

Commonwealth Health Reinsurance Program

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Post-Award Public Forum

June 20, 2023



Commonwealth of Virginia

STATE CORPORATION COMMISSION

Background

- SCC was directed by VA Code [§ 38.2-6606](#) to apply for a State Innovation Waiver under Section 1332 of the Affordable Care Act (ACA) to permit and help fund a reinsurance program in the individual health insurance market.
 - Waiver application was submitted on December 30, 2021
- On May 18, 2022, federal reviewers issued a [letter](#) approving Virginia's State Innovation Waiver application to establish the Commonwealth Health Reinsurance Program (CHRP) for an initial period of up to five years, beginning Plan Year (PY) 2023.
 - Virginia joined [15 other states](#) that have received federal approval to use federal funds to establish state-based reinsurance programs

Authority for the CHRP

- Per enactment language, the remaining Virginia statutes establishing the CHRP became effective on June 17, 2022, 30 days after the Commission provided notice of federal approval to legislators and the Governor.
- [Chapter 66](#) of Title 38.2 (§ 38.2-6600-6606) provides authority to the SCC to establish and operate the CHRP and provides guidance on how the program should be operated
- [Enactment Clause 5](#) of the legislation creating the CHRP directs the General Assembly to appropriate funds to ensure the operation of the state-based reinsurance program.
- [Special Terms and Conditions](#) (STCs) accompanied this approval and lay out Virginia's responsibilities, including required reports and steps to amend or adjust the waiver terms.

Public Hearing

- The federal STCs require this Post-Award Forum to be held within six (6) months of the waiver's effective date and annually thereafter.
 - At this forum the state will afford the public an opportunity to provide meaningful comment on the progress of the waiver.

What is Reinsurance?

- Reinsurance is a mechanism for spreading the costs of expensive claims by pooling them together and paying for them through a separate financing system so that insurers do not have to price those costs into their standard premiums.

How does Reinsurance Work?

Reinsurance Cap– Issuer is responsible for all claim costs over this amount

Coinsurance Rate – Issuer is paid a portion of claims cost within the Reinsurance band

Attachment point – Issuer is responsible for all claim costs up to this amount

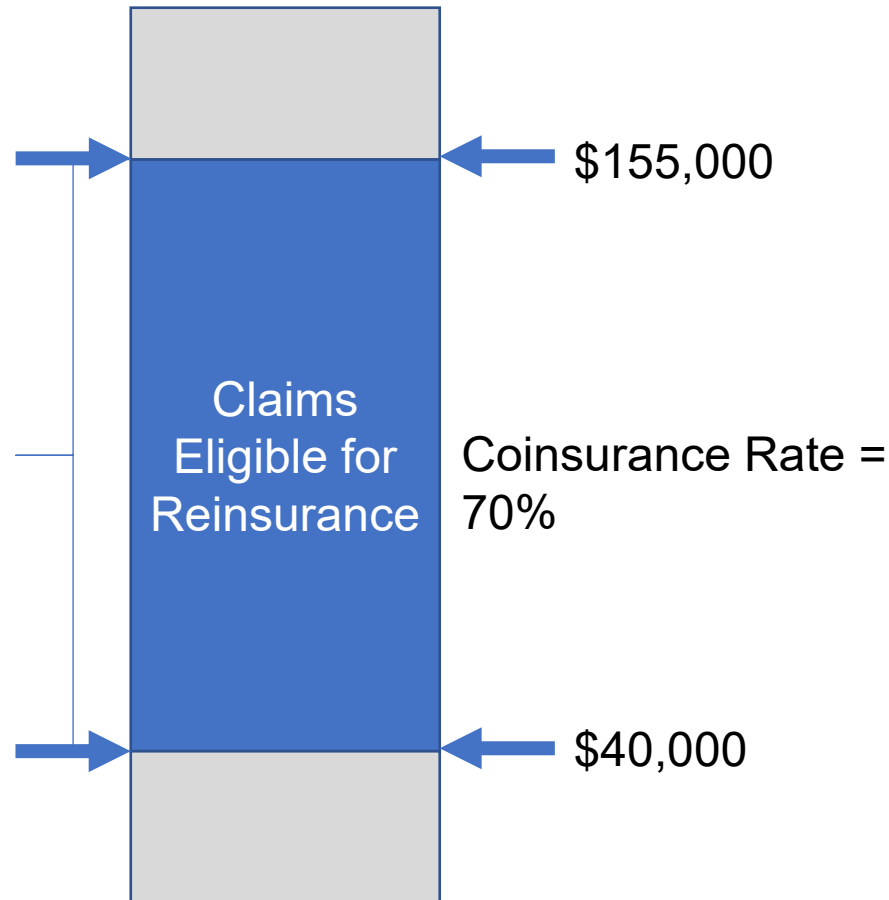


CHRP Plan Year 2023 Parameters

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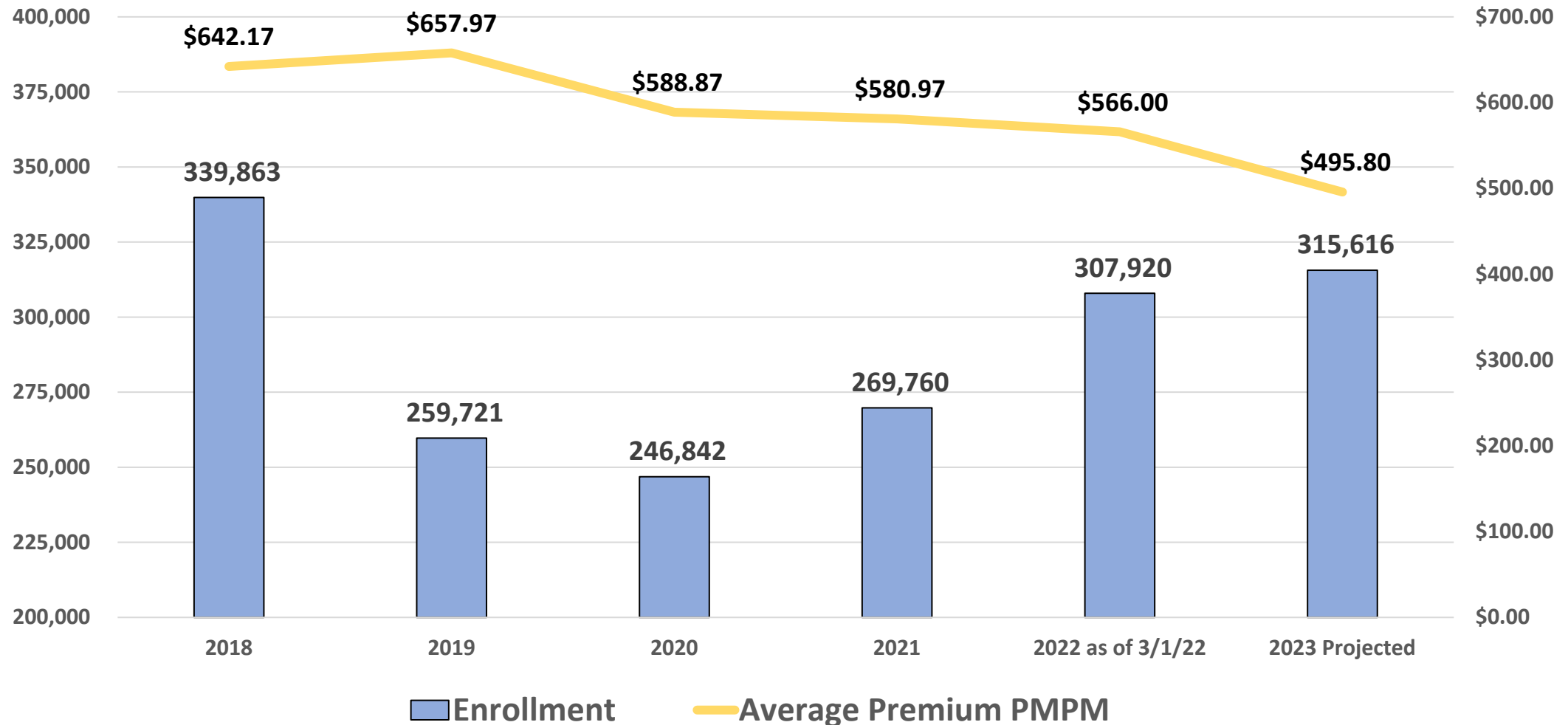


These amounts are total annual medical expenditures on any covered individual for 2023

PY 2023 Reinsurance Program Impact

- Lower expected claims cost for insurers under the CHRP resulted in a 17.2% reduction in premiums from 2022 to 2023.
 - Impact of CHRP reduced rates by 19.5% over the baseline premium, which would have risen by ~2% based on trend.
 - The weighted average premium per member per month (PMPM) prior to reinsurance was \$598.66 while the weighted average premium PMPM after adjusting for reinsurance is \$495.80

Reinsurance Premium Impact



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Marketplace Coverage and Competition

- In 2023, Virginia added one new carrier, and existing carriers expanded their service areas from 2022.
- Thirty localities (22%) with only one carrier on the exchange in 2022 to had multiple carriers in 2023, resulting in all Virginia localities having marketplace coverage from multiple carriers
- In addition, the number of localities covered by 3 or more carriers more than doubled, from 34% to 78%.

CHRP Program Funding

- Federal “pass-through” funding is provided for federal savings from reduced premium tax credits (PTCs) due to lower health insurance premiums.
 - Premium tax credits are designed to bring an individual’s premium costs down to a percentage of the individual’s income.
 - Lower top-line premium costs reduce the amount of federal PTCs needed.
 - Waiver provides funding in the amount of projected savings.
- State General Funds are the source of funding for the state share of program costs.

Setting PY 2024 Parameters

- The Code of Virginia requires the State Corporation Commission to establish and publish the payment parameters for the CHRP by May 1, 2023 for PY 2024.
- SCC to consider the following factors when setting parameters:
 - Premium rates
 - Individual market participation
 - Improved healthcare outcomes
 - Impact of high-risk individuals on rates
 - Funding availability



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Setting PY 2024 Parameters (p2)

- Funding for PY 2024 will not occur until the next biennium.
- BOI has been unable to establish parameters for PY 2024 because of uncertainty about the level of funding that will be available.
- Virginia notified federal program administrators of the possibility that Virginia would seek a 0% premium reduction in 2024 through the CHRP.
 - They indicated that this would be a suspension of the approved program and require a 30-day comment period.
- If BOI receives clarity on funding, carriers will be able to adjust their rate submission for a CHRP premium reduction until July 14, 2023 under the current rate submission timeline.

PY 2024 Reinsurance Cost Projections

Premium Reduction Scenario	Federal Pass-Through Funding (\$M)	Expected Net Cost to the State (\$M)	Total Estimated Program Cost (\$M)	Pass-Through % of Total Cost
None	-	-	-	-
5%	\$107.28	\$44.04	\$151.32	71%
10%	\$227.26	\$53.75	\$281.01	81%
15%	\$354.12	\$66.42	\$420.54	84%
20%	\$483.73	\$71.10	\$554.83	87%

Public Comment Period

- Comments on the CHRP may be submitted in writing through July 9, 2023.
 - by regular US mail to Brad Marsh c/o SCC Bureau of Insurance, P.O. Box 1157, Richmond, VA 23218;
 - or by email to reinsurance.waiver@scc.virginia.gov.
- Questions may also be directed to these addresses.