ACA WG
09 14 2017
Notes

Roll Call

PRESENT

Leighton Ku
Jodi Kwarciany
Dave Chandrasekaran
Katie Nichol
Tammy Tomczyk
Rob Metz for Colette Chichester
Laurie Kuiper
Dania Palanker
Donna Alcorn
Patricia Quinn
Jenny Sullivan
Jnatel Sims
Kris Hathaway, Kevin Wrege
Christian Narro for Maria Gomez
Carolyn Rudd

ABSENT:

Liam Steadman
Carl Chapman
Bonita Pennino
Louis Davis, Jr.
Margaret Singleton

Ku: Today we want to go into more specifics on draft policies staff sent out. We still have to discuss some key issues. We expect to have a vote at the next meeting on Sept. 22. Votes will reflect views of working group. We would like to get to consensus. Any comments please send to Debbie Curtis.

We are moving forward to discuss issues of affordability and market stabilization, such as the possibility of reinsurance, the possibility of other District supplements for subsidies.

Purvee Kempf (HBX): We have discussed individual responsibility, CSR. Now we move on to other market stability and affordability. We want to ensure that a broad base of people stay in the marketplace. The first topic is local reinsurance, and the second is affordability and ways to reduce premiums: premium subsidy wraps, cost-sharing subsidy wraps at the local level. The discussion is in the context of the ACA is the law.

There are four specific programs in effect presently. Many other states are trying to establish local reinsurance programs, some through §1332 waivers. The ACA allows states to waive certain provisions of ACA and tailor to local markets. Consumer protections cannot be waived, and there are also comparability requirements. Local reinsurance programs and waivers must be approved by CMS. There are budget neutrality requirements. Local laws must be passed. Because DC has low APTC numbers, §1332 waiver such as other states are doing will not be done here. We are thinking of a local reinsurance without getting a §1332 waiver.

Debbie Curtis (HBX): We are discussing what the District can do on its own, without getting anything from the federal government.

Kempf: That does not mean we are not supporting a federally funded reinsurance program. We are committed to the federal government establishing a permanent reinsurance program; we are exploring what else we can do locally.

Jenny Libster (HBX): Provided background on federal and state reinsurance programs. Federal program – attachment point model. The attachment point was $45,000 years 1 and 2; $90,000 year 3. It had a $250,000 cap for all three years. Payments were made by the federal government for claims between those numbers to offset that risk.

Curtis: Insurers build that into premiums.

Libster: The second type is condition-based reinsurance. Program identifies certain conditions, carriers are helped offset that risk. Examples include diabetes, HIV, certain cancers. There is a link to the Alaska program in the handout – you can see the list of conditions.

Maine also had a condition-based reinsurance starting in 2011. The program was suspended while the federal reinsurance program was in effect. It will start up again in 2023.

Minnesota program – direct premium reduction reinsurance program. MN providing direct premium reductions to individual market consumers of 25%. Payments are made to carriers to reduce premiums for consumers. One year only. (MN also has a §1332 waiver for attachment point reinsurance pending.) Some people think this method gets the most value for the money as the money goes directly to reduce premiums.

Curtis: If we want to establish a local reinsurance program, we need to discuss which one is best for District.

Metz: Alaska has the APTC and CSR monies flowing through; accounts for 80% of the program. That approach is not feasible here. How would a program in DC be funded?

Curtis: We recommend what makes sense. We do not come up with funding. That is an issue for Council. Of course, we want a realistic option. Once we coalesce around a recommendation, we can guesstimate what the cost would be, but ultimately it is up to policymakers in the District.

Ku: Yes, fine tuning is left to a much later stage.

Curtis: We have laid out the three types of reinsurance programs. Let's discuss the pros and cons of each. Attachment point, for example – lots of back-office work with claims data. So there is some administrative complexity inherent in that approach.

Kempf: Can someone explain how the federal program worked?

Metz: Claims files were sent to EDGE server. It calculated the amount and sent it back to the carrier. There was some discrepancy review. I do not see how a claims-based reinsurance program would work without some technical infrastructure, unless you rely on carrier attestations. With a condition-based program there can be some flexibility: you can do it on an application base – carrier applies, gets the okay. Other model – as the claim year goes on, if claims are paid for a condition, carrier is reimbursed. You also need to consider whether the premium should be ceded back into the reinsurance pool to fund the claim.

Curtis: In other words, you are saying that if it were funded through tax on insurance, health insurers would have a problem with it?

Metz: Right.

Chandra: HBX funded through a tax on health carriers. By statute, money is to fund HBX, not a reinsurance program.

Kempf: There may be other sources of funding beyond carrier assessments.

Rob talked about condition-based reinsurance and when during the year it can be obtained, at the time of application or through the claims process – we would need to identify the conditions. That is not an easy task. It is possible to mimic other states.

For the attachment point reinsurance, it seems that certain technology is necessary that we may not have. We would have to figure out how to get clams data.

Direct premium subsidy is a direct pot of money to carriers to reduce the premium paid by consumers.

Ku: True reinsurance in concept is that helping with high cost enrollees will help with the high costs. The MN direct premium subsidy is just that, a subsidy. And I understand it is a temporary measure as the state was going to see something in the neighborhood of over 50% premium increase.

Curtis: When premiums are lower, you get more participation in the market. And remember, most DC Health Link individual market people are full pay, so direct premium subsidy might help us lower premiums for all.

Kempf: Tammy, can you explain of the three programs, which gets the most bang for the buck?

Tomczyk: It depends on where you set the attachment point and coinsurance. The type of program not really the issue; it is the amount of money you put in the program. However, if you lower the premium for people who receive APTC, you are sending money back to the federal government.

Metz: Can a direct premium reduction program be targeted to non-APTC people?

Tomczyk: I don't see why not.

Metz: No problem with single risk pool requirement?

Tomczyk: I do not think so.

Kempf: Point – There would not be a rate filing reduction from direct premium, depending. Attachment point – carrier needs to know the attachment point, estimate claims, etc. Needs to be calculated. In direct premium subsidy, rates are calculated and a reduction to the rate is given to the customer.

Ku: Carriers are supposed to calculate premiums based on the risk profile of people who enroll. It cannot be predicted perfectly. Reinsurance is meant to reduce problems if the carrier incorrectly judges the risk of enrollees and how much their costs are.

With the direct premium subsidy approach, consumers are helped. Carriers may still lose money if they got the risk wrong.

Tomczyk: I agree. Direct premium subsidy is not technically reinsurance. 94% of DC people do not get subsidy. Still leaving the risk of volatility to carrier with direct premium subsidy.

Yorick Uzes (DHCF): If there is a direct premium subsidy every year, and carriers expect it, can't carriers pad their rates?

Curtis: Regulators are supposed to take care of that. Their submissions would not be actuarially sound.

Ku: Disagree slightly. Carriers and DISB are still estimating risk and cost. Carriers account for that in rate filings.

Metz: A reinsurance program should reduce volatility and make rate flings more accurate.

Ku: Yes, true reinsurance. A direct premium subsidy is slightly different. It is supposed to make premiums more affordable and help the risk pool.

Kempf: Our goal is market stability. We want people to be able to afford premiums and stay covered. A program may be time-limited. But we do need something that can be operationalized rather simply.

Curtis: For example, a condition-based approach would require an appeals process.

Kempf: It sounds cumbersome. We want to come up with something immediate. If there were a robust federal reinsurance program, we would not be having this conversation. If we can coalesce around one of the options, at the staff level we wanted to run some numbers for you.

Metz: I would raise concerns from a carrier level about a new subsidy program that carriers have to administer. I need to take it back for internal discussion.

Kempf: Is there a way HBX could implement it?

Alex Alonso (HBX): We would know who is enrolled and without APTC. We also know how much their premium is, and we could calculate the subsidy. We can send an 834 file as we do now for APTC. I do not think it would be administratively burdensome.

Metz: What you just described is what happens now with the 834 process. Again, I need to take it back.

Kempf: Is there a way to administer that is least burdensome? Do we calculate it and send the carrier a check? Any program we do will be as lean as possible. We want to spend money on affordability not administration.

Alonso: In MN, the exchange sends 834 file. The carrier then reduces the premium. I do not know how frequently payment is made (i.e. monthly, quarterly).

Kempf: Are we good to take condition-based off the table? You are picking and choosing conditions and populations. Politically maybe not so good.

Kuiper: Kaiser would prefer that condition-based be taken off the table.

Ku: I agree. Putting people in a separate risk pool in the District, when we are so small, is not good.

Tomczyk: We did Alaska waiver. It is not a separate risk pool. It is invisible to the consumer. Once person has a condition, they cede the person to the pool. And the premium gets put back into the pool. The decision on conditions was based on incurred costs.

Kempf: I am concerned about the politics of it.

Wrege: I heard Chet Burrell at a Chamber event: Take highest cost claims experience, those driving the rates, cede them to pool. If we can find a way to get support for those very few, astronomical claims costs.

Curtis: That is the attachment point structure. Federal program was done with input from carriers. The District is so small, and there are technological and administrative costs and burdens in developing a system like that. Do not want to create something that is so difficult it is not worth it.

Kempf: We will do research around attachment point and direct premium subsidy, and administrative lift required. Carriers please help us with that.

Quinn: Voting on this on the 22nd?

Curtis: No. There will be votes on the three items we have discussed: mandate, CSR, and locking people out if they have past due premiums.

Ku: We need to move on to those three items.

Curtis: Let's start with a District individual responsibility fallback position. Based on your feedback, the draft policy has been amended. The policy reads as follows:

> The District of Columbia will implement and collect an individual responsibility requirement penalty for taxpayers where the federal government fails to enforce the federal Affordable Care Act individual responsibility requirement and the taxpayer owes a federal penalty under the ACA. If the ACA penalty is paid at the federal level, no penalty is assessed on District taxes.
>
> Any funds received through the local individual responsibility requirement will be placed in a new HBX managed fund to be used for the sole purpose of insurance market stabilization.

Does the last sentence address the issue from last week to broaden the last sentence from reinsurance to market stabilization?

Wrege: The issue circles back to what the market stabilization will look like.

Curtis: It would need to be done by legislation. We have discussed local reinsurance and CSR payments. The policy is intended to make clear that we are helping our customers, not HBX operations.

Wrege: Net of expenses for OTR?

Kempf: Must show in legislation the administrative cost 4 years out and how to pay for it.

Curtis: The next one is CSR:

> The District of Columbia will pay carriers the equivalent of the Cost Sharing Reduction (CSR) payments due to carriers by the Federal Government under the Affordable Care Act where the Federal Government fails to make such payments.
>
> This policy should be implemented in a manner that minimizes the operational costs for carriers and the District government.

Nichol: Will you get the information from the federal government?

Kempf: From feds, or from carriers who file the form with the feds.

Metz: Haven't the exchanges taken over that function?

Curtis: We will check.

The next policy issue is back payment of premiums. The Board has acted already, but since we will be looking at legislation, we want to bring it before the group. We added background to the staff draft:

> The HBX Executive Board passed a resolution June 14, 2017 recommending that the District of Columbia Department of Insurance, Securities and Banking act to prohibit the ability of carriers to require back premium payments as a condition of enrollment during an open enrollment period. After passage, HBX was informed that DISB did not have the authority to do so.
>
> To effectuate this recommendation, the District of Columbia shall enact a law to prohibit health insurance carriers from requiring an individual or employer to pay all past-due premiums owed to that carrier for coverage in the prior 12-month period in order to effectuate coverage from that carrier and ensure the efficacy of the open enrollment and special enrollment periods.

So the intent is that these three policies and recommendations are to be voted on next week.

Kempf: If you go back to your organizations and need more time, please let us know. As of now on for a vote on Sept. 22.

Quinn: I need to circle back. The mandate vote will be a challenge for DCPCA. I am just notifying, not asking for anything. If you go ahead and vote, we may have to abstain.

Ku: Thanks for letting us know.

Ku: Meeting adjourned.