Section 1332 Innovation Waiver
Public Meeting Presentation
June 30, 2022
• How Minnesotans access health care coverage
• Minnesota’s individual market history
• Actions taken by Minnesota legislature to make coverage more affordable
• Minnesota’s 1332 waiver for an individual market reinsurance program
• Reinsurance program figures, 2018-2021
• Reinsurance status, 2023
How Minnesotans access Health Insurance

Regulated by Commerce

Source: MDH Health Economics Program: “Supplement to Pandemic’s Impact on Health Insurance Coverage
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
- 1332 waivers last up to five years
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
Impact of the 1332 Waiver

• Minnesota’s 1332 waiver, associated with the MPSP, has accomplished the following:

  1. Maximized federal funding to reduce individual market premiums
  2. Captured federal funds that would otherwise come to Minnesota
      • Program is deficit neutral to the federal government
  3. Stabilized the individual market
      • 2018-2022 rates were approximately 15-20% lower than they would be absent the program.
      • Carriers in the market in 2017 have remained in the market thereafter, and a carrier has entered the individual market since the introduction of the MPSP
      • For plan year 2022, all counties have more than one carrier
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>
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<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 Area</th>
<th>Reinsurance Distribution*</th>
<th>Enrollment Distribution**</th>
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</thead>
<tbody>
<tr>
<td>Rating Area 1 - Rochester</td>
<td>11%</td>
<td>5%</td>
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<tr>
<td>Rating Area 2 - Duluth</td>
<td>6%</td>
<td>5%</td>
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<tr>
<td>Rating Area 3 - South Central</td>
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<tr>
<td>Rating Area 4 - South West</td>
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<td>3%</td>
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<td>Rating Area 5 - West Central</td>
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<td>Rating Area 6 - West</td>
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<td>4%</td>
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<td>Rating Area 7 - Central</td>
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<td>8%</td>
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<tr>
<td>Rating Area 8 - Metro/St. Cloud</td>
<td>55%</td>
<td>66%</td>
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<tr>
<td>Rating Area 9 - North West</td>
<td>1%</td>
<td>1%</td>
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<tr>
<td><strong>Statewide</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
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*Initial 2021 Benefit Year MPSP Report, Wakely Consulting Group
**Enrollment data as of April 2019, aggregated by MN Dept of Commerce
Minnesota is Renewing their 1332 Waiver

• The 1332 Waiver renewal is for plan years 2023-2027. In 2023, the coinsurance parameter will revert to 80%, as it was pre-2022.

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

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

• Since then, Commerce has submitted the amended waiver application to federal regulators

• The Federal government is now performing a review of the application, after which they will conduct a public comment period, and decide on approving the waiver
Questions or Comments?

Comments may also be submitted to
MN1332PublicComments@state.mn.us