

Results of Individual Insurance Market Stabilization Analysis

Background

Washington State's individual health insurance market has seen a trend of increasing premiums and insurance companies pulling back on offering health plans in counties. As a result, the Office of the Insurance Commissioner and the Washington Health Benefit Exchange engaged Wakely to perform an analysis of state-based options to stabilize the individual market for 2019. The analysis focused on two reinsurance program options – claims-based and conditions-based -- with additional consideration of bare county options and affordability programs for consumers purchasing health plans on the Exchange.

The goals of the market stabilization initiative are:

- Bend the cost-curve downward towards affordability;
- Maximize availability of coverage and promote consumer choice of health plans in all counties; and,
- Maximize the opportunity for federal funding.

Report Findings

1. Claims-based or Conditions-based Reinsurance

Reinsurance provides protection for insurance companies from the catastrophic claims of enrolled customers. This program may be set up as a claims-based reinsurance program that will reimburse an insurance company for each member whose total claims hits a certain dollar amount. It may also be designed as a condition-based program that will reimburse the insurance company for the claims of members who have certain conditions. The report found these programs could result in:

- A 10% reduction in premium trend would cost \$179-232 million/year
- The leveraging of \$42-54 million/year in federal funds from 1332 waiver (federal pass through)
- Less federal pass through dollars in Washington than other states because:
 - Individual market premiums are lower than other states, such as Alaska and Minnesota, and
 - Exchange has lower percentage of enrollees receiving APTC than other states, which decreases federal money available for pass through.

2. Bare/Underserved County State-Offered Solutions

The report examined how a state-offered health insurance option could set premiums to cover enrollees' claims costs, while continuing to access tax credits and cost-sharing subsidies. This program could provide more affordable health coverage options for residents in all counties. Finding showed such a program would:

- Make coverage available in counties with zero or only one carrier offering coverage
- Further stabilize the market by:
 - Incentivizing participation from existing carriers;

- Directly contracting with providers and offer health plan choices; or
- Contracting with a carrier to provide network and coverage.
- Solutions require additional analysis of the individual market and cost trends

3. Additional Premium and Cost-Sharing Reduction (CSR) Assistance to Consumers

Finally, Wakely looked at how supplemental financial assistance, that would provide additional subsidies to enrollees, could lower premium costs or out-of-pocket expenses for customers purchasing certain health plans on the Exchange. The report found that:

- A state-sponsored premium wrap could result in a 14% reduction in premium trend for unsubsidized enrollees and cost \$152 million/year
- Additional cost-sharing reduction wrap/subsidies, designed to reduce consumer costs at point of service for lower income populations, could cost \$38 million/year
- Solutions require additional analysis of the individual market and cost trends

Key Considerations

- State funding sources will be needed for programs analyzed in the report
- Impacts of combining reinsurance, state-offered options, and/or additional financial assistance for consumers will need to be considered
- Potential impact of OIC geographic rating area/ratio rulemaking will need to be considered
- There continues to be uncertainty regarding federal responses to state 1332 waiver applications

Next Steps

- Stakeholder meeting scheduled for November 8, where OIC/HBE will present findings, share current thinking on policy proposals, seek feedback, and answer questions
- Presentation to the Joint Select Committee on Health Care Oversight on November 15