Reinsurance: Saving the Individual Market

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Presented by:

Debbie McCormick, Benefit Management LLC

Liz Leif, Leif Associates, Inc

Cecil Bykerk, Alaska Reinsurance Program

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Introductions

- Debbie McCormick
  - Benefit Management LLC – State Reinsurance Program Administrator
- Liz Leif
  - Leif Associates Inc – Actuarial and Analytic services for Reinsurance Programs
- Cecil Bykerk
  - Executive Director – Alaska Reinsurance Pool

Topics

- 1332 Waivers – The Basics
- Reinsurance Models
- Alaska Reinsurance Pool – One Year Later

What's a 1332 Waiver?

- Named after Section 1332 of the Affordable Care Act (ACA)
- Allows states to modify some parts of the ACA and adopt alternative ideas
- Purpose is limited: Must still achieve the goals of the ACA without raising the cost to the federal government
- Application must show:
  - Benefits at least as comprehensive as Essential Health Benefits
  - Cost-sharing at least as affordable as in marketplace
  - Comparable number of people will be insured
  - Federal deficit not increased
- Waivers are approved for five-year periods and can be renewed
- State must have public hearing prior to submitting waiver application

Federal "Pass-Through" Payments Under A Waiver

- If a state's waiver reduces the federal premium tax credits, cost-sharing reductions, or small business tax credits relative to what they would have received without the waiver:
  - The state may receive "pass-through" funding equaling the financial assistance its residents would have received.
- States can use the pass-through funding to implement its waiver plan.

State 1332 Waivers – Status

State	Status (June 2018)	Requested Waiver
Hawaii	Approved 12/30/16	Maintain existing small employer premium assistance program
Alaska	Approved 7/31/17	Reinsurance program for individual market
Oregon	Approved 10/19/17	Reinsurance program for individual market
Minnesota	Approved 10/20/17	Reinsurance program for individual market
Wisconsin	Complete, pending public comment 5/9/18	Reinsurance program for individual market
Ohio, Massachusetts, Vermont	Submitted but deemed incomplete	
California, Iowa, Oklahoma	Submitted but subsequently withdrawn	

How Does A Reinsurance Program Work?

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Consumer Perspective

- Individuals still purchase their coverage through the existing private carrier(s)
- Premiums are lower than without this program
- Additional funding matters are all behind the scenes
- Seamless process for the consumer

Carrier Perspective

- Individual carriers cede risk for reinsured claims to the reinsurance pool
- Carrier is reimbursed for the ceded claims according to the formula
- Carrier continues traditional administration of the benefit plan
- Limits carriers liability thus effectively reducing consumer premiums

Types of Reinsurance Programs

- Two current approaches:
  - Claim-based
  - Condition-based
- Claim-based – claims in a specified corridor are paid, minus a coinsurance rate
  - Oregon – 50% above an attachment point up to $1 million
  - Minnesota – 80% above $50,000 up to $250,000
  - Wisconsin – 50% above $50,000 up to $250,000
- Condition-based
  - Alaska – 100% of claims of persons with one of 33 health conditions

The Alaska Reinsurance Pool (ARP)

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- State law was passed in June 2016
- Program was implemented in January 2017, funded with $55 million from the state
- 1332 waiver was approved in July 2017
- Eligible individuals are identified through the claim process of having one of 33 conditions
- Conditions were identified through a study of 2015 market claims

Eligible Condition Categories

- Acquired Hemolytic Anemia, Including Hemolytic Disease of Newborn
- Acute Liver Failure/Disease, Including Neonatal Hepatitis
- Amputation Status, Lower Limb/Amputation Complications
- Amyloidosis, Porphyria, and Other Metabolic Disorders
- Amyotrophic Lateral Sclerosis and Other Anterior Horn Cell Disease
- Anorexia/Bulimia Nervosa
- Cerebral Palsy, Except Quadriplegic
- Chronic Hepatitis
- Chronic Pancreatitis
- Coagulation Defects and Other Specified Hematological Disorders
- Cystic Fibrosis
- End Stage Renal Disease
- End Stage Liver Disease
- Hemophilia
- HIV/AIDS
- Inflammatory Bowel Disease
- Intestinal Obstruction
- Lipidoses and Glycogenosis
- Lung, Brain, and Other Severe Cancers, Including Pediatric Acute Lymphoid Leukemia
- Metastatic Cancer
- Mucopolysaccharidosis
- Multiple Sclerosis
- Myasthenia Gravis/Myoneural Disorders and Guillain-Barre Syndrome/Inflammatory and Toxic Neuropathy
- Non-Hodgkin's Lymphomas and Other Cancers and Tumors
- Paraplegia
- Parkinson's, Huntington's, and Spinocerebellar Disease, and Other Neurodegenerative Disorders
- Premature Newborns, Including Birthweight 2000-2499 Grams
- Quadriplegic Cerebral Palsy
- Rheumatoid Arthritis and Specified Autoimmune Disorders
- Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock
- Sickle Cell Anemia
- Stem Cell, Including Bone Marrow, Transplant Status/Complications
- Thalassemia Major

ARP Operational Details

- ACHIA (High Risk Pool) serves as the reinsurance entity
- Detailed plan of operations addresses program administration and accounting
- Carriers are required to cede claims of eligible high risk residents to the program
- ACHIA reimburses carrier quarterly for ceded claims
- Claims and expenses are paid from premium and then from the $55 million
- The maximum amount of claims to be reimbursed in 2017 was $55 million with excess cash being held as contingency reserve
- If claims are expected to exceed available funds, a proportional payment will be made to carriers
- There will be an annual true-up of claims and risk adjustment transfers

Annual True-Ups

Claim True-Up

- Between April 15 and June 15 of each year
- True-ups for:
  - Crediting of premium and non-premium revenue received after the end of the benefit year
  - Retroactive reductions necessary to prevent a deficit for the benefit year
  - Retroactive increases necessary to ensure each claim for reimbursement is reimbursed proportionately

Risk Adjustment True-Up

- Between June 30 and August 15 following any year in which there was more than one carrier in the individual market
- True up will require a recalculation of the federal risk adjustment transfers to account for the impact of removing ceded risks who were not the financial responsibility of the ceding carrier

ARP: One Year Later

- Even though the list needs to be revised – the full $55 million was reimbursed to Premera
- Due to the $55 million cap that was placed on claim reimbursements, $13.3 million remained unexpended at the end of the year
- This was a result of the premiums, pharmacy rebates, investment income and cost share reductions paid to the pool
- This is being held for use in future years in the case that Federal and State funds are insufficient to fund claim reimbursements

ARP: One Year Later

- As a result of the $55 million cap, $14 million in paid claims were not reimbursed
- By March 31, 2017 of the $150 million in total paid claims, 46% were from ARP qualified policies and 54% were from policies not qualified for ARP
- For 2018, Alaska will pay in approximately $1.5 million while CCIIO has notified the State that they will put in an estimated $58.5 million subject to final administrative determination
- By 2022, Alaska will be paying in $14 million
- Ironically, individual market claims ended up at a ten-year low in 2017

Questions?

Contact us at:

Debbie McCormick dmccormick@benefitmanagementllc.com

Liz Leif ejleif@leif.net

Cecil Bykerk oakoffice1@cox.net