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# DEPARTMENT OF HEALTH AND SOCIAL SERVICES



## Reinsurance Program

Steven M. Costantino, Director of Health Care Reform  
Delaware Department of Health and Social Services  
November 4, 2021

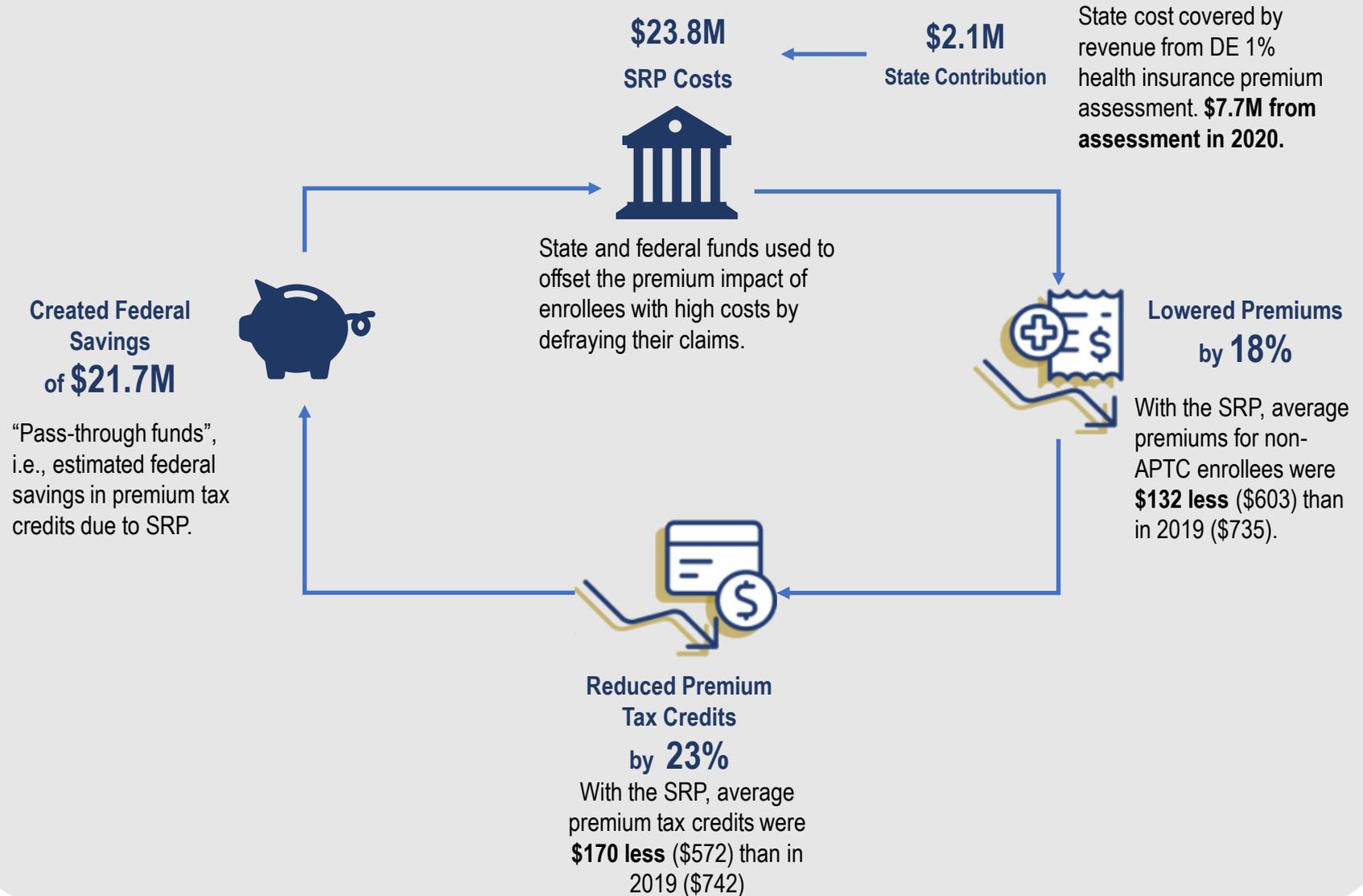
# OVERVIEW

- In 2018, a study was conducted per SCR 70 to assess the potential impact of several different market options, including expanding Medicaid Title XIX to higher incomes, creating a lower cost Exchange-based insurance product, and implementing a state-based reinsurance program
- HHS approved Delaware's 1332 Waiver application on August 20, 2019
- The 1332 Waiver approval allows DHSS to operate a 5-year reinsurance program, which became effective on January 1, 2020
- All insurers offering coverage in the Individual ACA market are eligible to participate in the reinsurance program
- The goal of the reinsurance program to reduce member premiums in the Individual ACA market relative to if no reinsurance program were in place
  - For plan year 2020, the estimated impact was 13.8%
  - For plan year 2021, the estimated impact was 16.0%
  - For plan year 2022, the estimated impact was 15.0%
- The program is funded through a combination of federal pass-through funding and an annual premium assessment on carriers which was established by HB 193



# How Delaware's State Reinsurance Program (SRP) Works

## 2020 State Reinsurance Program Framework



# **DELAWARE REINSURANCE PROGRAM SUMMARY**

November 4, 2021

Tammy Tomczyk, FSA, MAAA, FCA | Ryan Schultz, FSA, MAAA

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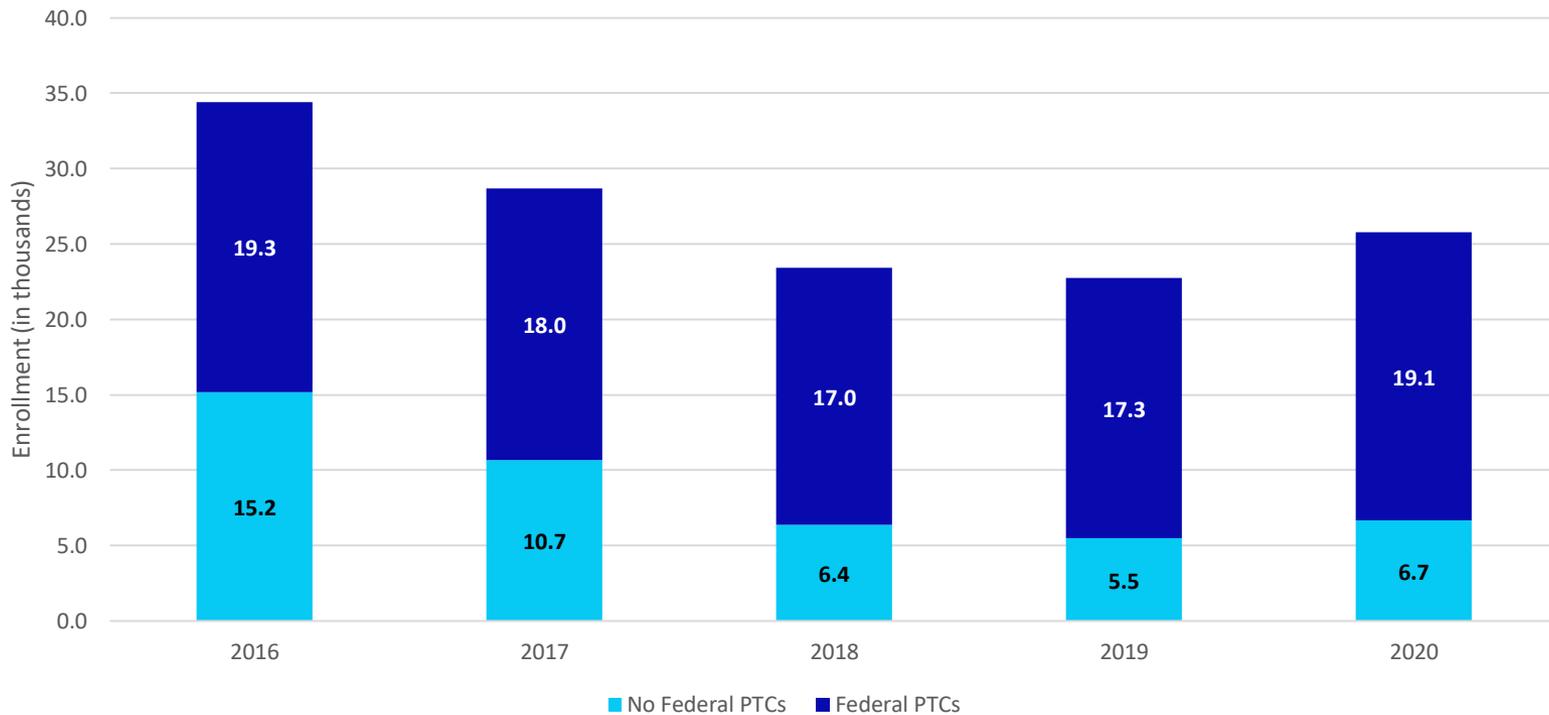
Information furnished by carriers currently offering coverage in the Individual ACA market in Delaware, the DHCC, and others, upon which all or portions of this analysis are based, is believed to be reliable. The results of our analyses are dependent on this assumption. Though we have reviewed the data for reasonableness and consistency, we have not independently audited or otherwise verified this data. Our review of the data may not reveal errors or imperfections. If this data or information are inaccurate or incomplete, our findings and conclusions may need to be revised.

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# ENROLLMENT IN THE INDIVIDUAL ACA MARKET DECREASED BY APPROXIMATELY 33.9% BETWEEN 2016 AND 2019, BUT INCREASED BY APPROXIMATELY 13.3% BETWEEN 2019 AND 2020

Average Annual Individual ACA Market Enrollment



- The volume of enrollees who do not receive federal premium tax credits (PTCs) decreased by approximately 64% between 2016 and 2019

Source: Effectuated enrollment reports, risk adjustment reports and carrier data call responses

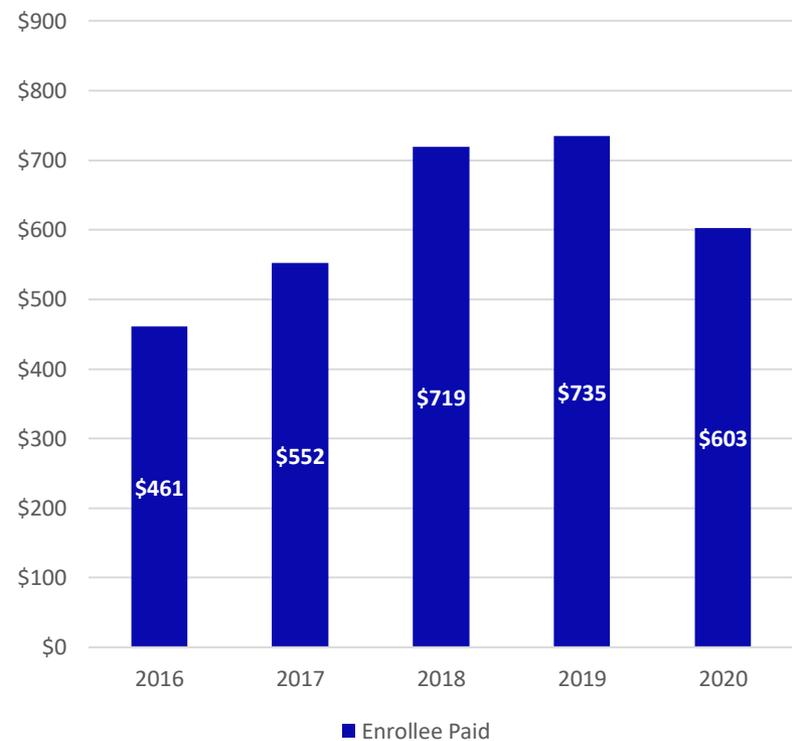
# THE AVERAGE GROSS PREMIUM PMPM FOR ENROLLEES INCREASED FROM 2016 TO 2019 BUT DECREASED SIGNIFICANTLY IN 2020 DUE IN PART TO THE IMPLEMENTATION OF THE REINSURANCE PROGRAM

## Average Individual ACA Market Gross Premium PMPM

### Enrollees Receiving PTCs - Split by Funding Source



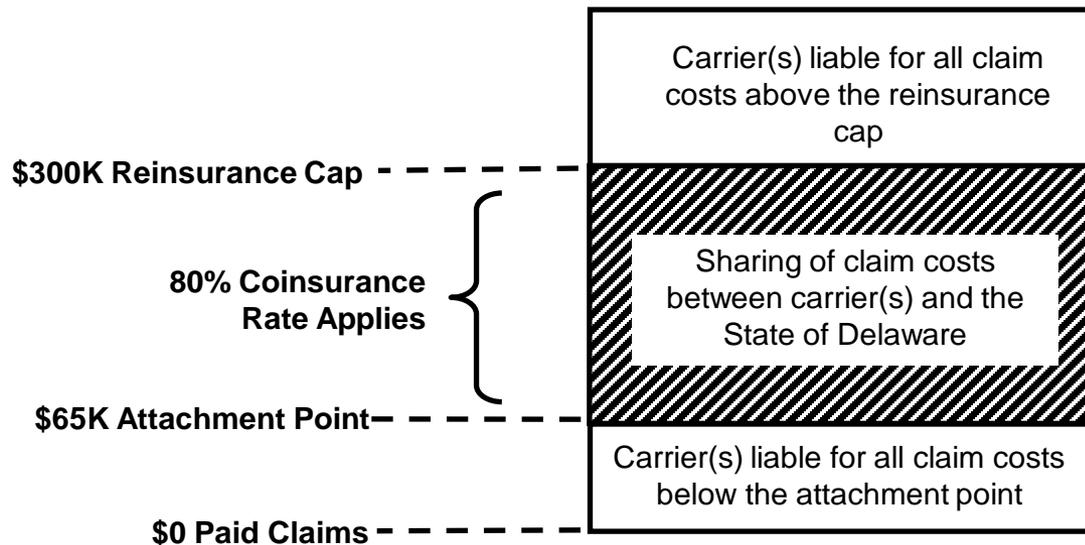
### Enrollees Who Do Not Receive PTCs



Sources: Marketplace enrollment reports, carrier data call, and other external reports

# UNDER ITS ATTACHMENT POINT-BASED REINSURANCE PROGRAM, DELAWARE REIMBURSES CARRIERS FOR A PORTION OF CLAIM COSTS BETWEEN A SPECIFIED ATTACHMENT POINT AND REINSURANCE CAP

Figure 1 – Example of Risk Sharing in 2022

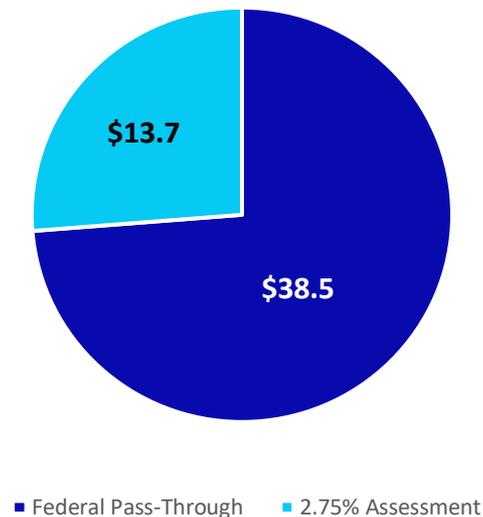


- All insurers offering coverage in the Individual ACA market are eligible to participate in the program
- The program reduced member premiums in the Individual market by approximately 15.0% in 2022 relative to if no reinsurance program were in place
- The reinsurance parameters for calendar year 2022 are as follows:
  - Attachment Point: \$65,000, Coinsurance Percent: 80.0%, Reinsurance Cap: \$300,000

# THE TOTAL COST OF THE REINSURANCE PROGRAM FOR 2022 IS PROJECTED TO BE \$52.2 MILLION; DELAWARE'S PORTION OF THAT COST IS PROJECTED TO BE \$13.7 MILLION

- Per House Bill 193, which was passed on June 20, 2019, the reinsurance program is funded with pass-through funds received from the federal government under the ACA and through a 2.75% annual assessment based on each health insurance carrier's premium that is subject to state premium tax
- Below is a summary of how the \$52.2 million cost is projected to be covered between the federal pass-through funds and funding raised through the 2.75% assessment

Projected Funding of 2022 Reinsurance Program (in \$millions)



# THE PROPORTION OF INDIVIDUAL ACA MEMBERS IN GOLD PLANS INCREASED EACH YEAR BETWEEN 2018 AND 2020

## Distribution of Individual ACA Market Enrollment by Metal Level

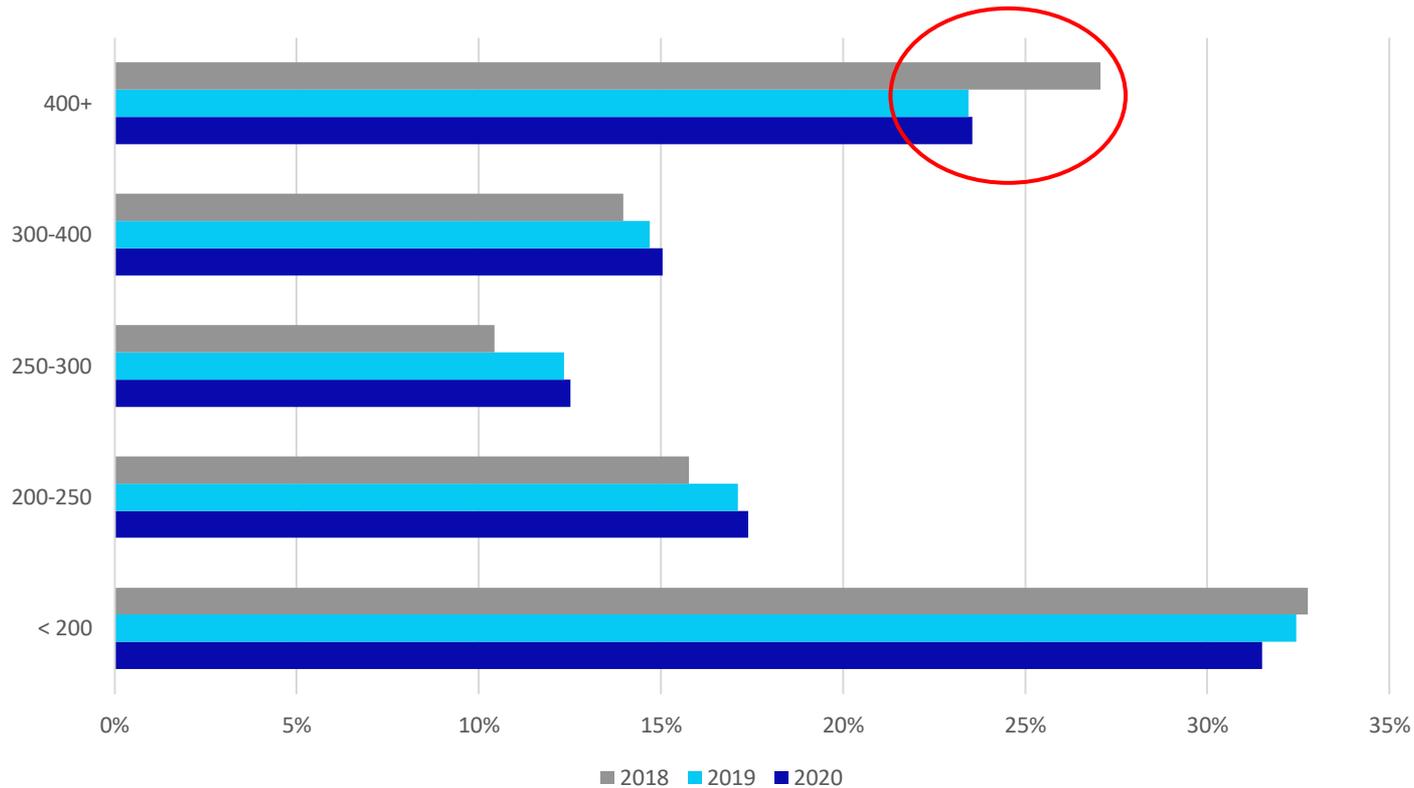
Metal Level	2018	2019	2020
Platinum	0.0%	3.1%	2.8%
Gold	8.6%	22.7%	32.2%
Silver	57.2%	42.0%	31.5%
<i>Base Silver</i>	<i>17.4%</i>	<i>10.8%</i>	<i>6.7%</i>
<i>73% CSR</i>	<i>10.7%</i>	<i>5.1%</i>	<i>2.7%</i>
<i>87% CSR</i>	<i>18.0%</i>	<i>15.4%</i>	<i>12.3%</i>
<i>94% CSR</i>	<i>11.1%</i>	<i>10.7%</i>	<i>9.8%</i>
Bronze	33.6%	31.6%	32.7%
Catastrophic	0.6%	0.6%	0.7%

- Enrollees likely elected to purchase richer coverage due to CSR loading, which resulted in gold plans being available to consumers at premium rates similar to those of silver plans beginning in 2019

Source: Carrier data call

# THE PERCENTAGE OF INDIVIDUAL ACA MEMBERS WITH 400%+ FPL DECREASED IN 2019, BUT REMAINED RELATIVELY UNCHANGED FROM 2019 TO 2020

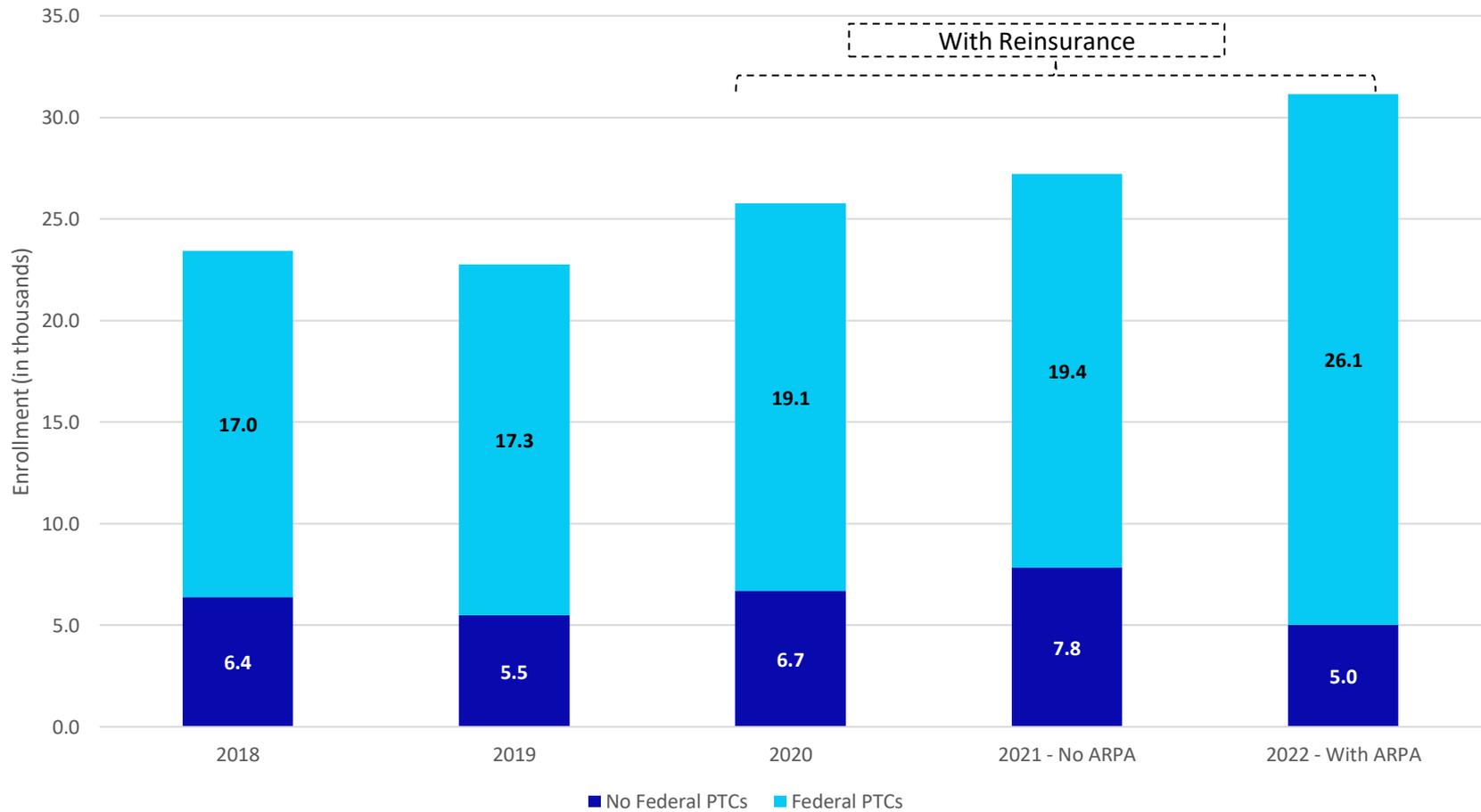
Distribution of Individual ACA Market Enrollees by FPL



Source: Marketplace enrollment reports, carrier data call

# AVERAGE INDIVIDUAL ACA ENROLLMENT IS PROJECTED GROW FURTHER IN BOTH 2021 AND 2022, IN PART DUE TO THE AMERICAN RESCUE PLAN ACT (ARPA)

## Individual ACA Market Enrollment



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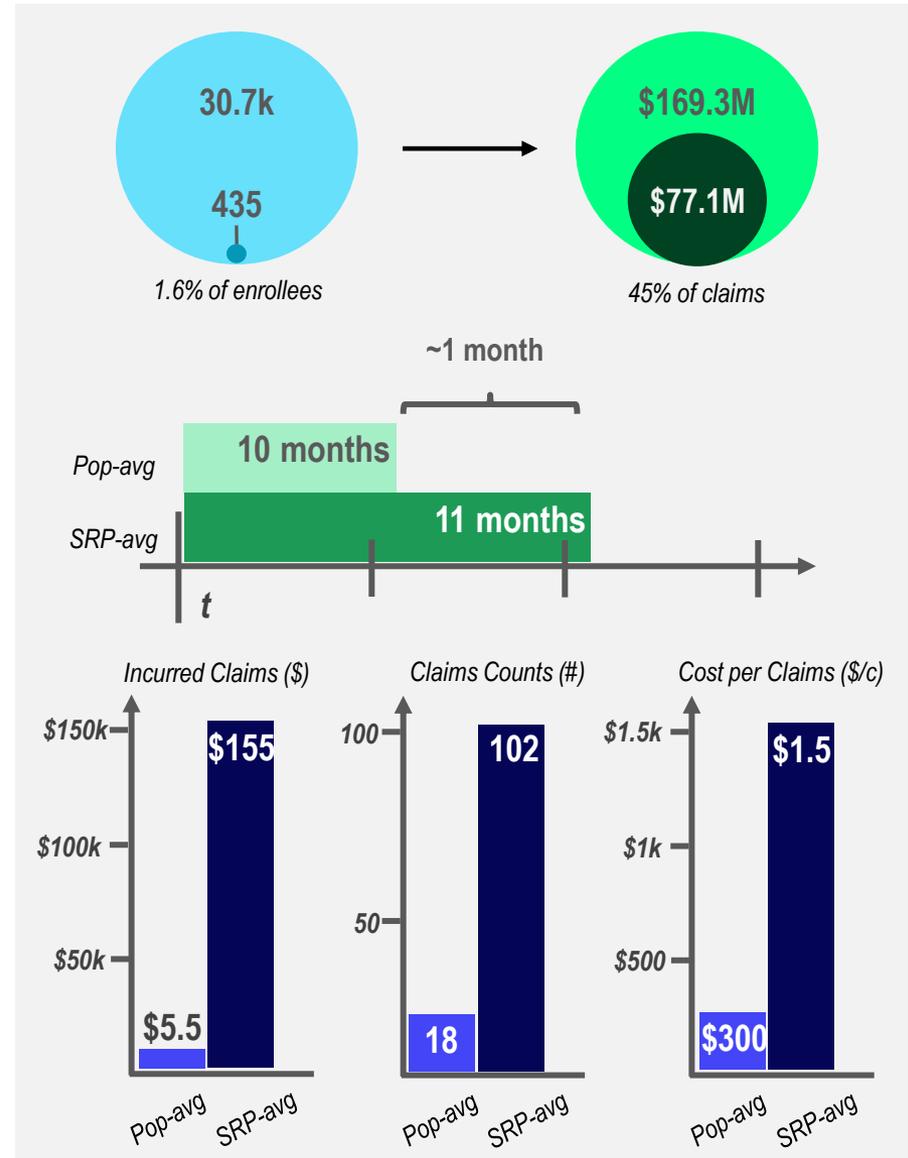
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# 2020 STATE REINSURANCE PROGRAM | CLAIMS ANALYSIS

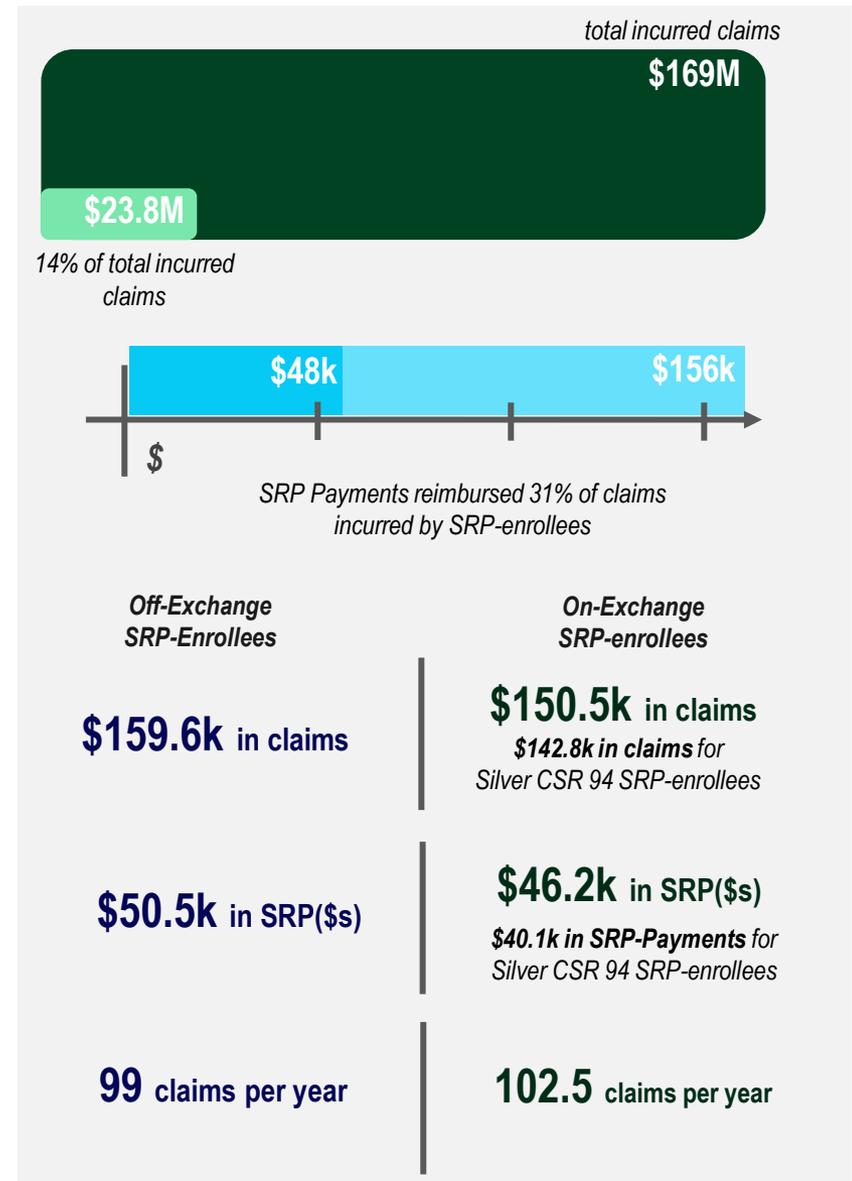
- Population:** SRP-enrollees made up 1.6% of the of the enrolled population and accounted for 45% of all claims paid by the issuer.
- Time Enrolled:** SRP-enrollees remained enrolled for ~one month longer (10%) than the population average, 11.07 months and 10.12 months, respectively.
- Claims:**
  - Incurred Claims:** The Issuer paid \$155,565.27 in claims for SRP-enrollees – 28-fold more than the population average (\$5,508).
  - Claims Counts:** SRP-enrollees incurred approximately 5x more claims (102 claims/yr.) than the population average (18 claims/yr.).
  - Cost-per-claim:** SRP-enrollees incurred \$1.5k per claim on average, approximately 5x more than the population average (\$306).



SOURCE: May 3, 2021. State Reinsurance Summary Report. CCIO.

# 2020 STATE REINSURANCE PROGRAM | SRP-ENROLLEE ANALYSIS

- 2020 SRP Payments:** The SRP paid out \$23.8M for 2020 claims & defrayed 14% of total incurred claims.
- Payments Per Enrollee:** The SRP paid out \$48k on average for each SRP-enrollee, accounting for 31% of average claims incurred by SRP-enrollees (\$156k).
- On-Exchange/Off-Exchange**
  - Claims:** off-Exchange SRP-enrollees incurred \$10.1k more than on-Exchange SRP-enrollees and \$16.8k more than Silver CSR 94 SRP-enrollees.
  - SRP-Payments:** The SRP paid out \$4.3k more for off-Exchange members than on-Exchange SRP-enrollees and \$10,000 more than for the average Silver CSR 94 SRP-enrollee.
  - Utilization:** There was little variation between off-/on-Exchange SRP-enrollee claims counts (99 & 102.5 claims per year, respectively.)



# **i** 2020 STATE REINSURANCE PROGRAM | DATA GATHERING OPPORTUNITIES

- **Data Gaps:** Given the State & Federal investment in the individual market via the SRP, it is important to gather additional information on claims drivers.
- **Reporting Requirements:** DHCC will gather additional claims information from the issuer (Highmark of DE) through a State Reinsurance Program Report.

**Table 1. 2020 State Reinsurance Program Report Requirements**

<b>Claims</b>	<b>Enrollment/Demographic</b>	<b>Chronic Conditions</b>
<p><b>For SRP-Claims Categories</b></p> <ul style="list-style-type: none"> <li>▪ Acute/Emergency Care Episode</li> <li>▪ Chronic Conditions</li> <li>▪ COVID-19 Related Claims</li> </ul> <p><b>Provide:</b></p> <ol style="list-style-type: none"> <li>1. % of SRP-claims</li> <li>2. % of SRP-enrollee population</li> <li>3. \$ of SRP-claims</li> </ol>	<p><b>For SRP-Enrollees</b></p> <p><b>Provide:</b></p> <ol style="list-style-type: none"> <li>1. % on-Exchange/off-Exchange</li> <li>2. % by Metal Level w/ Silver CSR Variants</li> <li>3. % by Age Category (0 – 18; 19 – 35; 36 – 45’ 46 – 55; &amp; 56 – 65+)</li> </ol>	<p><b>For SRP-Enrollees</b></p> <p><b>Provide:</b></p> <ol style="list-style-type: none"> <li>1. % of 5 most prevalent chronic conditions</li> <li>2. % of enrollees, with conditions in 1, participating in a care management program that facilitates coordination in the treatment of chronic disease</li> </ol>

# **i** 2020 STATE REINSURANCE PROGRAM | POLICY OPPORTUNITIES

- **Policy Concepts:** The State Reinsurance Program can be a powerful tool to create incentives to improve quality of care and create program savings. Further, given the high financial burden of medical & prescription drug out-of-pocket costs, policies that provide financial assistance to high claims enrollees can improve treatment adherence and promote better outcomes.

**Table 2. State Reinsurance Program Policy Concepts**

<b>Lower Out-of-Pocket Costs</b>	<b>Care Coordination</b>	<b>Issuer Payments</b>
<p><b>For SRP-enrollees:</b></p> <ol style="list-style-type: none"><li>1. Create value-based plan designs, i.e., waive cost-sharing for certain services. (Narrow, blunt)</li><li>2. Lower out-of-pocket costs through health expense accounts, or defray claims directly, for applicable claims if over a total cost threshold, e.g., claims % of adjusted-income. (Narrow, tailored)</li></ol> <p><b>For all enrollees:</b></p> <ol style="list-style-type: none"><li>1. Design plan cost-sharing to reduce costs for certain prescription drugs &amp; services, e.g., set insulin copays to \$0. (Broad, tailored)</li></ol>	<p><b>For multi-year SRP-enrollees:</b></p> <ol style="list-style-type: none"><li>1. Require participation in a coordinated chronic disease management programs, e.g., medical homes, case managers, social determinants of health supports etc.. (Narrow, tailored)</li></ol> <p><b>For all enrollees:</b></p> <ol style="list-style-type: none"><li>1. Require case management for SRP-enrollees that have certain chronic conditions or reach a certain claim threshold, i.e. diabetes mellitus. (Blunt, tailored)</li></ol>	<p><b>For multi-year SRP enrollees:</b></p> <ol style="list-style-type: none"><li>1. Create shared-savings incentives payments for year-over-year savings to the SRP, after controlling for inflation. (Broad)</li><li>2. Set effective care management protocols criteria for complete SRP payment-eligibility for SRP-enrollees with chronic conditions that drive the most claims. (Narrow)</li></ol>

# APPENDIX

# 2020 STATE REINSURANCE PROGRAM: SRISR CLAIMS ANALYSIS

**Table 1. SRP-enrollee/individual market enrollee claims summary data.**

-	SRP-Enrollees (%)	All Enrollees
<b>Enrollee Count</b>	495 (1.6%)	30,743
<b>Total Premiums (\$)</b>		\$205,346,949.75
<i>Per enrollee</i>		\$6,679/pp
<b>Member Months</b>	5479.9 mos.	311,297.4 mos.
<i>Per enrollee</i>	11.07 mos.	10.12 mos.
<b>Claims</b>		
<b>Allowed Amount</b>	\$79,977,071 (41%)	\$194,288,967.40
<b>Paid Amount Issuer</b>	\$77,160,373 (45%)	\$169,333,707.20
<i>Per enrollee</i>	\$155,565.27	\$5,508
<b>Claims Count</b>	51990	553829
<i>Per enrollee</i>	102	18
<b>SRP Payment</b>		\$23,788,389.14
<i>Per SRP-enrollee</i>		\$48,057.35
<b>Total claims covered by SRP</b>		31%

SOURCE: May 3, 2021. State Reinsurance Summary Report. CCIIO.

# **i** 2020 STATE REINSURANCE PROGRAM: SRISR CLAIMS ANALYSIS

**Table 2. SRP-enrollee/individual market enrollee claims summary data.**  
(Stratified by off-/on-Exchange and eligibility categories.)

	Off-Exchange	On-Exchange	Silver CSR (All)	Silver CSR 94	All SRP-Enrollees
<b>Enrollee Count</b>	3,815	27,999	8,112	3,206	30,743
<b>SRP-Enrollee</b>	61	448	172	57	509
<b>SRP-Claims</b>					
<b>Allowed Amount</b>	\$10,131,463	\$69,845,606	\$25,462,617	\$8,214,160	\$79,977,071
<b>Paid Amount</b>	\$9,737,262	\$67,423,110	\$24,978,428	\$8,138,562	\$77,160,373
<b>Issuer</b>					
<b>Per enrollee</b>	\$159,627	\$150,498	\$148,038	\$142,781	\$155,565.27
<b>Claim Count</b>	6049	45941	17348	5686	51990
<b>Per enrollee</b>	99	102.5	100	99.7	102
<b>SRP Payment</b>	\$3,078,302	\$20,710,087	\$7,550,314	\$2,301,367	\$23,788,389
<b>Per enrollee</b>	\$50,463	\$46,227	\$43,897	\$40,375	\$48,057

SOURCE: May 3, 2021. State Reinsurance Summary Report. CCIO.