Individual Insurance Market Issues

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State Issues

- Premiums in the individual market in many states are unaffordable without subsidy
  - Rates have decreased, on average, but still remain very high
  - Young people remain out of the individual market
- Consumers in many states have very few choices
  - National companies have left the market
  - Networks have become narrower
  - Few national network arrangements
- Small group
  - In some states, the small group market has a large percentage of grandfather/grandmother plans

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Insurance Market Background

Most people receive their health insurance coverage from their employer, Medicare, or Medicaid

- Group Health Coverage
  - Employer Sponsored Coverage i.e. Large Group, Small Group, Self-Funded / ERISA
- Public Coverage
  - Medicaid / CHIP, Medicare

Approximately 5% of most state's population purchases coverage from the individual market

- Non-Medicare eligible retirees
- Individuals not eligible for group coverage/group coverage not offered
- Sole proprietors
- Part-time workers
- Gig economy
- Individuals in-between jobs

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The individual insurance market is a residual insurance market

- Individuals do not have access to other coverage
  - Most, but not all, do not stay long term
  - Health Insurance Exchange
    - Advanced Premium Tax Credits : Covers individuals from 100% to 400% of the federal poverty level (FPL)
    - Cost Sharing Reduction Subsidies (CSRs) : 100% to 250% FPL Receive a higher actuarial value plan if silver plan is purchased
    - Unsubsidized Over 400% FPL
  - Off-Exchange - No subsidies available
    - Same plan designs, same cost

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Wisconsin Experience

- Worsening risk pool
  - Higher percentage (34%) of older residents (55-64) and lower percentage (16%) of younger residents (26-34) than the national average
- High Medical Loss Ratios (MLR) - percentage of premiums paid for direct medical care (after all federal risk payments)
  - ACA contemplated an 80% MLR
  - 2014 insurers had a 91% MLR
  - 2015 insurers had a 101% MLR
  - 2016 insurers had a 94% MLR
- The net result was insurer losses in the individual market of more than $500 million in the first four years

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Wisconsin 1332

- 2017: Approximately 37,000 Wisconsinites had to choose a new insurer
  - Humana and UnitedHealthcare left the individual market entirely
  - Managed Health Services, WPS Health Plan, and Physicians Plus left the Exchange
- 2018: Approximately 75,000 Wisconsinites had to choose a new insurer
  - Health Tradition left the individual market
  - Anthem and Molina left the Exchange
  - Molina and Anthem offer plans off-Exchange in one county
- 2019 Health Care Stability Plan / 1332 Reinsurance Waiver
  - Fewer Wisconsinites had to choose a new insurer
    - Molina re-entered the market
    - Average Rates decreased by 11%

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State Waivers

- Most state waivers have been focused on reinsurance
  - Easiest waiver to estimate costs, benefits, pass through funding
  - Limited impact – does not change the market dynamics
  - Funding an issue
- Waiver requirements have been politically difficult
  - Must pass a law
    - Democrat vs. Republican
  - Final pass through funding dollars are not determined until later
    - State is responsible for any excess costs
  - Numerous public hearings
  - Limited flexibility
    - No way to provide seamless public-private transition

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1332 Guidance

- On October 22, 2018, new guidance for "State Empowerment Waivers" was issued
- New flexibility
  - State law
    - Allows a state to apply for a waiver if authority already exists
  - Comprehensiveness and Affordability
    - State waiver is no longer measured on the actual purchase of comprehensive and affordable coverage, but rather providing access to coverage that is comprehensive and affordable
  - Coverage
    - Expands coverage definition from minimum essential coverage to the definition of insurance under PPACA
  - Federal Deficit Neutrality
    - Allows for consideration of waiver that meets 5-year deficit neutrality test that may not meet the test in any given year

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1332 Guidance – Waiver Concepts

- Sample waiver concepts
  - State-Specific Premium Assistance
    - Allows states to re-design subsidies
  - Adjusted Plan Options
    - Allows subsidies for non-ACA plans
  - Account-Based Subsidies
    - Allows consumer-driven HRA-style accounts
  - Risk Stabilization Strategies
    - Includes reinsurance and other risk mitigation strategies

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State 1332 Concerns

- State Flexibility
  - New 1332 guidance expands flexibility
  - Some states are seeking even more flexibility
- Deficit Neutrality
  - Despite flexibility, successful state enrollment expansion may fail test
- Federal Pass Through Funding
  - State budgets need predictability
- 1115 Waivers
  - States would like approaches combining Medicaid waivers
- Many of the same issues in the law still apply

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HRA Rules will impact the Individual Market

- Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)
  - Small employers only
  - Covers medical expenses or health insurance premiums
  - Employers can contribute up to $5,000 per employee and $10,000 per family
  - Employee's premium tax credit amounts adjusted based on the employer's contribution to the QSEHRA
- Individual Coverage Health Reimbursement Arrangement (ICHRA)
  - Employers of all sizes
  - Covers individual health insurance (including excepted benefits) and medical expenses
  - Eligible employees can not be eligible for the employer's group health plan
  - Meets employer mandates requirements
  - In most cases, the employee is not eligible for a premium tax credit
- Excepted Benefit Health Reimbursement Arrangement (EBHRA)
  - Employers of all sizes
  - Covers excepted benefits (long term care, fixed indemnity, vision and dental) and short term insurance
  - Employers can contribute up to $1800

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Thank You!

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