

# Section 1332 of the Patient Protection and Affordable Care Act (PPACA)

## State Innovation Waivers - Reinsurance Waiver Annual Report

**Reporting Instructions:** Please capture data for annual 1332 waiver grant reporting in this template, which has been developed based on paragraph 10 of your specific terms and conditions (STC), and in accordance with 45 CFR 155.1324(b)-(c). For any items that are marked “if applicable,” please refer to the requirements in your STCs to determine whether you need to fill in those data fields. Draft annual reports are due within 90 days of the end of each calendar year that your waiver is in effect.

STATE: Minnesota

A. GRANTEE INFORMATION		
<b>1. Reporting Period End Date</b> Dec 31, 2019	<b>2. Report Due Date</b> August 21, 2020	<b>3. Report Submitted On (Date)</b> August 20, 2020
<b>4. Federal Agency and Organization Element to Which Report is Submitted</b> Consumer Information & Insurance Oversight		
<b>5. Federal Grant Number Assigned by Federal Agency</b> 1 SIWIW180002-01-00	<b>6a. DUNS Number</b> 804885929	<b>6b. EIN</b> 476007162
<b>7. Recipient Organization Name</b> Minnesota Department of Commerce		
<b>Address Line 1</b> 85 7th Place East, Suite 280		
<b>Address Line 2</b>		
<b>Address Line 3</b>		
<b>City</b> Saint Paul	<b>State</b> MN	<b>Zip Code</b> 55101
<b>Zip Extension</b> 2198	<b>8. Grant Period Start Date</b> Jan 1, 2018	<b>9. Grant Period End Date</b> Jan 1, 2023
<b>10. Other Attachments (attach other documents as needed or as instructed by the awarding Federal agency)</b>		
The Minnesota Department of Commerce has attached the following: -A document containing responses to the specific questions and comments received from CMS on the draft version of this 2019 annual report -The 2019 Final Benefit Year report from Wakely for the MPSP from June 2020		

## **Section 1332 of the Patient Protection and Affordable Care Act (PPACA) State Innovation Waivers - Reinsurance Waiver Annual Report**

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- 2019 Experienced APTC Premium and Enrollment Data
- Agenda from MCHA Finance Committee Meeting on June 18, 2020
- Agenda from MCHA Actuarial Committee Meeting on July 1, 2020
- Agenda from MCHA Board Meeting on July 8, 2020
- Communication of Proposed and Accepted 2021 Payment Parameters from MCHA and Commerce

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B. REPORT CERTIFICATION
<b>11. Certification:</b> I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.
<b>11a. Typed or printed name and title of Authorized Certifying Official</b> Grace Arnold, Deputy Commissioner of Insurance
<b>11b. Signature of Authorized Certifying Official</b>
<b>11c. Telephone (area code, number, and extension)</b> 651-443-1122
<b>11d. E-mail address</b> grace.arnold@state.mn.us
<b>11e. Date report submitted (month/day/year)</b>
C. PROGRESS OF SECTION 1332 WAIVER - <u>General</u>
<b>12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.</b> The following is a progress report on the fourth quarter of Minnesota's reinsurance program, the Minnesota Premium Security Plan (MPSP).  -On January 13, 2020 Commerce received the proposed payment parameters for the MPSP for benefit year 2021 from MCHA. The proposed parameters were approved by Commerce on January 23, 2020. The 2021 payment parameters are the same as those used for benefit years 2018, 2019, and 2020. They are an attachment point of \$50,000, a coinsurance rate of 80%, and a reinsurance cap of \$250,000. Copies of the proposal and approval letters are attached.  -On July 29, 2020 Commerce received a final report from MCHA/Wakely on total 2019 reinsurance payment amounts. The final report includes the reinsurance total amount for 2019 that is based on claims incurred and paid through May 2020.  -Payments to issuers for the 2019 plan year were made on August 10, 2020.  -An MCHA finance committee meeting was held on Thursday, June 18, 2020, and Commerce staff were in attendance. MCHA discussed CMS's extension of the deadline for submission of EDGE server data and Minnesota's Governor's Office instructions to delay meetings and activities normally scheduled in June until July, due to COVID-19. A copy of the meeting agenda is attached.

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-An MCHA actuarial committee meeting was held on Wednesday, July 1, 2020, and Commerce staff were in attendance. The near-final draft version of the 2019 Annual Report was presented in detail by Wakely, along with the draft Quarter 1 2020 report. A copy of the meeting agenda is attached.

-An MCHA board meeting was held virtually on Wednesday, July 8, 2020, and Commerce staff were in attendance. The near-final 2019 Annual Report that was presented at the July 1 actuarial committee meeting was adopted as final. A copy of the meeting agenda is attached, along with the final 2019 Annual Report by Wakely.

13. Describe any implementation and/or operational challenges to meet the 1332 statutory guardrails, and plans for and results of associated corrective actions. After the first year, only report on changes and/or updates, as appropriate.

It is confirmed that there is no impact of the waiver on the scope of benefits or the EHB benchmark. EHB coverage remains unaffected. The waiver retained the existing scope of benefits, including requiring the provision for 10 EHB, matching the state's benchmark plan's covered service list and minimum visit limits. The non-increased federal deficit impact was determined when CMS announced the 2019 federal funding amount in January 2019. Rates were approximately 20% lower than they would have been in the absence of the reinsurance program. Therefore, affordability has been positively impacted and enrollment is almost definitely higher than it would have been absent the program.

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<b>D. PROGRESS OF SECTION 1332 WAIVER - <u>State-Specific</u></b>		
<b>14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1)</b>		
	<b>Value</b>	<b>Comments (if applicable)</b>
a. Actual individual market enrollment <b>on</b> the Exchange in the state	97,915 lives	1,174,977 total member months on the exchange in 2019
Actual individual market enrollment <b>off</b> the Exchange in the state	51,114 lives	613,362 total member months off the exchange in 2019  The difference between the actual and expected total enrollment and premium for plan year 2019 is mainly explained by the difference between actual and expected off-exchange enrollment.
b. Actual average individual market premium rate <b>on</b> the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$459.84 PMPM	Total market premiums of \$540,301,673 on the exchange in 2019
Actual average individual market premium rate <b>off</b> the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$409.78 PMPM	Total market premiums of \$251,343,272 off the exchange in 2019  The difference between the actual and expected total enrollment and premium for plan year 2019 is mainly explained by the difference between actual and expected off-exchange enrollment. There is also evidence of a continued migration towards bronze plans by consumers.

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	Value	Comments (if applicable)
c. Actual Second Lowest Cost Silver Plan (SLCSP) premium for Exchange plans under the waiver for a representative consumer (e.g., a 21-year old non-smoker) in each rating area	Rating Area 1: \$377.42 Rating Area 2: \$259.75 Rating Area 3: \$300.35 Rating Area 4: \$277.59 Rating Area 5: \$274.07 Rating Area 6: \$273.84 Rating Area 7: \$232.70 Rating Area 8: \$234.76 Rating Area 9: \$275.09	Final Rates approved for plan year 2019, for a representative individual age 21.  Minnesota has a unique age curve.
Estimate of the SLCSP premium for Exchange plans as it would have been without the waiver for a representative consumer (e.g., a 21-year old non-smoker) in each rating area	Rating Area 1: \$484.26 Rating Area 2: \$318.16 Rating Area 3: \$385.37 Rating Area 4: \$343.67 Rating Area 5: \$339.31 Rating Area 6: \$351.35 Rating Area 7: \$288.10 Rating Area 8: \$287.92 Rating Area 9: \$340.57	Final Without Reinsurance Rates for plan year 2019, for a representative individual age 21.  Minnesota has a unique age curve

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	Value	Comments (if applicable)
d. <b>For states with State-based Exchanges</b> , actual amount of Advanced Premium Tax Credit (APTC) paid to issuers, by rating area for the plan year	Rating Area 1: \$31,479,756.03 RA 2: \$15,310,122.06 RA 3: \$16,180,590.74 RA 4: \$13,062,774.48 RA 5: \$13,709,988.53 RA 6: \$12,569,980.94 RA 7: \$24,270,789.21 RA 8: \$86,761,196.17 RA 9: \$3,927,486.17	
e. <b>For states with State-based Exchanges</b> , actual number of APTC recipients for the plan year. This should be reported as number summed over all 12 months and divided by 12 to provide an annualized measure.	59,067	708,804 is the sum of each month's enrollment in 2019; 59,067 is the annualized measure
<b>15. Please confirm whether there was any impact of the waiver on the scope of benefits or Essential Health Benefit (EHB) benchmark.</b>  It is confirmed that there is no impact of the waiver on the scope of benefits or the EHB benchmark. EHB coverage remains unaffected. The waiver retained the existing scope of benefits, including requiring the provision for 10 EHB, matching the state's benchmark plan's covered service list and minimum visit limits.		
<b>16. Describe any changes to the state-operated reinsurance program, including changes to the funding level the program will be operating at for the next plan year, any changes to the approved payment parameters for reinsurance program reimbursement or changes to eligibility criteria for enrollees' claims to be reimbursed under the program.</b>  The final federal funding for 2020 is \$86,063,821. It is confirmed that the total level of funding for the reinsurance program for 2020 is \$271 million. The estimated state funding level for 2020 is up to \$184,936,179.  There are no changes to the approved payment parameters for the reinsurance program reimbursement or changes to eligibility criteria for enrollees' claims to be reimbursed under the program between 2019 and		

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2020.

**17. Describe any changes in state law that might impact the waiver and the date(s) these change occurred or are expected to occur.**

The original legislation for the Minnesota Premium Security Plan only implemented the reinsurance program for plan years 2018-2019. Last year (2019) legislative action was passed which extended the reinsurance program through plan year 2021. This legislation prescribed the same payment parameters and maximum program size for plan year 2020 as were in place in plan years 2018 and 2019. There have not been any changes to state law that impact the reinsurance program since the 2019 legislative season.

**18. Report on spending:**

	Value	Comments (if applicable)
a. Amount of Federal pass-through funding spent on individual claim payments to issuers from the reinsurance program	\$130,719,696	\$130,719,696 claim payments for benefit year 2018, paid in August 2019
b. Amount of Federal pass-through funding spent on operation of the reinsurance program	0	
c. Amount of any unspent balance of Federal pass-through funding for the reporting year	0	
d. Amount of state funding contribution to fully fund the program for the reporting year	\$6,147,627	\$5,404,817 claim payments for benefit year 2018, paid in August 2019  \$742,810 Administrative costs to MCHA paid from 1/1/2019 to 12/31/2019

**19. If applicable, provide a claims breakout at an aggregate level for the top 5 conditions or cost drivers of the 5 conditions, including settings of care in the individual market.**

The instructions for the annual reporting template state that for any items marked "if applicable", the state should refer to the requirements outlined in the specific terms and conditions (STC). Minnesota's STC does not specify that information on the top 5 conditions or cost drivers should be provided in this reporting. Commerce assumed that this question was intended for states with reinsurance programs that are based on high-cost conditions, such as Alaska.

Commerce will here provide a response to the best of its ability to this question, based on information provided to the state in the fourth quarter Wakely Report on the MPSP. However, please note that Commerce is not the program administrator and does not have total control over the data that is received.

The Final 2019 Wakely report states the following: "As a general rule of thumb, approximately 20% of the



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Individual Commercial population is assigned to an HCC (Hierarchical Condition Category). In other words, 80% of the general individual population does not have an HCC. In comparison, only 9% of the reinsurance population does not have an HCC."

The report provided a pie chart that indicates that 9% of the reinsured population have 0 HCCs, 29% have 1 HCC, 22% have 2 HCCs, 13% have 3 HCCs, and 27% have 4 or more HCCs. The Final 2019 Wakely report is included as an attachment to this report.

**20. If applicable, report on any incentives for providers, enrollees, and plan issuers to continue managing health care cost and utilization for individuals eligible for reinsurance.**

Not Applicable. There is nothing explicit in Minnesota law that provides incentives to providers, enrollees, or plan issuers for managing health care costs and utilization for individuals eligible for reinsurance.

**21. If applicable, report of any reconciliation of reinsurance payments that the state wishes to make for any duplicative reimbursement through the state reinsurance program for the same high cost claims reimbursed through the Department of Health and Human Services (HHS)-operated high cost risk adjustment program.**

	Value	Comments (if applicable)
a. Reinsurance payment (before reconciliation) for high-cost claims to issuers who also receive payment through the HHS risk adjustment program under the high-cost risk pool	Not Applicable	
b. Risk adjustment amount paid by HHS for those claims	Not Applicable	
c. Reinsurance reconciliation (or true-up) amount applied	Not Applicable	

### E. POST-AWARD FORUM

**22. Was the date, time, and location of the Post-Award Forum advertised 30 days in advance?**

☒ Yes

☐ No

**23. State website address where Post-Award Forum was advertised**

<https://mn.gov/commerce/industries/insurance/reinsurance>

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### 24. Date Post-Award Forum took place

The most recent forum took place on June 19, 2020

### 25. Summary of Post-Award Forum, held in accordance with §155.1320(c), including all public comments received and actions taken in response to concerns or comments.

The 2020 Post-Award Forum was held since the time the draft annual report was submitted.

The forum took place on Friday, June 19, 2020 from 2 to 3 pm via a Live Microsoft Teams event hosted online.

Department staff presented on the progress of the Minnesota Premium Security Plan (MPSP) and took written questions. Due to technical difficulties staff were not able to keep a record of attendance for the live event. Written comments and questions were received through the platform. One public comment was received, which stated: "Thank you for the presentation. Reinsurance has done exactly what it was designed to do - stabilize the individual market through lower rates." This comment was acknowledged and responded to during the live event. One question was received, which stated: "Is this forum a requirement of the waiver, and is there any reporting out of this forum on questions asked, feedback?" Department staff provided an answer verbally to this question during the live event. No concerns or comments required further action by department staff.

### 26. Other Attachments (attach other documents as needed pertaining to Post-Award Form)

## F. STATE INTERNAL IMPLEMENTATION REVIEW - ATTESTATION

**27. Attestation: The state attests that periodic implementation reviews related to the implementation of the waiver have been conducted in accordance with 31 CFR 33.120(b) and 45 CFR 155.1320(b).**

☒ Yes

☐ No

**28. Describe the state's implementation review process.**

State staff attends frequent calls and meetings with MCHA regarding the MPSP, providing technical advice and aspects of oversight. Commerce staff also reviews reports to ensure the content is robust and contains needed information for stakeholders mentioned in state statute, including legislators. Commerce has encouraged MCHA and the plans to collect additional data so more detailed analysis of reinsurance-eligible claims can occur. Policymakers in Minnesota have expressed interest in learning more about the conditions individuals with reinsurance-eligible claims have and how reinsurance-eligible claims data could be leveraged to incentivize health care cost containment strategies going forward.

Commerce staff worked with MCHA on verifying final reinsurance payment amounts prior to payments being made to eligible health carriers.