

Operation of the Commonwealth Health Reinsurance Program

*A Report Submitted to the Governor and to the Senate Committees on Finance and Appropriations, and Commerce and Labor, and the House of Delegates Committees on Appropriations, and Labor and Commerce,
pursuant to § 38.2-6603 B of the Code of Virginia*



State Corporation Commission
Bureau of Insurance

November 1, 2024

COMMONWEALTH OF VIRGINIA

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November 1, 2024

Transmitted via Email

The Honorable Glenn Youngkin
Governor, Commonwealth of Virginia

The Honorable L. Louise Lucas
Chair, Committee on Finance and Appropriations
Senate of Virginia

The Honorable R. Creigh Deeds
Chair, Committee on Commerce and Labor
Senate of Virginia

The Honorable Luke E. Torian
Chair, Committee on Appropriations
Virginia House of Delegates

The Honorable Jeion A. Ward
Chair, Committee on Labor and Commerce
Virginia House of Delegates

Members, Senate Committees on Finance and Appropriations and Commerce and Labor

Members, House Committees on Appropriations and Labor and Commerce

Dear Governor Youngkin, Senators Lucas and Deeds, and Delegates Torian and Ward:

Pursuant to [§ 38.2-6603 B](#) of the Code of Virginia and on behalf of the State Corporation Commission, the Bureau of Insurance submits this annual report on the operation of the Commonwealth Health Reinsurance Program.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White
Commissioner of Insurance

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Executive Summary

The Commonwealth Health Reinsurance Program (CHRP) is designed to make individual health insurance coverage more affordable, particularly for unsubsidized individuals, encouraging a more stable membership base that will support increased competition among issuers in future years and, as a result, heightened consumer choice. The program lowers the cost of health insurance for consumers in the individual market by reimbursing carriers for a portion of their high-cost claims.

As directed by the General Assembly in 2021, the Virginia Bureau of Insurance (Bureau) applied for and received federal approval to establish a reinsurance program in the individual health insurance market for five years, beginning in benefit year 2023 (i.e., January 1-December 31, 2023). The approved CHRP for benefit years 2023, 2024, and 2025 targets a 15 percent reduction in average member premium and is funded in part by substantial federal pass-through funding. In addition to lower premiums, the Virginia individual market has seen increased carrier coverage and competition, with all counties having at least two carrier choices since the inception of the CHRP.

Introduction

Pursuant to [§ 38.2-6603 B](#) of the Code of Virginia (Code), the State Corporation Commission (Commission) is required to submit a report on the operation of the CHRP to the Governor and the Chairs of designated legislative committees annually by November 1.

The report is required to include the following program information for the relevant benefit year:¹

1. Amounts deposited into the CHRP Fund;
2. Requests for reinsurance payments received by eligible carriers;
3. Reinsurance payments made to eligible carriers;
4. Administrative and operational expenses incurred for the program; and
5. Quantifiable impact of the CHRP on individual health insurance coverage rates.

Background

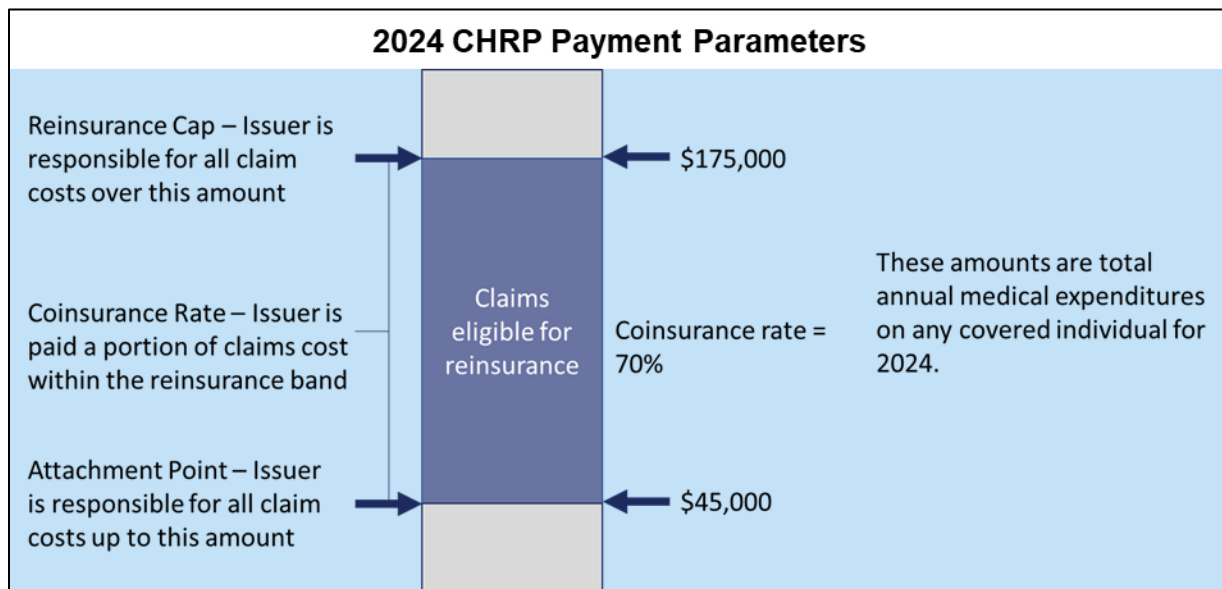
During the 2021 Session, the Virginia General Assembly passed House Bill 2332. The Governor signed it into law as [Chapter 480](#) of the 2021 Virginia Acts of Assembly. In conformity with the statutory requirements, the Commission submitted a State

¹ This report uses the terms benefit year and plan year. Benefit year 2023 for the CHRP applies to individual health insurance claims during plan year 2023 (January 1-December 31, 2023).

Innovation Waiver application under Section 1332 of the Patient Protection and Affordable Care Act (ACA),² seeking federal approval to establish the CHRP beginning January 1, 2023. On May 18, 2022, the U.S. Department of Health & Human Services and the U.S. Department of the Treasury approved Virginia’s application for an initial period of up to five years, beginning in 2023.

Section 1332 of the ACA permits a state to apply for a State Innovation Waiver (also referred to as a section 1332 waiver) to pursue innovative strategies for providing residents with access to high quality, affordable health insurance, while retaining the basic ACA protections. The program provides federal pass-through funding to the state for any resulting federal savings.

The CHRP is designed to operate as a traditional reinsurance program. It reimburses individual market health insurers for a percentage of an enrollee’s annual claims costs exceeding a specified threshold (or “attachment point”), up to a specified ceiling (or “reinsurance cap”). For 2024, the CHRP plans to reimburse claims between an attachment point of \$45,000 and a reinsurance cap of \$175,000, at a rate of 70 percent. For example, for an enrollee with \$145,000 in covered medical claims in 2024, the CHRP would reimburse \$70,000 ($\$145K - \$45K = \$100K$ in eligible claims; 70 percent of $\$100K = \$70K$). This has resulted in approved individual market rates for 2025 that are on average 15.9 percent lower than they would have been without the CHRP.



Program Funding

The CHRP is funded through state general funds and federal pass-through funding. These and any other appropriated funds for CHRP operations and claims payments are deposited into the CHRP special fund that was established in fiscal year 2024 (i.e., July 1, 2023 – June 30, 2024) pursuant to [§ 38.2-6604 A](#) of the Code. In June 2024, the

² Section 1332, Patient Protection and Affordable Care Act, [42 U.S. Code § 18052](#).

2024 state fund appropriation of \$19,990,050 was transferred into the CHRP special fund. Any moneys remaining in the special fund carry over into subsequent fiscal years and do not revert to the general fund, as required under the terms of the waiver. Table 1 shows state and federal program funding for the CHRP:

Table 1. Reinsurance State and Federal Funding, Plan Years 2023 and 2024		
Funding Source	Plan Year 2023	Plan Year 2024
2022-2024 Appropriations Act	\$20,000,000	N/A
2024-2026 Appropriations Act	\$25,000,000	\$67,000,000
Federal Pass-through Funding	\$331,877,124	\$481,941,432
Total	\$376,877,124	\$548,941,432

State Funding

According to the terms of the federal waiver, Virginia must appropriate adequate funding to support its share of the reinsurance program as a condition of receiving the federal pass-through funds. Virginia’s 2022-2024 Appropriations Act included \$20 million in fiscal year 2024 general funds to be used toward the state’s portion of funding the 2023 CHRP.

An additional \$25 million in funding for the 2023 CHRP would be available in the 2024-2026 Appropriations Act, if needed to pay claims. Currently, \$67 million is appropriated for the state share of the 2024 CHRP in fiscal year 2026. If federal and state appropriations exceed the amount needed to fund CHRP payments to carriers for a given year, those funds can be used for program costs such as carrier payments and administrative expenditures in future years. This could result in adjustments to the estimated amount of state funding required in later benefit years.

Federal Pass-through Funding

Federal pass-through funds are intended to fund a large part of the CHRP. These funds are based on federal premium tax credit savings resulting from the reduction in premium costs in the Virginia marketplace. By reducing baseline premiums, the CHRP reduces federal expenditures on these income-based premium tax credits. These estimated savings are then provided to Virginia to help fund program operations and claims payments.

In the fall, prior to each benefit year, the Bureau submits the pass-through funding report for that CHRP benefit year for federal review. The report, prepared by Bureau staff and a contract actuary, contains individual market premium rates for each Virginia county and city, and projected market enrollment and estimates of the CHRP impact on

premium costs. Based on an analysis of that report, the Centers for Medicare and Medicaid Services (CMS) issues a letter indicating the federal funding for that benefit year. These funds are not deposited into the CHRP fund at the time of the award, but rather drawn down into the CHRP fund as needed to fund administrative expenditures and claims payments.

Administrative and Operational Expenses

The Bureau retained a contract actuary to address the actuarial analysis, actuarial certifications, economic analysis, data, and assumptions required for program operation and compliance with the terms of Virginia’s Section 1332 waiver. During fiscal year 2024, the contract actuary:

- Prepared the 2024 CHRP pass-through funding report used to calculate federal funding for the program; and
- Analyzed carrier-submitted data to provide an estimate of 2025 CHRP costs for several different premium reduction targets and supported the Bureau in setting 2024 program parameters.

In addition, the Bureau will rely on federal health insurance claims data provided by the CMS as the basis for evaluating the CHRP claims submitted by carriers. This data is attested to by carriers and validated as part of the federal risk adjustment program established under 42 U.S.C. § 1806. There is an annual charge for the development and production of reports specific to Virginia’s program parameters.

Table 2 provides a breakdown of fiscal year 2024 administrative and operational expenditures.

Table 2. Reinsurance Administrative and Operational Expenditures, Fiscal Year 2024	
Administrative and Operational Expenses	Expenditures
2024 CHRP Pass-Through Funding Report – Contract Actuary	\$16,260
Actuarial/Economic Analysis to Model 2025 CHRP Scenarios and Parameters – Contract Actuary	\$60,330
Federal Claims Data Services – CMS	\$8,000
Total	\$84,590

Reinsurance Claims and Payments

Per statute, final 2023 CHRP claims will be paid to eligible carriers by November 15, 2024. For a carrier to be eligible to receive reinsurance payments through the CHRP, an eligible carrier must, by April 30 of the year following the benefit year for which

reinsurance payments are requested:

1. provide the Commission with access to the data within the dedicated data environment established by the eligible carrier under the federal risk adjustment program under 42 U.S.C. § 18063 or access to other carrier-specific data if and where necessary; and
2. submit to the Commission an attestation that the carrier has complied with the dedicated data environments, data requirements, establishment and usage of masked enrollee identification numbers, and data submission deadlines.³

The Commission has determined that 13 carriers are eligible for CHRP claims reimbursement payments for benefit year 2023. To determine payment amounts due to each eligible carrier, the Commission will rely on reports produced from federal risk adjustment program data by the CMS. These reports identify the total number of individual market enrollees whose 2023 medical expenditures exceeded the 2023 CHRP attachment point and the total payments due to each carrier for their enrolled members.

As shown in Table 3, the Commission disbursed total payments of more than \$323 million to eligible carriers, the equivalent of about 16.8 percent of total medical expenditures on individual marketplace employees.

Table 3. CHRP Eligibility and Carrier Payments, Benefit Year 2023	
Carriers eligible for 2023 CHRP payments	13
Total individual market enrollees	495,571
Total enrollees with CHRP-qualifying expenditures	9,770
Total medical expenditures for all individual marketplace enrollees	\$1,922,502,610
Total medical expenditures eligible for CHRP reimbursement	\$461,959,887
Total 2023 CHRP payments made to eligible carriers	\$323,371,921

Program Impact

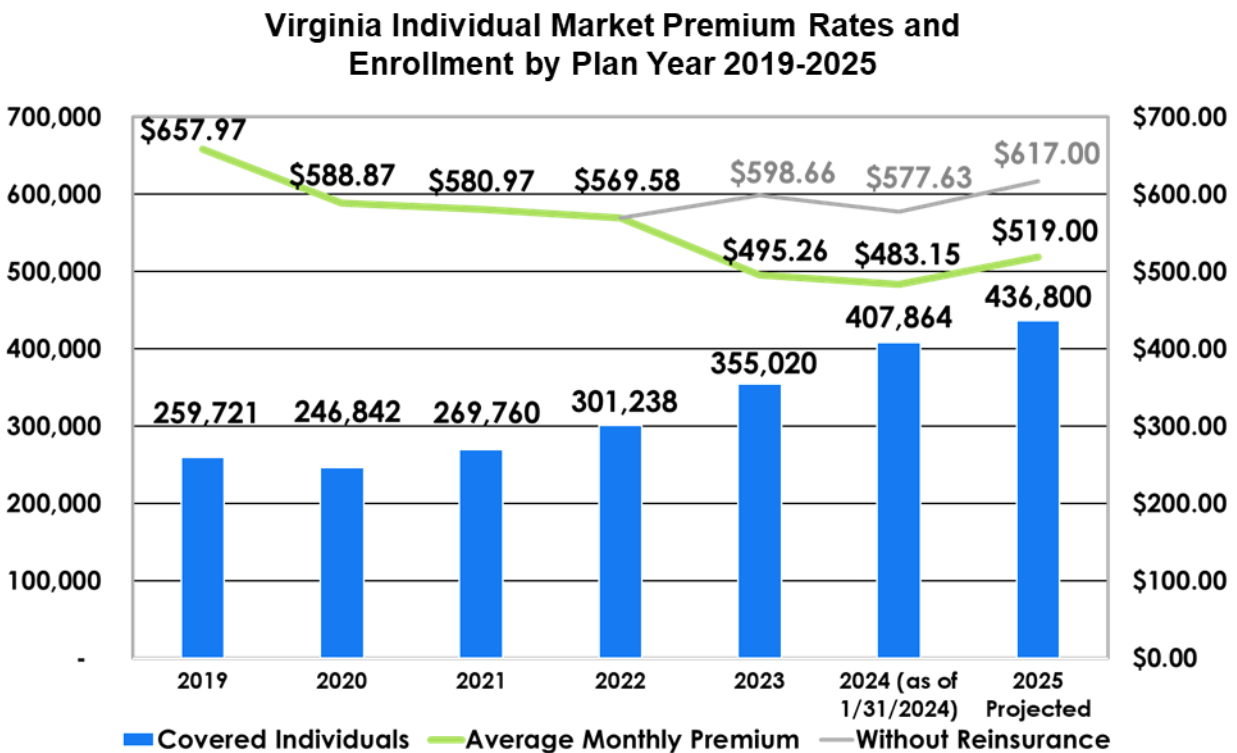
The CHRP has now been in place since 2023 and has resulted in lower premiums in the individual health insurance market for three years. During that time period, Virginia has seen an increase in the number of individuals enrolled in individual marketplace plans, and an expansion of health insurance choice in many parts of the Commonwealth.

³ Va. Code § 38.2-6602 C 1.

Impact on Premium

Chapter 293 of the 2024 Acts of Assembly directs the Commission to set CHRP payment parameters to target the premium reduction level established in the state budget. If no such target is established, the Commission is directed to target the same premium reduction level from the prior year. Based on this directive, for benefit year 2025, the Commission again set parameters to target a 15 percent reduction in premium.

Carrier rate submissions for benefit year 2025 indicated an average reduction of 15.8 percent from the average benefit year 2025 baseline premium without reinsurance. The CHRP is expected to reduce the average per member per month (PMPM) premium for benefit year 2025 by \$98, from \$617 before reinsurance to \$519 after reinsurance. This represents a 7.5 percent increase in the average individual market premium in 2025 versus 2024.



* Carrier-reported 2022-2025 enrollment per the 2025 Virginia Rate Filing Template

Marketplace Coverage and Competition

In benefit year 2022, 22 percent of localities had only one carrier on the exchange marketplace offering individual coverage. Since the inception of the CHRP in 2023, multiple carriers have been available on the individual marketplace in all localities, with 46 percent of localities projected to be covered by three or more carriers in 2025. This competition provides Virginians with more options to meet their health insurance needs.

Conclusion

Virginia has now established the CHRP for benefit years 2023, 2024, and 2025, lowering premium rates in the individual market by reimbursing carriers for high dollar claims. The Bureau will continue its work administering the program, evaluating carrier claims, and making payments.