OFFICE of the INSURANCE COMMISSIONER
WASHINGTON STATE

Individual Market Stability Options

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This document is intended to be a high level summary of options to address individual market stability in Washington state. The goals for market stability efforts include:

1. Maintain a stable individual health insurance market in Washington state.
2. Sustain or improve the affordability of premiums and out-of-pocket cost-sharing for both subsidized and unsubsidized individual market enrollees.
3. Provide access to coverage in rural areas of Washington state.
4. Where applicable and feasible, maximize federal funding to support individual market stability.

High Risk Pool/Washington State Health Insurance Pool (WSHIP)

- By Washington state law, an individual living in a county where an individual health plan (other than a catastrophic plan) is not offered on or off the Exchange is eligible for coverage through WSHIP. However, because WSHIP's benefit plans are not certified as qualified health plans, under current law, individuals who enroll under this authority would not be able to receive advance premium tax credits or cost-sharing reductions to help with affordability.
- While this is a "safety net" if we should have any counties in 2018 without an individual market plan, there are major affordability challenges unless consumers could use their tax credits toward payment of the premium and receive cost-sharing subsidies to reduce out of pocket costs.
- We are exploring whether a WSHIP plan could be offered as a Qualified Health Plan (QHP) through the Exchange. Issues to be addressed include the fact that WSHIP is not a licensed carrier, and plan design questions related to QHP certification.

Reinsurance: Conditions-based

- A conditions-based reinsurance program is invisible to the enrollee. Under such a program, a list of conditions would be identified by the state for inclusion in the program. Issuers would identify enrollees with those conditions. The carrier would cede the risk for covering identified enrollees to the reinsurance pool. In exchange, the carrier would transfer most or all of the premium (and possibly other funds) received to the reinsurance program. The carrier would administer the claims.
- Alaska recently implemented a conditions-based reinsurance program, using 33 designated health conditions. Alaska's high risk pool will serve as the administrative entity. The state is nearing approval of a 1332 waiver (www.cms.gov) to use "pass through" Advanced Premium Tax Credits (APTC) savings to fund most of the program costs.

Reinsurance: Claims-based

- This option is similar to the Affordable Care Act (ACA) Transitional Reinsurance Program, operated in CY 2014-2016. An attachment point, coinsurance rate and reinsurance cap would be established. Carriers would submit claims in excess of the attachment point and up to the cap to an administrative entity, who would reimburse them the appropriate amount based upon the established coinsurance rate. This approach is an alternative to a conditions-based reinsurance program, or could be implemented in tandem with conditions, i.e. a decision to reimburse claims costs within a set range for enrollees with particular conditions.
- Washington state carriers received $230 million in 2014 under the federal transitional reinsurance program. The Congressional Budget Office and Joint Committee on Taxation have estimated that the reinsurance payments for 2014 made premiums for non-group exchange plans approximately 10 percent lower than they would have been otherwise.
- Minnesota's legislature enacted a reinsurance program in March 2017, for implementation beginning January 1, 2018. It is similar to the federal reinsurance program design. Their statute makes implementation of the program contingent upon the Centers for Medicare and Medicaid (CMS) approval of their 1332 waiver.

Risk Corridor program

- This option could be modeled on the ACA risk corridor program. It could be applied to qualified health plans sold on and off the Exchange. Carriers with costs less than 3 percent of a target amount were required to pay into the federal risk corridor program; the funds collected were used to reimburse plans with costs that exceed 3 percent of the target amount. To be most effective, payments from and to carriers should not be required to net to zero.
- Similar to reinsurance, a 1332 waiver strategy requesting APTC pass through funding could be an option if premiums can be reduced enough to justify such a request.

State offered option

- The parameters of a "state-offered option" are under development, with further research pending. Potential options include: an option offered alongside private QHP's or in counties where no private QHP is offered through, for example the option to buy into coverage administered by the state Medicaid agency or the state employees' health benefits program; or an option that would have all or part of the individual market administered through a single state-purchased program that meets the requirements of section 1331 or 1332 related to scope of coverage and affordability as well as federal deficit neutrality.

Geographical rating areas

- This option would revise geographical rating areas and/or increase the variations between the benchmark urban county and rural counties (currently 15 percent variation allowed). While greater variation in rates between urban and rural counties, or modifications to geographical rating areas may result in coverage being available in more rural counties, it also could result in less affordable coverage in rural counties, especially for unsubsidized households.