

Presentation to Minnesota House of Representatives

Commerce Finance and Policy Committee Financing Reinsurance

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Summary of Testimony

- Reinsurance has been effective at bringing down premiums (about 20%) and stabilizing the individual market. Minnesota's state-based reinsurance program should be maintained but its state financing mechanism reconsidered.
- Minnesota reinsurance is funded primarily by federal "pass through" dollars allowed under a federal ACA 1332 State Innovation Waiver.
- The state contribution comes from enrollee premiums, the Health Care Access Fund (HCAF) and some limited General Fund.
- There are 15 states with a 1132 waiver similar to Minnesota to obtain federal reinsurance "pass through funding" to finance reinsurance.
- Reinsurance for health insurance is traditionally funded by a premium assessment on insurers and 12/15 reinsurance states use this as their primary financing mechanism. Since the program benefits insurers, the insurers contribute to the cost of the program.
- The legislature should consider using a premium assessment rather than the HCAF to provide for the state share of the costs of the program and refocus the HCAF on MinnesotaCare.

Additional Points

- States have customized waiver-funded reinsurance to meet their specific needs. For more detail see SHADAC State 1332 Reinsurance Resource page.
<https://www.shadac.org/publications/resource-state-based-reinsurance-programs-1332-state-innovation-waivers>
- States with reinsurance have experienced significantly lower individual market premiums and stable insurer participation.
- Premium reductions generally only benefit unsubsidized enrollees (generally higher income) and the impact on coverage take-up is unclear.
- Reinsurance reduces the premiums in the individual market but also impacts federal financing of MinnesotaCare. Lower premiums = lower federal financing for MinnesotaCare.
- Careful consideration is needed for the tradeoffs, the appropriate use of the HCAF and the current projected deficit in MinnesotaCare.

1332 STATE INNOVATION WAIVER DEVELOPMENT FOR STATE-BASED REINSURANCE

Updated: August 2020

14 STATES

have **received CMS approval** of their 1332 reinsurance waiver proposals: Alaska, Colorado, Delaware, Maine, Maryland, Minnesota, Montana, New Hampshire, New Jersey, North Dakota, Oregon, Pennsylvania, Rhode Island and Wisconsin.

1 STATE

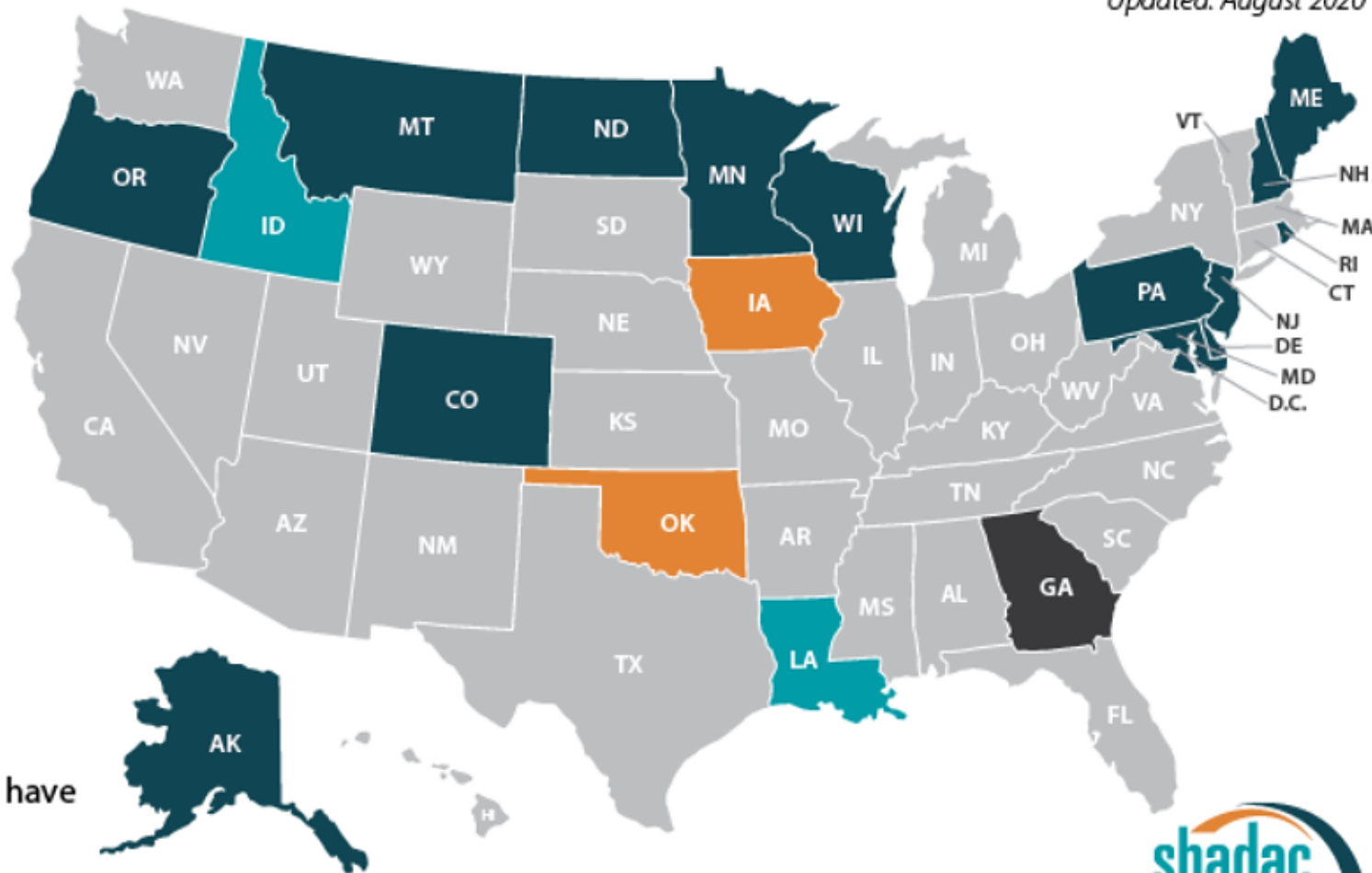
has a 1332 reinsurance waiver application **awaiting review**: Georgia.

2 STATES

submitted 1332 reinsurance waiver applications that were later **withdrawn**: Iowa and Oklahoma.

2 STATES

released draft 1332 reinsurance waiver applications but have not yet formally submitted to CMS: Idaho and Louisiana.



For state-level details visit our 1332 Reinsurance Waiver Resource page at: www.shadac.org/publications/resource-1332-state-innovation-waivers-state-based-reinsurance



Reinsurance Funding by State

State Reinsurance Program	Premium/Insurer Assessment	State Mandate Penalty	General Fund	Provider / Hospital Assessment
Alaska	✓		✓	
Colorado	✓		✓	✓
Delaware	✓			
Georgia			✓	
Maine	✓			
Maryland	✓			
Minnesota			✓	✓
Montana	✓			
New Hampshire	✓			
New Jersey		✓	✓	
North Dakota	✓			
Oregon	✓			
Pennsylvania	✓			
Rhode Island		✓		
Wisconsin			✓	
TOTAL	10	2	6	2

3 States Repurposed Repealed Federal Tax to Finance Reinsurance

- Several states repurposed revenue from an expiring federal tax on health insurers.
- When Congress temporarily suspended the federal health insurance provider tax for 2019, Maryland required insurers — which benefit from and lobbied for reinsurance — to pay a fee equivalent to their forgone tax obligation to fund the program.
- Later, after Congress permanently repealed the tax, Colorado and New Jersey followed a course similar to Maryland and established state replacements to help fund both reinsurance and forthcoming coverage subsidy programs.

Source: The Commonwealth Fund. *The Benefits and Limitations of State-Run Individual Market Reinsurance*. ISSUE BRIEFS
NOVEMBER 11, 2020. <https://www.commonwealthfund.org/publications/issue-briefs/2020/oct/benefits-limitations-state-run-individual-market-reinsurance>

Reinsurance Parameters

Claim Range ^[1]		Liability
↕	\$0	Plan Pays: 100%
↕	\$50,000	Plan Pays: 20% MPSP Pays: 80%
↕	\$50,001	
↕	\$250,000	Plan Pays ^[2] : 100%
↕	\$250,001	

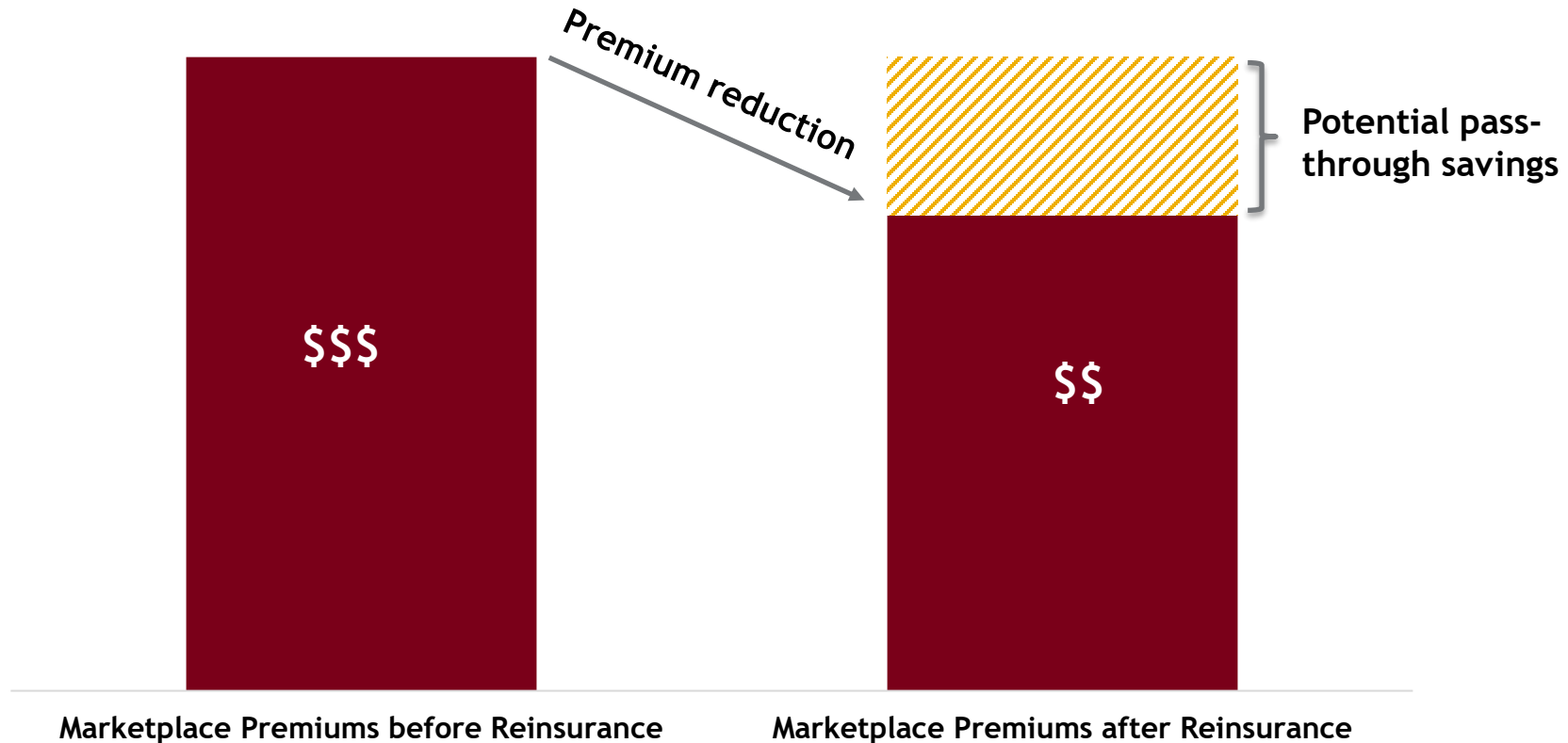
[1] - Claim Range Excludes Member Cost Sharing

[2] - Excludes Impact of High-Cost Risk Pool

Source: Wakely 2020 Fourth Quarter Report, Feb 8, 2021. <https://mchamn.com/wp-content/uploads/2021/02/4th-Quarter-2020-Reinsurance-Report-of-the-MPSP-as-of-020821.pdf>

1332 Waiver Funding for Reinsurance - Federal “Pass Through” Funding for Reinsurance

Marketplace premiums went down with Reinsurance, about 20%, this is federal savings that can be passed on to states to help pay for the costs of reinsurance



Consolidated Fiscal Note 2021-2022
 Legislative Session SF694
 Minnesota Premium Security Plan; Benefit Year 2022

1 - Expenditures, Absorbed Costs*, Transfers Out*					
Commerce Dept					
Restrict Misc. Special Revenue	-	-	123,823	-	-
Federal Fund	-	-	86,064	-	-
Human Services Dept					
General Fund	-	-	-	113,673	-
Health Care Access	-	55,323	58,350	-	-
MNSure					
General Fund	-	2,628	2,497	-	-
MN Health Insurance Exchange	-	(2,628)	(2,497)	-	-
	Total	-	55,323	268,237	113,673
	Biennial Total		323,560		113,673

Source: https://www.senate.mn/committees/2021-2022/3095_Committee_on_Health_and_Human_Services_Finance_and_Policy/SF694-0%20Completed%20FN.pdf

Preliminary Information on Impact of the American Rescue Plan on Premiums in the Individual Market

Impact of the American Rescue Package 2021 on Marketplace Subsidies

- Increases subsidy levels (the Advanced Premium Tax Credits) offered on Mnsure.
- Removes the cap on subsidy eligibility so that no one, regardless of income, will more than 8.5% of income on premiums offered through the marketplace.
- Enrollees who are on the hook for receiving too much in credits in 2020 would not have to pay back the excess.
- Changes are for only two years.

Hypothetical Premium Single Adult

Income	Federal Poverty Level	% of Income Required for Premium Contribution	ARA New Contribution %	Sample Premium	Cap on Income	Actual Payment	Monthly Saving	Annual Savings
\$ 12,880	138%	3.1%	0.0%	\$ 500	\$ 33.27	\$ -	\$ 33.27	\$ 399
\$ 19,320	150%	4.1%	0.0%	\$ 500	\$ 66.65	\$ -	\$ 66.65	\$ 800
\$ 25,760	200%	6.5%	2.0%	\$ 500	\$ 139.96	\$ 42.93	\$ 97.03	\$ 1,164
\$ 32,200	250%	8.5%	4.0%	\$ 500	\$ 228.08	\$ 107.33	\$ 120.75	\$ 1,449
\$ 38,640	300%	9.8%	6.0%	\$ 500	\$ 316.53	\$ 193.20	\$ 123.33	\$ 1,480
\$ 51,520	400%	9.8%	8.5%	\$ 500	\$ 422.03	\$ 364.93	\$ 364.93	\$ 4,379
\$ 64,400	500%		8.5%	\$ 500	\$ 456.17	\$ 456.17	\$43.83	\$525.96

Example, 50 year old, nonsmoker, Silver 2,500 or less deductible on Mnsure