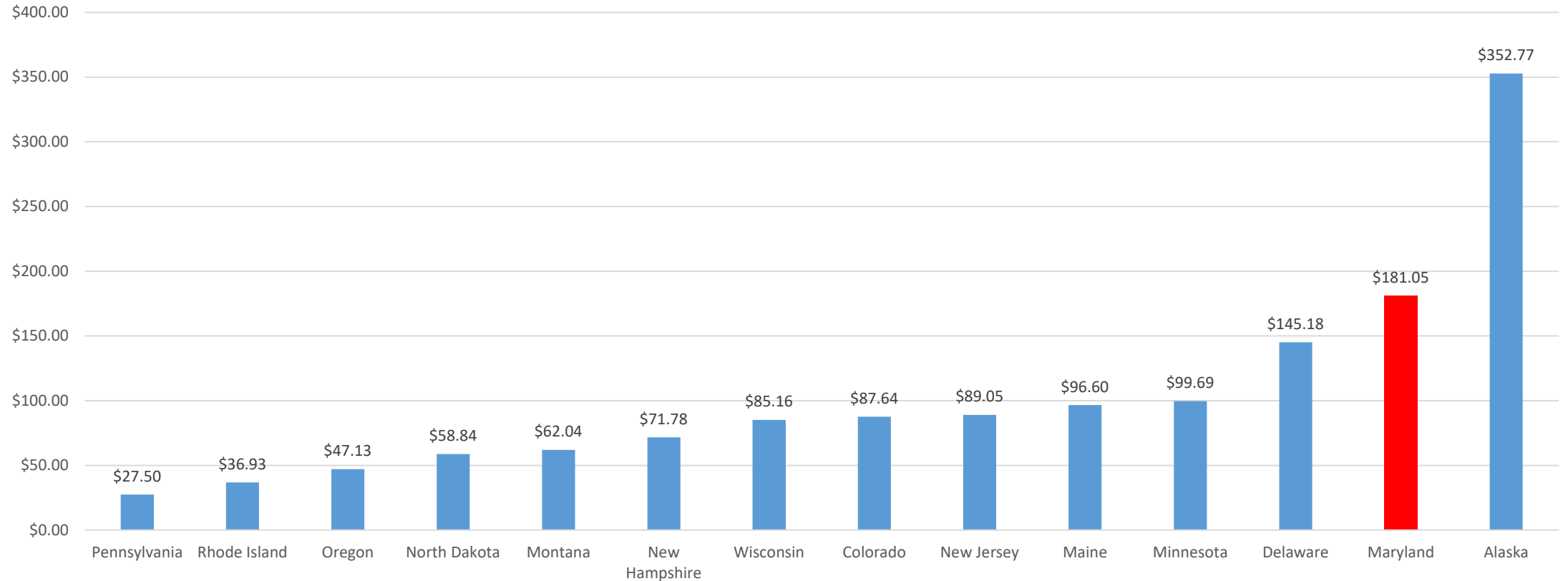
Comparison of Parameters: Coinsurance

2022 Coinsurance Rate



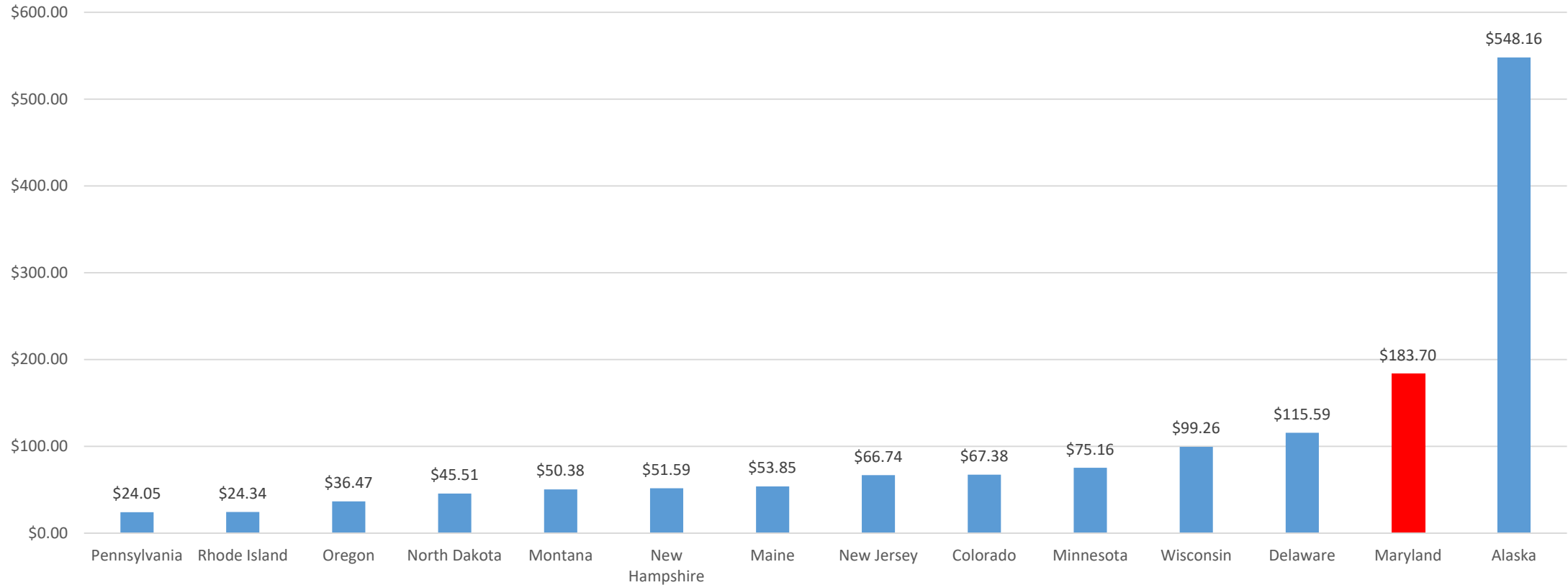
PMPM Reinsurance Cost Comparison

Reinsurance Cost PMPM - 2021

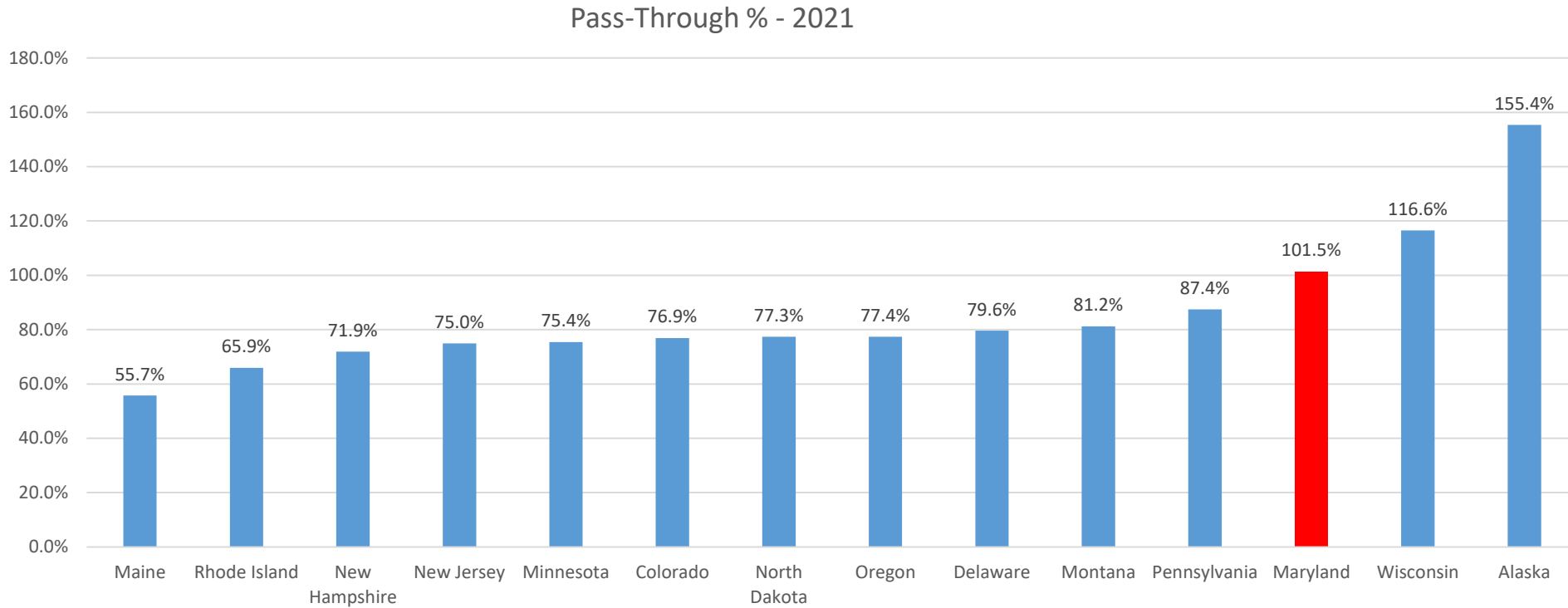


PMPM Federal Pass-through Comparison

Pass-Through PMPM - 2021



Pass-through % Comparison



Reinsurance Interaction with ARPA subsidies

Reinsurance vs Subsidy Interactions

1) Original ACA subsidy with no Reinsurance		PMPM Premium			Premium as a % of Income		
		Original ACA (2023)			Original ACA (2023)		
		No Reinsurance			No Reinsurance		
Annual Income	FPL	Age 26	Age 45	Age 64	Age 26	Age 45	Age 64
\$ 20,370	150%	\$65	\$65	\$65	3.8%	3.8%	3.8%
\$ 27,160	200%	\$137	\$137	\$137	6.1%	6.1%	6.1%
\$ 33,950	250%	\$219	\$219	\$219	7.7%	7.7%	7.7%
\$ 40,740	300%	\$310	\$310	\$310	9.1%	9.1%	9.1%
\$ 47,530	350%	\$361	\$361	\$361	9.1%	9.1%	9.1%
\$ 54,320	400%	\$396	\$413	\$413	8.7%	9.1%	9.1%
\$ 54,456	401%	\$396	\$558	\$1,159	8.7%	12.3%	25.5%
\$ 67,900	500%	\$396	\$558	\$1,159	7.0%	9.9%	20.5%
\$ 81,480	600%	\$396	\$558	\$1,159	5.8%	8.2%	17.1%

Reinsurance vs Subsidy Interactions

2) Original ACA subsidy with reinsurance		PMPM Premium			Premium as a % of Income		
		Original ACA (2023)			Original ACA (2023)		
		With Reinsurance			With Reinsurance		
Annual Income	FPL	Age 26	Age 45	Age 64	Age 26	Age 45	Age 64
\$ 20,370	150%	\$65	\$65	\$65	3.8%	3.8%	3.8%
\$ 27,160	200%	\$137	\$137	\$137	6.1%	6.1%	6.1%
\$ 33,950	250%	\$219	\$219	\$219	7.7%	7.7%	7.7%
\$ 40,740	300%	\$267	\$310	\$310	7.9%	9.1%	9.1%
\$ 47,530	350%	\$267	\$361	\$361	6.7%	9.1%	9.1%
\$ 54,320	400%	\$267	\$376	\$413	5.9%	8.3%	9.1%
\$ 54,456	401%	\$267	\$376	\$782	5.9%	8.3%	17.2%
\$ 67,900	500%	\$267	\$376	\$782	4.7%	6.7%	13.8%
\$ 81,480	600%	\$267	\$376	\$782	3.9%	5.5%	11.5%

Reinsurance vs Subsidy Interactions

3) ARPA subsidies with no reinsurance							
		PMPM Premium			Premium as a % of Income		
		ARPA (2021-2025)			ARPA (2021-2025)		
		No Reinsurance			No Reinsurane		
Annual Income	FPL	Age 26	Age 45	Age 64	Age 26	Age 45	Age 64
\$ 20,370	150%	\$0	\$0	\$0	0.0%	0.0%	0.0%
\$ 27,160	200%	\$45	\$45	\$45	2.0%	2.0%	2.0%
\$ 33,950	250%	\$113	\$113	\$113	4.0%	4.0%	4.0%
\$ 40,740	300%	\$204	\$204	\$204	6.0%	6.0%	6.0%
\$ 47,530	350%	\$287	\$287	\$287	7.3%	7.3%	7.3%
\$ 54,320	400%	\$385	\$385	\$385	8.5%	8.5%	8.5%
\$ 54,456	401%	\$386	\$386	\$386	8.5%	8.5%	8.5%
\$ 67,900	500%	\$396	\$481	\$481	7.0%	8.5%	8.5%
\$ 81,480	600%	\$396	\$558	\$577	5.8%	8.2%	8.5%

Reinsurance vs Subsidy Interactions

4) ARPA subsidies with reinsurance		PMPM Premium			Premium as a % of Income		
		ARPA (2021-2025)			ARPA (2021-2025)		
Annual		With Reinsurance			With Reinsurance		
Income	FPL	Age 26	Age 45	Age 64	Age 26	Age 45	Age 64
\$ 20,370	150%	\$0	\$0	\$0	0.0%	0.0%	0.0%
\$ 27,160	200%	\$45	\$45	\$45	2.0%	2.0%	2.0%
\$ 33,950	250%	\$113	\$113	\$113	4.0%	4.0%	4.0%
\$ 40,740	300%	\$204	\$204	\$204	6.0%	6.0%	6.0%
\$ 47,530	350%	\$267	\$287	\$287	6.7%	7.3%	7.3%
\$ 54,320	400%	\$267	\$376	\$385	5.9%	8.3%	8.5%
\$ 54,456	401%	\$267	\$376	\$386	5.9%	8.3%	8.5%
\$ 67,900	500%	\$267	\$376	\$481	4.7%	6.7%	8.5%
\$ 81,480	600%	\$267	\$376	\$577	3.9%	5.5%	8.5%

Reinsurance vs Subsidy Interactions

5) ARPA subsidies wth reinsurance and young adult subsidies							
		PMPM Premium			Premium as a % of Income		
		ARPA (2021-2025)			ARPA (2021-2025)		
Annual		With Reinsurance			With Reinsurance		
Income	FPL	Age 26	Age 45	Age 64	Age 26	Age 45	Age 64
\$ 20,370	150%	\$0	\$0	\$0	0.0%	0.0%	0.0%
\$ 27,160	200%	\$0	\$45	\$45	0.0%	2.0%	2.0%
\$ 33,950	250%	\$42	\$113	\$113	1.5%	4.0%	4.0%
\$ 40,740	300%	\$119	\$204	\$204	3.5%	6.0%	6.0%
\$ 47,530	350%	\$188	\$287	\$287	4.8%	7.3%	7.3%
\$ 54,320	400%	\$267	\$376	\$385	5.9%	8.3%	8.5%
\$ 54,456	401%	\$267	\$376	\$386	5.9%	8.3%	8.5%
\$ 67,900	500%	\$267	\$376	\$481	4.7%	6.7%	8.5%
\$ 81,480	600%	\$267	\$376	\$577	3.9%	5.5%	8.5%

Discussion Topics

Discussion Topics

- Reinsurance program Design
 - Continue with a claims-cost based program or consider switching to conditions-based?
 - Continue to use dampening factor?
 - Without dampening factor, pass-throughs would be expected to fall
 - Without dampening factor, carriers would be incented to compete for the highest risk members.
 - Should we vary reinsurance parameters by geo region?
 - Any other suggested modifications to claims-cost based reinsurance?

Discussion Topics

- Reinsurance Program Size
 - Keep program at current size?
 - Increase size of program?
 - AK is only state with larger program on a PMPM basis.
 - Decrease size of program?
 - MD program is double the average size on a PMPM basis
 - MD has achieved lowest bronze/gold premiums in nation and is 9% lower than next lowest state.
- How does ARPA subsidies ending in 2025 vs being extended factor in
- What is appropriate new target for overall program size?

Discussion Topics

- Reinsurance Parameters
 - Attachment Point
 - Leave at current level?
 - Raise?
 - Minimum and maximum to be modeled?
 - Cap
 - Leave at current level?
 - Raise?/Lower?
 - Minimum and maximum to be modeled?
 - Coinsurance
 - Leave at current level?
 - Lower?
 - Minimum and maximum to be modeled?
 - Priorities between various parameters?

Thank you!

Written comments on items discussed today may be submitted to:


jamie.sexton@maryland.gov

by Friday, May 26, 2023



Contact Information

Maryland Insurance Administration

 **800-492-6116 | 410-468-2000 | 800-735-2258 (TTY)**

 **insurance.maryland.gov**



[MDInsuranceAdmin](https://www.facebook.com/MDInsuranceAdmin)



[en Español: MDInsuranceAdminES](https://www.facebook.com/enEspañol:MDInsuranceAdminES)



[Maryland Insurance Administration](https://www.linkedin.com/company/Maryland Insurance Administration)



[marylandinsuranceadmin](https://www.instagram.com/marylandinsuranceadmin)



[MD Insurance](https://twitter.com/MD_Insurance)



<https://bit.ly/mdmiayoutube>

