

# NORTH DAKOTA

## 1332 WAIVER ANALYSIS

# AGENDA

- Introduction
- Reinsurance
- North Dakota Plan



- Partnering with state insurance regulators since 2002
- Employees some of the most senior actuaries in the industry
- Experience working on Section 1332 Waiver and reinsurance in other states
- Developed the tested NovaRest Market Migration Model

# INTRODUCTION

- Current state of health insurance in North Dakota
- Intent of Report:
  - Analyze alternative waiver strategies
  - Reinsurance mechanism
- Use of the presentation:
  - We are providing this presentation solely for the use of supporting the State of North Dakota's 1332 Waiver analysis. The intended users of this presentation are the State of North Dakota Departments. Distribution of this presentation and/or report to any other parties does not constitute advice from or by us to those parties. The reliance of other parties on any aspect of our work is not authorized by us and is done at their own risk.
  - There were a number of limitations in the data received and the availability of more accurate assumptions. Please see the full report for more details

# REINSURANCE

- a) Impact
- b) What does it cover?
- c) 2020 Projection
- d) Federal Funding
- e) Assessment needed

# REINSURANCE

- Impact
  - Lower Premiums
  - Protects carriers from unpredictable large claims
  
- What does it cover?
  - 75% of claims between
  - \$100,000 or \$200,000
  - Up to \$1 million

# REINSURANCE

EXAMPLE of **\$1.5 million** claim costs

- **Individual Pays**
  - Maximum out of pocket (MOOP) of \$8,000
- **Carrier Pays**
  - 100% between \$8,000 and \$100,000
  - 25% between \$100,000 and \$1 million
  - 40% between \$1 million and \$1.5 million
- **North Dakota Reinsurance Plan**
  - 75% between \$100,000 and \$1 million
    - Partially funded by Federal Contribution
    - Partially funded by North Dakota assessments
- **Federal Government**
  - 60% between \$1 million and \$1.5 million



# REINSURANCE 2020 PROJECTION

The reinsurance payable under the Waiver is estimated to be between \$26 million and \$48 million in 2020.

| <b>Reinsurance and Funding, \$100,000 Attachment Point</b> |              |              |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | <b>2020</b>  | <b>2021</b>  | <b>2022</b>  | <b>2023</b>  | <b>2024</b>  | <b>2025</b>  | <b>2026</b>  | <b>2027</b>  | <b>2028</b>  | <b>2029</b>  | <b>2030</b>  |
| Total Reinsurance  | \$47,755,003 | \$50,477,038 | \$53,354,230 | \$56,395,421 | \$59,609,960 | \$63,007,727 | \$66,599,168 | \$70,395,320 | \$74,407,854 | \$78,649,101 | \$83,132,100 |
| Federal Funding  | \$25,766,844 | \$27,235,554 | \$28,787,981 | \$30,428,895 | \$32,163,343 | \$33,996,653 | \$35,934,462 | \$37,982,727 | \$40,147,742 | \$42,436,163 | \$44,855,025 |
| Funding Needed   | \$21,988,159 | \$23,241,484 | \$24,566,249 | \$25,966,525 | \$27,446,617 | \$29,011,074 | \$30,664,706 | \$32,412,594 | \$34,260,112 | \$36,212,938 | \$38,277,075 |

| <b>Reinsurance and Funding, \$200,000 Attachment Point</b> |              |              |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | <b>2020</b>  | <b>2021</b>  | <b>2022</b>  | <b>2023</b>  | <b>2024</b>  | <b>2025</b>  | <b>2026</b>  | <b>2027</b>  | <b>2028</b>  | <b>2029</b>  | <b>2030</b>  |
| Total Reinsurance  | \$26,726,151 | \$28,249,542 | \$29,859,765 | \$31,561,772 | \$33,360,793 | \$35,262,358 | \$37,272,313 | \$39,396,834 | \$41,642,454 | \$44,016,074 | \$46,524,990 |
| Federal Funding  | \$14,165,428 | \$14,972,857 | \$15,826,310 | \$16,728,410 | \$17,681,929 | \$18,689,799 | \$19,755,118 | \$20,881,160 | \$22,071,386 | \$23,329,455 | \$24,659,234 |
| Funding Needed   | \$12,560,723 | \$13,276,684 | \$14,033,455 | \$14,833,362 | \$15,678,864 | \$16,572,559 | \$17,517,195 | \$18,515,675 | \$19,571,068 | \$20,686,619 | \$21,865,757 |



# FEDERAL FUNDING

## ADVANCE PREMIUM TAX CREDIT (APTC)

**Advance Premium Tax Credit “APTC” or “PTC”** – the federal government finances the difference between the second lowest Silver plan in an area and affordable premium levels for families that have a family income between 133% and 400% of the federal poverty level (FPL). The financing is provided by payments to the carriers to pay the APTC. Affordable premiums are defined as a percent of family income based on the family income and the number of individuals in the family. The affordable premium is all that the families pay in premiums.

# ADVANCED PREMIUM TAX CREDIT (APTC)

| 2020 Base Line             |                |  |  |
|----------------------------|----------------|--|--|
| Membership                 | 2020           |  |  |
|                            | Without Waiver | Waiver with \$100,000 Attachment Point | Waiver with \$200,000 Attachment Point |
| On Exchange                |                |  |  |
| 94% CSR (138% to 150% FPL) | 1,957          | 1,957                                  | 1,957                                  |
| 87% CSR (150% to 200% FPL) | 4,845          | 4,845                                  | 4,845                                  |
| 73% CSR (200% to 250% FPL) | 2,515          | 2,515                                  | 2,515                                  |
| APTC (250% to 300% FPL)    | 5,492          | 5,492                                  | 5,492                                  |
| APTC (300% to 400% FPL)    | 6,713          | 6,713                                  | 6,713                                  |
| Total APTC                 | 21,523         | 21,523                                 | 21,523                                 |
| Total Non- APTC (> 400%)   | 2,412          | 2,478                                  | 2,498                                  |
| <b>Total On Exchange</b>   | 23,935         | 24,001                                 | 24,021                                 |
| Off Exchange               | 15,168         | 15,428                                 | 15,407                                 |
| <b>Total ACA</b>           | 39,103         | 39,429                                 | 39,428                                 |

# ADVANCED PREMIUM TAX CREDIT (APTC)

| 2020 Base Line                         |                |   |  |
|--|----------------|---|--|
|  | 2020           |   |  |
|  | Without Waiver | Waiver with<br>\$100,000<br>Attachment<br>Point | Waiver with<br>\$200,000<br>Attachment Point |
| <b>Average Premium</b>                 |                |   |  |
| On Exchange                            |                |   |  |
| APTC Aggregate Premium Rate            | \$516.92       | \$419.89  | \$460.08                                     |
| APTC Maximum Premium Paid              | \$139.95       | \$139.95  | \$139.95                                     |
| APTC                                   | \$376.97       | \$279.94  | \$320.13                                     |
| Non-APTC                               | \$449.59       | \$356.50  | \$396.81                                     |
| <b>Total On-Exchange</b>               | \$510.13       | \$407.64  | \$453.90                                     |
| Off Exchange                           | \$548.60       | \$440.82  | \$488.24                                     |
| <b>Total ACA</b>                       | \$525.05       | \$420.63  | \$467.49                                     |
| <b>Total Annual Premium</b>            |                |   |  |
| <b>Total APTC Aggregate Premium</b>    | \$133,506,963  | \$108,447,155                                   | \$118,827,763                                |
| <b>Total APTC Maximum Premium Paid</b> | \$36,145,560   | \$36,145,560                                    | \$36,145,560                                 |
| <b>Total APTC</b>                      | \$97,361,404   | \$72,301,595                                    | \$82,682,204                                 |
| <b>Total Non-APTC</b>                  | \$13,013,797   | \$10,600,187                                    | \$11,894,390                                 |
| <b>Total On-Exchange</b>               | \$146,520,760  | \$119,047,342                                   | \$130,772,153                                |
| Off Exchange                           | \$99,853,848   | \$81,611,267                                    | \$90,268,865                                 |
| <b>Total ACA</b>                       | \$246,374,609  | \$200,658,610                                   | \$220,991,017                                |

# 2020 AGE 40 NON-SMOKER PREMIUM RATES FOR THE SECOND LOWEST SILVER PLAN.

| Second Lowest Silver Monthly Premium<br>AGE 40 Non-smoker |                |                                    |                                    |
|---|----------------|------------------------------------|------------------------------------|
|   | 2020           |                                    |                                    |
| Area  | Without Waiver | With \$100,000<br>Attachment Point | With \$200,000<br>Attachment Point |
| 1   | \$412.42       | \$329.94                           | \$367.06                           |
| 2   | \$412.42       | \$329.94                           | \$367.06                           |
| 3   | \$503.99       | \$403.20                           | \$448.56                           |
| 4   | \$412.42       | \$329.94                           | \$367.06                           |

# FEDERAL FUNDING

## EXCHANGE (MARKETPLACE) USER FEE

The Exchange User Fee is a federally mandated fee used to fund the federal and state exchanges. Because North Dakota did not establish a state-based exchange, the exchange is facilitated by the federal government. The fee is calculated as a percent of on-exchange premiums. Although the fee is calculated on on-exchange business, it is included in the premium for all non-grandfathered on-and-off exchange ACA business. The current fee rate in the individual market is 3.5%.

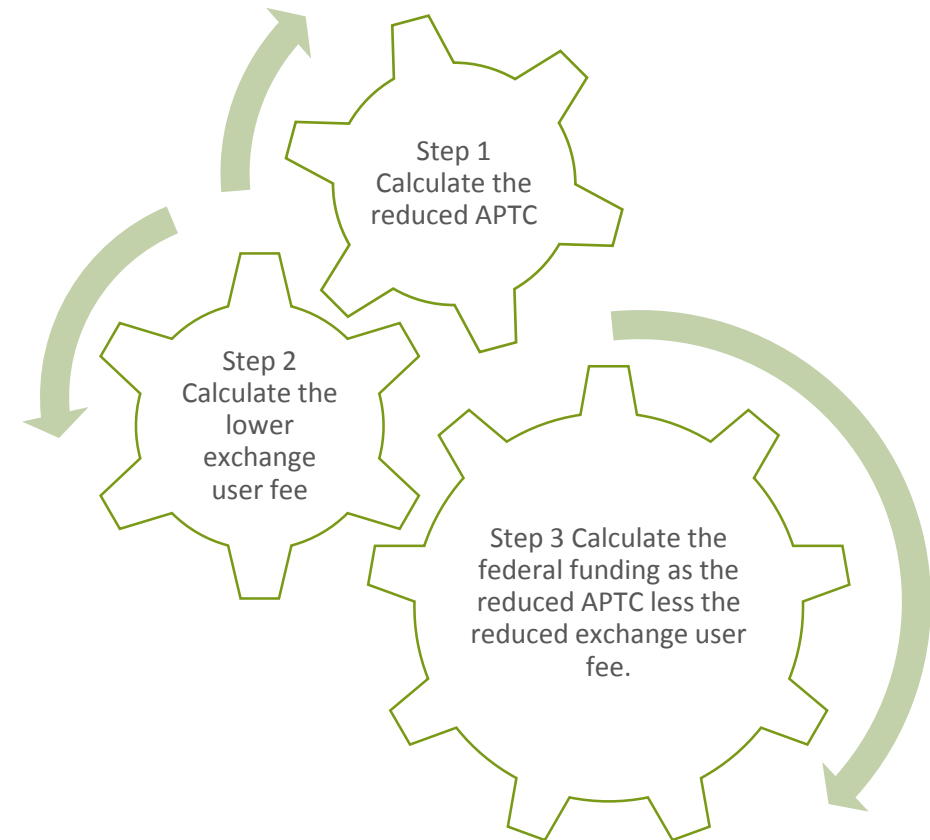
“HHS announces applicable user fees.” <https://www.bcbsm.com/health-care-reform/reform-alerts/hhs-announces-applicable-user-fees1.html>

“HHS Notice of Benefit and Payment Parameters for 2019.” <https://www.cms.gov/newsroom/fact-sheets/hhs-notice-benefit-and-payment-parameters-2019>.

# FEDERAL FUNDING MUST BE BUDGET NEUTRAL

## How it works

- The federal funding has to be budget neutral.
- The reduced APTC is a reduction in expense and the reduced exchange user fee is reduced income.
- Budget neutral federal funding is the reduced APTC less the reduction in the exchange user fee.



# ASSESSMENT NEEDED

The federal funding from the APTC and exchange user fee will not be sufficient to pay for the North Dakota reinsurance program. The short fall can be funded by an assessment against group health insurance premium and third party administrators (TPAs) premium equivalent. For self-insured large group plans, the large groups use TPAs to pay claims. The cost of claims paid plus administrative charges would be the equivalent of the premiums for large self-insured groups.

# FEDERAL FUNDING 2020 PROJECTION

|                          | <b>Reinsurance and Funding,<br/>\$100,000 Attachment Point</b> | <b>Reinsurance and<br/>Funding, \$200,000<br/>Attachment Point</b> |
|--------------------------|--|--|
|                          | <b>2020</b>  | <b>2020</b>  |
| Total Reinsurance        | \$47,755,003   | \$26,726,151   |
| Federal Funding          | \$25,766,844   | \$14,165,428   |
| Funding Needed           | \$21,988,159   | \$12,560,723   |
| Percent of group and TPA | 1.50%  | 1.00%  |



# NORTH DAKOTA PLAN – OUTSIDE OF 1332 WAIVER

## STRUCTURE

- Established through legislation – Outside of any 1332 waiver legislation
- Cover all of the Essential Health benefits (EHBs)
- No ability to deny individual with pre-existing conditions
  - Waiting period is allowed
- Premiums can be decreased due to health status, but NOT increased due to poor health status
- Plan is part of the single risk pool

## BENEFITS

- Provides a more affordable option to healthy individuals and families that may otherwise not purchase insurance
- Helps stabilize the individual market by encouraging healthy individuals to purchase insurance

# NORTH DAKOTA PLAN

## IMPACT 1332

As the report shows, the proposed Waiver will meet the required guardrail conditions:

- The Waiver does not make alterations to the required scope of benefits offered in the insurance market in North Dakota and will result in an increase in the number of individuals with coverage that meets the ACA's Essential Health Benefits requirements.
- The Waiver will reduce premium and increase affordability.
- The Waiver will cover more individuals in North Dakota than would be covered absent the Waiver.
- The Waiver will not result in increased spending, administrative, or other expenses to the federal government

## North Dakota Plan

- The North Dakota plan will encourage healthy individuals to purchase insurance and be part of the single risk pool