

Reinsurance in *Healthcare*

REGULATOR INSIGHTS



The NAIC/CIPR Research Library has compiled a summary of recent legislation, reports and news coverage on health reinsurance and government/regulator efforts to address this issue. The Library's *Regulator Insights* series is aimed at assisting state insurance regulators in quickly understanding the breadth and depth of recent information produced on a key topic of interest across media and academic sources.

Health Reinsurance Quick Facts

- ✓ [Section 1332 of the Affordable Care Act](#) (ACA) allows states to apply for a State Innovation Waiver (also referred to as a State Relief and Empowerment Waiver) with the federal [Centers for Medicare & Medicaid Services](#) (CMS). This permits states to pursue innovative strategies (such as reinsurance) in providing quality and affordable health insurance to their residents while retaining the basic protections of the ACA.
- ✓ State Innovation Waivers have been available since 2017, are approved for five-year periods and are renewable. Waivers must not increase the federal debt.
- ✓ Recent news indicates premium decreases varying from 6% to 43% in consumers' individual health insurance rates for states that have implemented reinsurance waivers.
- ✓ Alaska, Minnesota and Oregon—states in their second year of the program—found premium rates have remained steady.

Studies and Reports

- o [How Health Care Premiums Are Declining in States That Seek Relief from Obamacare's Mandates](#). (The Heritage Foundation, Aug. 13, 2019)
 - Premiums in the seven states that obtained federal waivers declined nearly 7.5%. In states without waivers, premiums increased more than 3%.
 - The Heritage Foundation concludes there should be more emphasis on states to focus on market-based innovations, such as the Section 1332 waiver, that increase health care choices and reduce costs rather than establishing federal legislation, which could potentially suppress state innovation.
- o [State-Run Reinsurance Programs Reduce ACA Premiums by 16.9% on Average](#) (Avalere, Oct. 29, 2019)
 - Avalere found that among the 12 states with reinsurance programs, premiums were 16.9% lower, on average, in the first year of enactment compared to what they would have been without the reinsurance program.
 - Pass-through funding to the states in support of these programs was about \$1.2 billion, nearly double what states have contributed with their own funds.
- o [Tracking Section 1332 State Innovation Waivers](#) (Nov. 6, 2019, Kaiser Family Foundation)
 - The Kaiser Family Foundation tracks all current activity on the Section 1332 waivers, including which states have been approved and which states are currently pending approval. States that submit incomplete waiver submissions or withdraw their waivers from consideration are also included.

Estimated Individual Market Impact of State Reinsurance Programs in First Year of Enactment

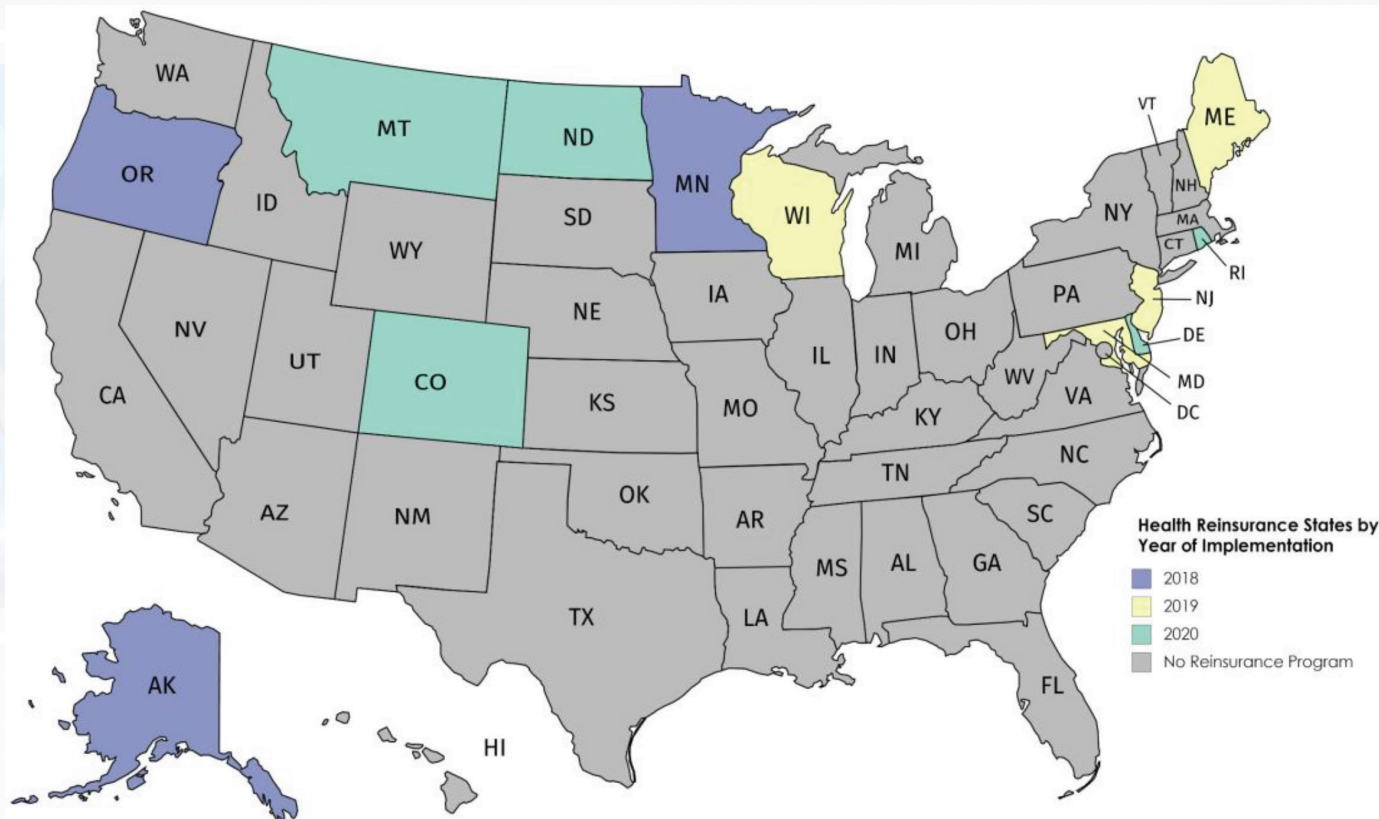
| State | Date of Enactment | Individual Market Premium Decreases (-) | Federal Pass-Through Funding (in millions) | State Reinsurance Funding (in millions) | Percent of Program Cost Supported by State |
|-------------------|-------------------|---|--|---|--|
| Alaska | 2017 | -34.7% | \$58.5 | \$1.5 | 2.5% |
| Minnesota | 2018 | -20% | \$131 | \$140 | 51.7% |
| Oregon | 2018 | -6% | \$54.5 | \$35.5 | 39.4% |
| Maine | 2019 | -9.4% | \$65.3 | \$27.7 | 29.8% |
| Maryland | 2019 | -43.4% | \$373.4 | \$88.6 | 19.2% |
| New Jersey | 2019 | -15.1% | \$180.2 | \$143.5 | 44.3% |
| Wisconsin | 2019 | -10.6% | \$127.7 | \$72.3 | 36.1% |
| Colorado | 2020 | -16% | \$162.8 | \$87 | 34.8% |
| Delaware | 2020 | -13.7% | \$20 | \$6.9 | 25.7% |
| Montana | 2020 | -8% | \$22.1 | \$12.4 | 35.9% |
| North Dakota | 2020 | -19.8% | \$26.1 | \$21.2 | 44.8% |
| Rhode Island | 2020 | -5.9% | \$6.4 | \$8.3 | 56.4% |
| STATE AVG. | | -16.9% | \$102.3M | \$53.7M | 35.1% |
| TOTAL | | | \$1.2B | \$644.9M | |

Source: [Avalere](#), *Estimated Individual Market Impact of State Reinsurance Programs in Year of Enactment*. Oct. 29, 2019. Used with permission.

Reinsurance in Healthcare



States with Health Reinsurance Programs



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States Enacting Legislation Authorizing 1332 Waiver Submission, but Not yet Submitted to CMS for Approval

| State | Bill | Effective Date |
|--------------|---|----------------|
| Georgia | SB 106: "Patients First Act" §3-2 | March 27, 2019 |
| Indiana | HB 1301 §4 | July 1, 2018 |
| Kentucky | HB 242 §4 | March 21, 2017 |
| Nevada | SB 482 §45 | May 24, 2019 |
| New Mexico | HB 436 §20 | April 4, 2019 |
| Pennsylvania | HB 3, Ch. 95 §9501: Reinsurance Program | July 2, 2019 |
| Texas | SB 1940 §4 | June 10, 2019 |
| Virginia | HB 5002S1 §E.1 | June 7, 2018 |

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Relevant Federal Legislation

2019

[HR 1425: State Health Care Premium Reduction Act](#)

- o Introduced 2/28/19 by Rep. Angie Craig (D-MN)
 - An amendment of the federal Patient Protection and Affordable Care Act allowing for an Improve Health Insurance Affordability Fund to provide for certain reinsurance payments to lower premiums in the individual health insurance market.
 - This bill would appropriate \$10 billion a year to support state or federal reinsurance programs or allow states to create a state-level program that provides additional subsidies to consumers.
- o Status: In House Committee (April 4, 2019)

Related: [Cost Estimate for HR 1425](#) from the Congressional Budget Office (Aug. 20, 2019)

- o The Congressional Budget Office (CBO) and the U.S. Congress Joint Committee on Taxation (JCT) estimate that in the seven states with reinsurance programs, about 70% of reinsurance funds available in those states resulted in lower nongroup market premiums for the first year a state initiated its reinsurance program.
- o Premiums may rise slightly in subsequent years as insurers adjust to the program's specifics.

[HR 1884: Protecting Pre-Existing Conditions and Making Health Care More Affordable Act of 2019](#)

- o Introduced March 26, 2019, by Rep. Frank Pallone, Jr. (D-NJ)
- o § 101: *Improve Affordability and Reduce Premium Costs for Consumers* – Increases premium subsidies paid to insurance companies. It also allows consumers with incomes more than 400% of the federal poverty level to qualify for subsidies.
- o § 206: *Improve Health Insurance Affordability Fund* – Establishes a federally funded reinsurance program to provide pass-through funding to states beginning Jan. 1, 2020.
- o Status: Referred to the U.S. House Energy Subcommittee on Health (March 26, 2019).

News Highlights

- 1.) Senate Fails to Pass Resolution to Roll Back Trump Admin's ACA Changes
(Oct. 31, 2019, *American Health Line*)
 - o Senate Democrats failed to gain enough support to overturn the Trump administration's October 2018 changes to the Section 1332 waivers. The expansion loosens restrictions and expands coverage to include short-term health plans.
 - o Short-term health care plans are not subject to the ACA's coverage rules and can deny consumers with preexisting conditions insurance coverage.
 - o No states have applied for the expanded waivers.

- 2.) State Reinsurance Programs May Lead Insurers to Rejoin Individual Health Markets
(Sept. 4, 2019, *SNL Insurance Daily*)
 - o Premium rates have remained steady for the second year in Alaska, Minnesota and Oregon.
 - o The sharp increase in health insurance rates in 2017 was the impetus to pursue the Section 1332 waivers. In 2017, Alaska became the first state to obtain a waiver.
 - o Large insurers such as Cigna, UnitedHealth and Anthem are not as active in the individual markets of states that received waivers, but they could expand in the future.

- 3.) CMS Offers States Help in Establishing Reinsurance Programs
(Aug. 22, 2019, *CE Think Tank Newswire*)
 - o Reinsurance is a stabilizing mechanism, not a long-term solution.
 - o The effect of declining premiums on the exchanges in states that are using reinsurance pools make it more likely more states will apply for the CMS waivers.

- 4.) Colorado Regulator Discusses Move to Expand Health Care Cost Negotiations with Providers
(Aug. 6, 2019, *Best's Insurance News & Analysis*)
 - o CMS approved Colorado's waiver July 31, 2019. It is unique from other waiver states in that it includes three tiers of premium relief based on geographical locations within the state. Decreases in premiums range from 13% to 25%.

Appendix A

- o **More States Looking to Section 1332 Waivers**
(Sept. 4, 2019, [State Health & Value Strategies](#))
- o **Georgia the Latest State to Plan an ACA Reinsurance Program**
(Nov. 1, 2019, [Best's Insurance News & Analysis](#))
- o **State Innovation Leading the Way on Health Insurance**
(Oct. 21, 2019, Colorado Congressman Scott Tipton [press release](#))
- o **Does Massachusetts Have a Model for Md. Health Insurance?**
(Oct. 15, 2019, [Baltimore Daily Record](#))
- o **After Bipartisan Backing, PA Gears up to Launch Health Insurance Exchange**
(July 23, 2019, [Levittownnow.com](#))
- o **CMS Approves Rhode Island's Plan for a Reinsurance Program**
(Aug. 29, 2019, [Best's Insurance News & Analysis](#))
- o **Georgia Now Has Third-Highest Percentage of Uninsured, Report Shows**
(Sept. 10, 2019, [Georgia Health News](#))
- o **The Patients First Act: What it Means for Georgia Patients**
(March 28, 2019, [WRBL.com](#))
- o **Delaware Gets Approval to Run Reinsurance Program**
(Aug. 21, 2019, [Best's Insurance News & Analysis](#))
- o **Feds Approve Montana's Waiver for Health Reinsurance Program**
(Aug. 19, 2019, [Best's Insurance News & Analysis](#))
- o **North Dakota Governor Signs Health Reinsurance Bill**
(April 22, 2019, [Insurance Journal](#))

Appendix A continued

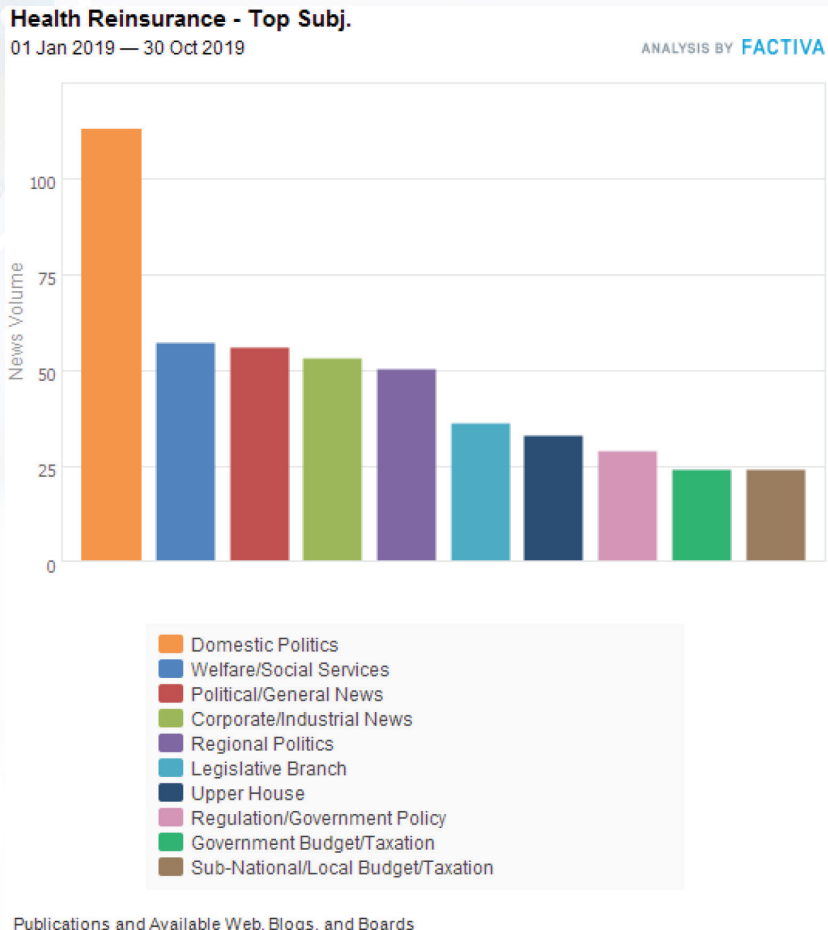
- o **Reinsurance Waiver Reactions Highlight Ideological Split on ACA Fixes**
(Aug. 28, 2019, [InsideHealthPolicy](#))
- o **Waiver Could Lower Costs for Health Care via Marketplace**
(Aug. 23, 2019, [Delaware State News](#))
- o **Insurance Rate Hikes Cool as Reinsurance, Stability Increase**
(Aug. 22, 2019, CQ)
- o **Colorado's Reinsurance Bill Drops Marketplace Health Insurance**
(July 22, 2019, [Post Independent](#))
- o **Maryland Insurance Administration: Reinsurance Plan is Stabilizing ACA Rates**
(May 17, 2019, [Best's Insurance News & Analysis](#))
- o **Study Finds Reinsurance Waiver May Have Saved Consumers Money**
(June 20, 2019, [CT News Junkie](#))
- o **New Study Finds Innovative Waivers Could Improve Healthcare Access, Affordability**
(May 28, 2019, [Georgia Public Policy Foundation](#))
- o **State Roles Using 1332 Health Waivers**
(Dec. 14, 2018, [National Conference of State Legislatures](#))
- o **The ACA's Innovation Waiver Program: A State-by-State Look**
(Nov. 4, 2019, [The Commonwealth Fund](#))

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Appendix B News Coverage

For news coverage analysis, we use Factiva, a global database that indexes more than 10,000 sources. Here we focus on the previous 10 months of U.S. news looking at recent state and federal legislation and regulatory efforts.

In the past 10 months, there were more than 315 articles relating to health reinsurance. The figure below illustrates their classifications according to Factiva's indexing algorithm. The dominant theme is related to domestic political issues, followed by welfare/social services.



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