Draft transition and phase-out plan - individual market reinsurance program

Summary

In 2017, Minnesota received 1332 waiver authority from the federal government to operate a state-run reinsurance program, pursuant to specific terms and conditions (STCs) from the Departments of Treasury and Health & Human Services.

Reinsurance was initially authorized by the legislature for two years, 2018 and 2019, and then subsequently authorized for another two years, 2020 and 2021. The program has not been authorized beyond that period; therefore, the Minnesota Department of Commerce is requesting that the federal government approve the state's 1332 waiver phase-out plan, as outlined in the program's STCs.

Described below is the transition and phase-out plan, as well a summary of recent federal changes that will offset the loss of reinsurance and substantially lower premium costs for many enrollees in Minnesota. Comments on the transition and phase-out plan can be provided to the Department of Commerce through June 27, 2021.

Note that the reinsurance program has no impact on Minnesotans who receive health insurance coverage through an employer or a public program such as Medicare, Medical Assistance or MinnesotaCare.

Background

In March 2017, the Minnesota Legislature authorized a reinsurance program to support the state's individual market. In October 2017, the federal government approved the program, called the Minnesota Premium Security Plan, which then began in 2018 and reimbursed health insurance carriers 80% of an individual's claim costs between $50,000 and $250,000 in a given year. The carriers passed the claim-cost savings to individual market enrollees, with premium reductions of approximately 20%.

Separately, the federal government reduced the amount of premium paid for around 60,000 enrollees with premium tax credits. These credits benefited enrollees with income below 400% of the federal poverty level (approximately $50,000 for an individual and $100,000 for a family of four). Premiums paid by qualifying enrollees for the benchmark plan (the second-lowest cost Silver plan on MNsure) were capped at a certain percentage of their income, up to 9.85%.

The result was that most enrollees with income below 400% of the federal poverty level benefited from the federal premium tax credits, while most enrollees with income above 400% of the federal poverty level benefited from the State's reinsurance program.

Reinsurance also impacts federal funding for the MinnesotaCare program, which provides health care coverage to lower income working Minnesotans. MinnesotaCare receives funding as a federal Basic Health Program (BHP). Funding levels are based on premiums in the individual market. In 2017, the state requested that its BHP program be held harmless from the existence of the reinsurance program. That request was denied, and so the state has lost out on over $100 million annually in BHP funding, which had to be backfilled with additional state dollars.

Impact of new federal law

In 2021, as part of the American Rescue Plan Act (ARPA), Congress temporarily expanded the federal premium tax credits. This year and next year, individual market enrollees with income above 400% of the federal poverty level will newly qualify for tax credits. The result is that premiums paid for the benchmark plan for all individual market enrollees, regardless of income level, are capped at no more than 8.5% of income. Crucially, in light of these expanded subsidies, a state reinsurance program would not have affected the premium costs a majority of individual market enrollees would face in 2022. A smaller number of enrollees (those currently paying premiums that are less than 8.5% of their income) will experience moderate rate increase next year as a result of reinsurance going away.

With the new subsidies, the reinsurance program's cost related to the benefits provided to Minnesotans has shifted substantially. While the program did stabilize the market in the initial years and make premiums more affordable across the board, it did not (and was never intended to) bend the trajectory of health care costs, nor did it improve Minnesotans' health. The overall cost of the program to the state budget, including the foregone Federal funding for the BHP program, would have been approximately $250 million for plan year 2023.

We anticipate the state will evaluate new options that deliver better value for Minnesotans in the future.

Remaining programmatic activities

The following is a roughly sequential list of program phase-out activities intended to satisfy STC item 8, State Request for … Termination of a Waiver:

- Offer tribal consultations and other stakeholder engagement opportunities (from now until late June)
- Host public forum on program phase-out (on June 24)
- Incorporate the public feedback into a formal notification letter to the federal Center for Medicare & Medicaid Services (CMS) (prior to July 1)
- Submit formal notification letter and phase-out plan to CMS (by July 1)
- Begin phase-out implementation activities (within 14 days of federal approval of plan)
- Make reinsurance payments to health carriers for 2020 expenses (by August 2021)
- Submit draft annual program report to CMS (by March 31, 2022)

- Publish draft annual program report on Commerce website (within 30 days of submission to CMS)
- Submit final annual program report to CMS (within 60 days of receipt of federal comments)
- Post final annual program report on Commerce website (within 30 days of approval the report)
- Host final post-award public forum (by June 30, 2022)
- Make reinsurance payments to health carriers for 2021 expenses (by August 2022)

The state will receive federal funding, as scheduled, through the end of the program, which will be used to fund a portion of the reinsurance payments.

Post-reinsurance expectations

In each year of the program's existence, reinsurance has had the effect of lowering premium rates 20% from what they otherwise would have been. With the termination of the waiver, that effect will go away.

Due to the expanded federal premium tax credits under ARPA, individual market enrollees who previously were eligible for tax credits will likely pay even lower costs in 2022. Those who previously were not eligible for tax credits and had the opportunity to buy a benchmark plan at a premium cost higher than 8.5% of their income will also pay lower costs in 2022. Those that previously had the opportunity to buy the benchmark plan at a premium cost lower than 8.5% of their income will likely pay higher monthly costs in 2022. On net, we would expect ARPA to have the net effect of significantly reducing overall premium costs for at least 100,000 Minnesotans in 2022.

With the income-capped premiums, service area coverage is expected to remain stable. Consumer protections such as coverage for essential health benefits and pre-existing conditions will continue. The expanded tax credits are currently authorized by Congress through the end of 2022.

Opportunity to comment on the phase-out of reinsurance

Comments may be submitted in writing or presented orally at a virtual June 24, 2021 public forum. Please see the linked website for information: https://mn.gov/commerce/industries/insurance/reinsurance/.

Written comments (which will be available for public review) will be accepted until the close of business on June 27, 2021. Please submit comments via email to: MN1332PublicComments@state.mn.us