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# DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS)



## **Delaware 1332 State Innovation Wavier Post Award Forum**

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Delaware Health Care Commission  
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# WELCOME

Please sign in! Attendees, please add your name/organization to the WebEx chat box or send an email to [DHCC@delaware.gov](mailto:DHCC@delaware.gov) to help us record who attended the meeting.



## POST AWARD FORUM

- Forum is held in line with the requirements of 45 CFR § 155.1320(c)45 CFR § 155.1320(c).
- Opportunity for the public to provide meaningful comment on the progress of Delaware's 1332 State Innovation Waiver.
- A summary of the Forum will be included in the State's quarterly report to the Centers for Medicare & Medicaid Services.
- Forum will provide background on the development of the Reinsurance Program, describe how the Reinsurance Program reduces premium rates and by how much, show a 5-year snapshot of Delaware's Individual Market membership and premiums from 2016-2020, and announce anticipated payment parameters for 2022



## Legislation passed to authorize the 1332 waiver application and secure funding for the reinsurance program

- Senate Concurrent Resolution 70 (SCR 70) was passed on June 28, 2018 and authorized the State's 1332 waiver application.
- House Bill 193 (HB 193) was passed on June 20, 2019 and established the state-based reinsurance program and securement of a funding source for the program.
  - ❖ Per HB 193, program funded with pass-through funds received from the federal government under the Affordable Care Act (ACA) and a 2.75% annual assessment based on each insurance carrier's premium that is subject to state premium tax
  - ❖ If the Health Insurance Providers Fee defined under §9010 of the ACA is reinstated for a particular calendar year, the annual assessment is reduced to 1% of each insurance carrier's premium that is subject to state premium tax
    - The assessment was 1% for plan year 2020 and 2.75% for plan year 2021
    - The assessment for plan year 2022 will be equal to 2.75%



**DHSS submitted its 1332 waiver application on July 10, 2019 and application was approved on August 20, 2019.**

- Following a 30-day public comment period which began on May 30, 2019, DHSS submitted the State's 1332 waiver application on July 10, 2019.
- In the waiver application, DHSS requested a waiver of the ACA single risk pool requirement in order to allow insurers to adjust their individual premium rates to account for a reinsurance program that offsets claims costs.
- On July 18, 2019, DHSS received notice from the U.S. Department of Health and Human Services and the U.S. Treasury ("the Departments") that the waiver was deemed complete, starting the 30-day federal public comment period.
- The Departments approved Delaware's 1332 Waiver application on August 20, 2019.
- The 1332 Waiver approval allows DHSS to operate a 5-year reinsurance program, effective January 1, 2020.



## In approving the application, the Departments concluded that the Reinsurance Program complies with all four 1332 waiver guardrails

- 1. *Comprehensive of coverage:*** Delaware's 1332 waiver does not alter coverage requirements under state mandated benefits or the Essential Health Benefits under the ACA.
- 2. *Affordability of coverage:*** Delaware's 1332 waiver does not require or encourage issuers to alter cost-sharing designs or network coverage to lower premium rates. By establishing a reinsurance program, Delaware's 1332 waiver reduces premium rates for individuals who do not receive federal financial help, i.e. premium tax credits.
- 3. *Scope of coverage:*** Delaware's 1332 waiver is expected to increase in enrollment in the individual ACA market due to the reduced rates resulting from the reinsurance program.
- 4. *Deficit neutrality:*** Delaware's 1332 waiver does not increase the federal deficit or federal revenues or outlays.

## **How does the reinsurance program reduce premium rates? How much does the program reduce rates?**

- The reinsurance program lowers premiums by reimbursing insurers for a member's claims if their costs are high enough to be partially reimbursed by the program. The insurer can count on the reinsurance program to pay for such claims when they set premiums for a given plan year. Premiums, which are used to pay claims, are reduced accordingly.
- The percentage by which the reinsurance program will lower premiums is set by the DHCC in advance, subject to projections of funding availability for the program. This percentage is applied to how much individual market claims are expected to be for 2022 and program reimbursement thresholds, or parameters, are set.
- To ensure the proper stewardship of public funds, the DHCC sets these parameters with the advice of experts to make sure the parameters maintain an incentive for insurers to monitor costs while also reducing premium rates.

**In 2020, the first year of the reinsurance program, the average premium per member per month (PMPM) decreased by 19% and the average monthly enrollment increased by 11% (relative to 2019 levels).**

<b>Delaware Individual Market Membership and Premium – 2016 to 2020</b>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Average Monthly Members	35,000	30,000	24,200	23,300	25,800
Premium	\$192,800,000	\$200,270,000	\$215,340,000	\$228,820,000	\$204,570,000
Average Premium PMPM	\$459	\$556	\$743	\$817	\$660

Source: 2016 - 2019 based on carrier-reported MLR data; 2020 based on carrier-reported data in response to data request

**Between 2016 and 2019, the average premium PMPM increased by 78% and average monthly enrollment decreased by 33%**



**For 2022, the program is expected to reduce gross member premiums (i.e., prior to the application of federal premium tax credits) in the Individual ACA market by approximately 15.0% less than if no reinsurance program were in place**

The reinsurance program will reimburse a portion of an insurer's paid claims if a particular member's claims fall between certain payment parameters.

- For 2022, the anticipated payment parameters are as follows:
  - Attachment point: \$65,000
  - Coinsurance rate: 80%
  - Reinsurance cap: \$300,000

*Example:* For 2022, the program would reimburse \$28,000 to an insurer for a member that incurred \$100,000 in paid claims (i.e.,  $[\$100,000 - \$65,000] \times 80\% = \$28,000$ )

- The reinsurance program is projected to cost a total of \$52.2 million for 2022.
  - Federal pass-through funding for the program is projected to be equal to \$38.5 million and the remainder of the cost is expected to be funded through the annual assessment which was established by HB 193

# PUBLIC COMMENT

The Delaware Health Care Commission  
is accepting written public comments.

Please send comments to [DHCC@delaware.gov](mailto:DHCC@delaware.gov) by  
Close of Business, Monday, June 28, 2021.

