



# Update on the State Reinsurance Program and 1332 Waiver.

Michele Eberle, Executive Director  
John-Pierre Cardenas, Director of Policy and Plan Management

September 18, 2018

- ✦ **April 20**, the Maryland Health Benefit Exchange (MHBE) released a draft application for a State Innovation Waiver, starting the 30-day state public comment period.
  
- ✦ **April 26 – May 10**, MHBE held four public hearings across Maryland to present the application to the public:
  - Hearing #1: April 26, 2018 (Talbot County Department of Parks and Recreations)
  - Hearing #2: May 3, 2018 (Office of the Maryland Health Benefit Exchange)
  - Hearing #3: May 7, 2018 (Frederick County Health Department)
  - Hearing #4: May 10, 2018 (Charles County Health Department)
  
- ✦ Nearly seventy members of the public attended these hearings, many of whom also provided testimony. MHBE also received written testimony from more than thirty respondents regarding the State Innovation Waiver.
  
- ✦ The public comment period drew responses from a diverse group including carriers, professional organizations, legislators, advocacy organizations, and consumers.

- ✘ **Support of the State Initiative to Stabilize the Individual Market**
  - All written comment and spoken testimony received by MHBE during the public comment period expressed universal support to establish the State Reinsurance Program (SRP).
- ✘ **Coordination with the Federal Risk Adjustment Program**
  - Many stakeholders have expressed concern over potential issuer payments under the SRP and the federal Risk Adjustment program that would be duplicative of the same risk.
  - Both carriers request that Wakely conduct a study to determine the degree of overlap between the two programs, if any.
- ✘ **Establishing a State Reinsurance Program That Will Attract New Entrants**
  - Many stakeholders expressed that the SRP could be leveraged to create a market environment that is favorable for new entrants. They caution, however, that the program should not be constructed in a manner that would support certain care delivery models over others.
- ✘ **Incentives for Utilization/Care Management and Quality Improvement**
  - Stakeholders expressed that the SRP should be explored as a tool to increase quality and reward effective utilization/care management.
  - Respondents suggest that the SRP could be used to further the goals of other state initiatives, such as the All-Payer Model and the Medicare Waiver.

- ✦ **May 31**, the Maryland Health Benefit Exchange (MHBE) submitted a final application to the U.S. Departments of Health and Human Services and the Treasury.
- ✦ **June 30**, MHBE receives analysis from the Wakely Consulting Group on the interaction between Federal Risk Adjustment and the SRP. The analysis finds that there would be a material interaction between both programs if no action is taken.
- ✦ **July 5**, MHBE receives notice from waiver application reviewers that the waiver was deemed complete, starting the 30-day federal public comment period.
- ✦ **July 16**, MHBE Board of Trustees vote to account for interaction between Federal Risk Adjustment and the SRP through regulation.

- ✘ **July 26 – August 16**, public hearings on regulations for the State Reinsurance Program begin.
- ✘ **August 15**, MHBE submits an amendment to the State Innovation Waiver Application to include state response to stakeholder concern on the interaction between Federal Risk Adjustment and the SRP.
- ✘ **August 22**, MHBE receives notice that the State Innovation Waiver to Establish a State Reinsurance Program has been approved.
- ✘ **August 24**, MHBE Board of Trustees resolves to account for program interaction between Federal Risk Adjustment and the SRP through equalizing profitability between sick and health members.
- ✘ **September 17**, MHBE Board of Trustees votes to release Proposed Regulations for the State Reinsurance Program to the AELR, HGO, and Senate Finance Committees.

- ✘ The Maryland Health Benefit Exchange held four public hearings to discuss the State Reinsurance Program (“SRP”) regulations and receive the public’s questions and testimony.
- ✘ The public hearings were held in two locations to receive as much feedback as possible from the public on the following dates:
  - Hearing #1: July 26, 2018 (Office of the Maryland Health Benefit Exchange)
  - Hearing #2: August 2, 2018 (Office of the Maryland Health Benefit Exchange)
  - Hearing #3: August 9, 2018 (Maryland Department of Transportation)
  - Hearing #4: August 16, 2018 (Office of the Maryland Health Benefit Exchange)
- ✘ MHBE designated topics to be discussed at each hearing in order to organize and facilitate discussion (available at [marylandhbe.com](http://marylandhbe.com))
- ✘ In total, approximately 30 members of the public attended these hearings, many of whom also provided testimony and 8 respondents submitted written testimony regarding the SRP regulations.
- ✘ The public comment period drew responses from a diverse group of people, including carriers, professional organizations, advocacy organizations, and consumers.

## ✦ Administration

- Carriers request that MHBE leverage the EDGE server for the SRP.

## ✦ Interaction of SRP and Federal Risk Adjustment

- Carriers disagree on the degree to which program interaction should be accounted for.
- A carrier, consumer advocates, and professional organizations support an approach that fully removes program interaction.
- Another carrier, and other groups, support an approach that balances profitability between sick and healthier members.

## ✦ Existing incentives

- Carriers acknowledge that there are incentives and programs that already exist to encourage issuers to manage cost.

- ✦ Continued stakeholder engagement
  - Inclusion of incentives in reinsurance program
  - Chronic Disease and Population Health
  
- ✦ Not incorporated at this time
  - Value-based benefit design
  - Using state reinsurance dollars to fund incentive programs
  
- ✦ Complete summary of public testimony is available at [marylandhbe.com](http://marylandhbe.com) on the State Reinsurance Program page.



## ✦ .03 Eligibility for Receipt of Reinsurance Payments.

- Establishes eligibility standards for payment under the SRP.
- Indicates the health benefit plans that are not eligible to receive payments under the SRP.
  - Ineligible plans include – grandfathered health benefit plans under § 1251 of the ACA, health benefit plans that are not required to comply with the reinsurance assessment under § 6-102.1 of the Insurance Article, group health benefit plans under § 15-1202 of the Insurance Article, short-term limited duration plans identified by § 15-1301, and association health plans identified by § 15-1301.
- Details the Carrier State Reinsurance Program Accountability Report.
  - Purpose of the report is to detail carrier action to manage the costs and utilization of enrollees whose claims are reimbursable under the SRP.
  - Requires submitters to supply information on savings to the SRP, impact of initiatives on rates, and population health initiatives and outcomes.

## ✦ .04 Calculation of Reinsurance Payments under the State Reinsurance Program.

- Details the payment parameters for the SRP:
  - An attachment point
  - A coinsurance rate
  - A reinsurance cap
  - A carrier-specific dampening factor provided by the Commissioner.
- Details the methodology for determining reinsurance payments under the SRP.
- Provides information on payment adjustments in instances where reinsurance claims are greater than the program funding allocation.

## ✦ .09 State Reinsurance Program Surplus.

- For benefit year 2019 and after, MHBE will reserve any surplus for claims in future years of the State Reinsurance Program.

## ✦ Next steps (cont'd)

### Process Dates:

- Initial Issue Date: November 9, 2018
- 30-Day Comment Period Ends: December 10, 2018
- Earliest Adoption Date: December 26, 2018
- Final Issue Date: January 4, 2019



Questions?

For more information contact John-Pierre Cardenas, [jcardenas@maryland.gov](mailto:jcardenas@maryland.gov)