

# REINSURANCE & RISK ADJUSTMENT WORKGROUP

Presented to the Health System Reform Task Force  
July 10, 2012

# Summary

- ❖ The workgroup has considered whether the state should operate the reinsurance and/or risk adjustment programs required by the ACA
- ❖ The workgroup has met twice and obtained clarification from HHS on several issues, but has not yet developed a recommendation.

# Context:

## Significant Changes in 2014

- ❖ The amount of risk in the individual and small group markets
  - ❖ HIPUtah entrants
  - ❖ Federal HIPUtah entrants
  - ❖ Other entrants (uninsured)
  - ❖ Movement across markets
- ❖ How risk will be handled by insurers
  - ❖ Guaranteed issue
  - ❖ No pre-existing condition exclusions
  - ❖ No rating based on medical condition
  - ❖ Limited rate variation

# Response

- ❖ Reinsurance (individual)
- ❖ Risk Adjustment (individual & small group)
- ❖ Risk Corridors (individual and small group qualified health plans)

Note: All three programs apply to plans both in and out of the exchanges.

# Reinsurance: Why run it?

- ❖ If the state wishes to modify the federal program. For example:
  - ❖ Increase contributions to stabilize premiums
  - ❖ Change program parameters (attachment point, coinsurance, cap)
  - ❖ Change data collection requirements, including frequency
  - ❖ Use more than one reinsurance entity
  - ❖ Attempt to operate the program at lower cost
- ❖ If the state wishes to extend the program beyond 2016

Note: A state is *not* required to operate a state-based American Health Benefit Exchange and a SHOP exchange in order to run the reinsurance program.

# State Options

- ❖ HHS runs the program
- ❖ State runs the program
  - Establish attachment point, coinsurance & cap
  - Collect HHS-mandated amounts (payment/admin.)
  - Collect optional state amounts (payment/admin.)
  - Make payments
- ❖ State runs all but collections

## Note:

- Optional state amounts for payments must be collected by the state. Optional state amounts for administrative costs may be collected by either HHS or the state.
- The state is not permitted to collect HHS-mandated amounts or optional state amounts from self-insured issuers.
- The state is seeking clarification on whether it can collect from self-insured issuers.

# Options Detail

## ACA TRANSITIONAL REINSURANCE PROGRAM: What Entity (State v s. HHS) Administers Each Aspect of the Program Under Three Operations Options

		Entity Operating the Program		
		HHS	State	
			Full	Partial (all but collection)
<b>Contributions</b>				
Amount (payments and admin.)				
	Required	HHS	HHS	HHS
	Additional (optional)	n/a	State	State
<b>Collection</b>				
Required Amount (payments and admin.)				
	Self-insured	HHS	HHS	HHS
	Fully-insured	HHS	State	HHS
Additional Amount (payments and/or admin.)				
	Self-insured	n/a	HHS (admin. only)	HHS (admin. only)
	Fully-insured	n/a	State	State
<b>Payment</b>				
	Required	HHS	State	State
	Additional	HHS	State	State
<b>Parameters</b>				
	Attachment point	HHS	State	State
	Coinsurance	HHS	State	State
	Cap	HHS	State	State
<b>Applicable Year</b>		Any year, 2014--2016	Any year, 2014--2016	Any year, 2014--2016

# Governance (State-run)

- ❖ Not-for-profit entity
  - ❖ State entity (e.g., HIPUtah, other)
  - ❖ Non-state entity
- ❖ May contract with for-profit entities
- ❖ Potential considerations when selecting an administrator:
  - Experience
  - Efficiency
  - Ability to implement and adapt
  - Responsiveness to stakeholders

# Timeline

- ❖ **Mid-October, 2012**  
HHS draft notice of benefit and payment parameters (attachment point, coinsurance, cap, amount available for payments, amount available for administrative costs)
- ❖ **30 Days After HHS Notice**  
State must notify HHS of any intent to collect additional funds for administrative costs
- ❖ **November 16, 2012**  
State must declare whether it intends to run the reinsurance program
- ❖ **December 1, 2012**  
State must notify HHS of any intent to collect reinsurance contributions for 2014
- ❖ **March 1, 2013**  
State must publish notice of benefit and payment parameters for 2014 if it wishes to modify HHS program

# Risk Adjustment

- ❖ Preliminary discussion
- ❖ Issues
  - ❖ Adequacy of federal methodology
  - ❖ Limited time for developing alternative to federal methodology
  - ❖ Accuracy vs. timeliness (retrospective vs. prospective approach)
  - ❖ Accuracy vs. complexity
  - ❖ Timing of data availability for two approaches
  - ❖ Hybrid approach?
  - ❖ Whether to take advantage of state's All-payer Claims Database
  - ❖ State must run the AHBE exchange and the SHOP exchange in order to run the risk adjustment program
  - ❖ Not-for-profit entity must administer
  - ❖ Combine with reinsurance? Data efficiencies?
  - ❖ More feedback from carriers after SCOTUS decision



# Medicaid

- ❖ **0%–138% expansion no longer required** (FY21 estimate: \$46 million, 3/30/10)
  - ❖ New estimate forthcoming
  - ❖ HHS Appropriations likely to discuss in Sep/Oct
  - ❖ Analyze alternate expansions, e.g., 0%–100%?
- ❖ **Increased uptake among currently eligible still likely** (FY21 estimate: \$111 million, 3/30/10)
  - ❖ New estimate forthcoming—Are previous assumptions still valid?
  - ❖ HHS Appropriations likely to discuss in Sep/Oct