Section 1332 Innovation Waiver Renewal
Public Forum Presentation
How Minnesotans access health insurance

Regulated by Commerce

MINNESOTA HEALTH INSURANCE BY MARKET

- Medicare (18.5%)
- Medical Assistance (18.6%)
- Self-Insured Group Coverage (39.0%)
- MinnesotaCare (1.7%)
- VA/Tricare (1.1%)
- Uninsured (4.1%)
- Fully-insured Large Group Coverage (9.2%)
- Fully-insured Small Group Coverage (4.2%)
- Fully-insured Individual Coverage (2.9%)
- Short Term Health Insurance Plan Coverage (0.1%)
Overview of Minnesota’s individual market

- Roughly 170,000 Minnesotans get healthcare coverage through the individual market
  - Minnesotans without access to healthcare coverage through an employer, Basic Health Plan (i.e. MinnesotaCare), Medicare, or Medicaid.
  - Contractors, farmers, realtors, daycare providers
  - Employees working for small businesses not offering health insurance
  - Early retirees
Some federal programs providing individual market stability expired

Another key Affordable Care Act aspect, premium tax credits (PTC), continued to provide stability to those with incomes below 400% of federal poverty level (FPL)

For individual market enrollees above 400% FPL, vulnerability to instability

Instability triggered by more participants with high-cost claims than expected
Minnesota insurance companies reacted with rate increases, enrollment cap requests, narrower provider networks and a market exit:

- From 2014 to 2017, the gross average premium per enrollee per month rose from $206 to $526

Worst-case example: Family in Rochester, 60-year old health of household, with $105,000 of income, paying $2,000 per month in premiums

Market enrollment dropped significantly:

- Enrollment peaked in 2015 with over 300,000 enrollees
- Approximately 260,000 in 2016
- Approximately 160,000 in 2017
In April 2017, Minnesota passed a new law aimed at helping Minnesotans who buy their own insurance—a state-based reinsurance program called the Minnesota Premium Security Plan.

- Designed to alleviate the impact of high-claim costs
- Translates to lower premium rates for consumer from what they would be without the program
- Requires filing for approval of a 1332 waiver from the federal government
The federal government gives states the opportunity to innovate

- Section 1332 of the Affordable Care Act (ACA) permits states to apply for a State Innovation Waiver

- A successful waiver must ensure that the state’s innovation results in:
  - Health care at least as comprehensive as prior to the waiver
  - Health care at least as affordable as prior to the waiver
  - Coverage provided to at least a comparable number of residents as expected without the waiver
  - No increase to the federal deficit
Minnesota uses federal money to fund the reinsurance program

• Because reinsurance lowers premiums, it also lowers the federal tax credits Minnesotans use to make their insurance more affordable
  • Higher premiums = higher federal tax credits
  • Lower premiums = lower federal tax credits

• Minnesota’s waiver seeks to retain the foregone federal tax credits and use those federal funds to support the MPSP
  • Budget neutral for the federal government
Reinsurance administration and process

• The Minnesota Comprehensive Health Association (MCHA) oversees the reinsurance program
  • MCHA has auditing, accounting, and payment procedures to make reinsurance payments to carriers

• Financial cost of high-cost claims to carriers and to the state are determined as claims develop over the year

• Quarterly and annual reports are due to the federal government throughout the duration of the waiver
Reinsurance federal funding and program size, 2018-2021

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal funding</td>
<td>$130,720,000</td>
<td>$84,758,000</td>
<td>$86,064,000</td>
<td>$142,727,000</td>
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<tr>
<td>Program size</td>
<td>$136,125,000</td>
<td>$149,660,000</td>
<td>$160,210,000</td>
<td>$194,700,000*</td>
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*The 2021 program size is a projected measurement since runout costs are not yet known.
### Distribution of Reinsurance Payment Dollar Amounts by Rating Area, 2021

<table>
<thead>
<tr>
<th>Rating Region</th>
<th>2021 Reinsurance Payments (through Q4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating Area 1</td>
<td>$18,907,000</td>
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<tr>
<td>Rating Area 2</td>
<td>$9,511,000</td>
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<td>Rating Area 3</td>
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<td>Rating Area 4</td>
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<td>Rating Area 5</td>
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<td>Rating Area 8</td>
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<td>Rating Area 9</td>
<td>$1,815,000</td>
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<td><strong>Statewide</strong></td>
<td><strong>$171,606,000</strong></td>
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Impact of the 1332 waiver

- Minnesota’s 1332 waiver has accomplished the following:
  - Maximized federal funding to reduce individual market premiums
  - Captured federal funds that would otherwise come to Minnesota
    - Program is deficit neutral to the federal government
  - Stabilized the individual market
    - 2018-2022 rates were approximately 15.5 percent lower than they would be absent the program
    - Carriers in the market in 2017 have remained in the market thereafter
    - For plan year 2022, all counties have more than one carrier
Minnesota is renewing their 1332 waiver

• New waiver is for plan years 2023-2027

• Continuation of the MPSP is contingent on the federal government’s approval of the 1332 waiver

• The federal government can be expected to pay roughly $81.9 million less in premium tax credits in 2023 with the MPSP than without the MPSP

• Waiver requests federal government to hold MinnesotaCare’s federal funding stream harmless
• A state public comment period will occur between April 6, 2022 and May 6, 2022 to improve the waiver extension

• Commerce then incorporates any public comments received and will submit their amended waiver application to federal regulators

• The Federal government will then perform a review of the application, conduct its public comment period, and decide on approving the waiver
Questions or Comments?

Comments may also be submitted to MN1332PublicComments@state.mn.us by May 6, 2022