

## SENATE BILL 5974: SUPPLEMENTAL CHAMPVA MARKET REPORT

### Introduction

Senate Bill 5974 directs the Office of the Insurance Commissioner (OIC) to review the barriers to offering supplemental CHAMPVA coverage options to disabled veterans and their dependents in the State of Washington. Supplemental CHAMPVA is not comprehensive health insurance coverage and is only available to CHAMPVA enrollees and pays covered expenses secondary to CHAMPVA. The Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) is a comprehensive health care program whereby the VA shares the cost of covered health care services and supplies with eligible beneficiaries. The eligibility criteria for CHAMPVA specifies that the enrollee cannot be eligible for TRICARE, and must be in one of the following categories:

1. The spouse or child of a Veteran who has been rated permanently and totally disabled for a service-connected disability by a VA regional office.
2. The surviving spouse or child of a Veteran who died from a VA-rated service-connected disability.
3. The surviving spouse or child of a Veteran who was at the time death rated permanently and totally disabled from a service-connected disability.
4. The surviving spouse or child of a military member who died in the line of duty, not due to misconduct (in most of these cases, these family members are eligible for TRICARE, not CHAMPVA).<sup>1</sup>

### Barriers to Offering Supplemental CHAMPVA Policies in Washington

There are no explicit barriers preventing the sale of supplemental CHAMPVA coverage in Washington State. OIC reviewed the supplemental CHAMPVA filings in the State of Washington that are maintained in the agency filing database. Between 2010 and 2014 there were four filings for supplemental CHAMPVA policies, all by the same insurer: Monumental Life Insurance Company.

Table 1 presents a history of the filings and the reason the policies were rejected. The filings in 2010 and 2012 were rejected for technical filing issues. The more recent filings, 2013 and 2014, were rejected because they do not comply with RCW 48.24.045 which applies to association plans and requires the association to have been organized "for purposes other than that of obtaining insurance." In both cases, Monumental was not able to provide suitable evidence to the contrary. The association bylaws that were submitted along with the filings did not meet the criteria set forth in RCW 48.24.045. Additionally, the association was formed in Tennessee, which does not require that the purpose of the association be stated in the required filing documents.

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<sup>1</sup> <http://va.gov/PURCHASEDCARE/programs/dependents/champva/index.asp>

**Table 1. History of CHAMPVA Filings in Washington State, 2010 - 2014**

<b>Filing Company Name</b>	<b>Filing Status</b>	<b>Filing Date</b>	<b>Reason for Disapproval/Closure</b>
Monumental Life Insurance Company	Closed	2/27/2014	Failed to comply with RCW 48.24.045 which requires the association to have been organized "for purposes other than that of obtaining insurance."
Monumental Life Insurance Company	Disapproved	12/3/2013	Failed to comply with RCW 48.24.045 which requires the association to have been organized "for purposes other than that of obtaining insurance." Formed in Tennessee where the purpose of the association need not be stated in the required filing documents.
Monumental Life Insurance Company	Closed	5/17/2012	The filing as submitted is incomplete. Association bylaws are not included.
Monumental Life Insurance Company	Disapproved	9/14/2010	RCW 48.19.010(2) requires filing all rating rules before use.

**Supplemental CHAMPVA Policies in Other States**

Based on a review of filings available in the NAIC SERFF website and a survey of state insurance commissioners, it appears that supplemental CHAMPVA policies are available in most states. In addition to Washington, these policies also appear to be unavailable in New Hampshire, Connecticut, Kansas, Minnesota, and Wyoming. However, there may be more states where these policies are not available. Collecting this information is difficult because not all states make their filings available on the public SERFF website, and only 14 states responded to a survey issued by the OIC. The Supplemental CHAMPVA survey was conducted from August 20, 2015 to October 6, 2015. The responses to the survey are presented in Table 2.

**Access to Supplemental CHAMPVA Policies**

There is one primary underwriter of supplemental CHAMPVA plans: Transamerica Premier Life Insurance Company. This company was formerly known as Monumental Life Insurance Company, but the company changed its name to Transamerica Premier Life Insurance Company effective July 31, 2014. The supplemental CHAMPVA plans underwritten by Transamerica are marketed through several different companies and associations.

The association that submitted this plan in Washington was unable to meet the requirements to qualify as a "true association" under Washington law, and that association did not present evidence to support admittance. However, there appear to be other active associations selling this type of insurance, and it's possible that some of those associations might meet the requirements of Washington law.

**Table 2. Survey Responses from Other States**

State	Available?	Comments
AZ	Non-ACA group PPO health plans are exempt from filing in Arizona, so it is <b>unknown</b> if any plans are being offered here at this time.	Based solely on our review of the <a href="http://www.champva.us/index.php">http://www.champva.us/index.php</a> website, this certainly looks like insurance. If sold to Arizona residents, we believe it would be subject to the applicable provisions of Arizona insurance law. While we cannot confirm whether it's being offered in AZ, the website states, "The Plan is currently not available in CO, ME, MT, NH, NV, OR, SD, WA, VT." We noted on this page, <a href="http://www.champva.us/champva-benefits.php">http://www.champva.us/champva-benefits.php</a> , it states which insurers allegedly underwrite the plan: The Corporate Plan Sponsor: American Military Retirees Association (AMRA) [see <a href="http://amra1973.org/Membership/Benefits">http://amra1973.org/Membership/Benefits</a> ] Plan Administrator: Association and Society Insurance Corporation (ASI) Underwritten by: Monumental Life Insurance Company, Cedar Rapids, IA Transamerica Financial Life Insurance Company, Harrison, NY (NY residents only) AEGON companies
CA	Yes	
CO	Yes	
CT	No	No insurers have filed this type of policy, and it is not currently one of the categories of health insurance defined in CT statute. CT does have a category for TRICARE supplement policies. This category was added when carriers requested to have such filings approved.
ID	Yes	
KS	No	
LA	Yes	These filings are not common in Louisiana. We have very few, if any, complaints on these types of plans or other inquiries from agents, brokers, or producers regarding these types of plans.
MD	Yes	Since CHAMPVA is considered minimal essential coverage, any supplement to such coverage appears to meet the requirements as an excepted benefit under 45 CFR 146.145(b)(5)(C). Since the contracts that we have been seeing are offered only through association coverage issued out-of-state, the CHAMPVA supplement contracts only need to meet Maryland extraterritorial mandates, which are minimal.
ME	Yes	These are almost always sold through an association. We have separate requirements for selling through an association. We require guaranteed issue and community rating.
MN	No	Minnesota laws do not regulate, nor require CHAMPVA to submit their plan filings to Commerce for review. Per our understanding, they are regulated by the US Department of Veteran Affairs.
MO	Yes	The records in SERFF for Missouri indicate only 10 filings since 2008. Central United and National States have only ever filed rates since 2008, no forms. The most recent form filing was in 2014, from Monumental.
OR	Yes	We do have some Tricare/CHAMPVA supplemental policies that are submitted under association filings for Officers or specific branches of the military.
TX	Yes	Policies are available through the Armed Forces Top Enlisted Association, Inc. based in Colorado.
UT	Yes	
VA	Yes	These plans are filed with the TRICARE supplement plans. We do not know the number of covered lives for these plans.
WY	No	

Table 3 presents the number of individuals eligible for CHAMPVA coverage in the U.S. and selected states and the number of individuals who have supplemental CHAMPVA coverage from Transamerica. The national average for supplemental CHAMPVA take-up is 6.6 percent. Virginia is unique among the states examined with a 39 percent take-up rate.

**Table 3. Size of the Supplemental CHAMPVA market for the U.S. and selected states**

Area	Eligible for CHAMPVA	Supplemental CHAMPVA coverage with Transamerica	Supplemental coverage as a percent of total CHAMPVA eligibles
U.S.	401,809	26,444	6.6%
CA	27,195	1,121	4.0%
OR	8,926	218	2.4%
TX	37,327	1,773	4.7%
VA	9,547	3,719	39.0%

Table 4 presents an estimate of the potential size of the market in Washington State using take-up ratios for both the U.S., a weighted average of California and Texas, and Virginia. We can conclude that the market in Washington is likely between 400 to 600 enrollees with approximately 3,500 representing an unlikely high estimate using the Virginia take-up ratio.

**Table 4. Estimated size of the Supplemental CHAMPVA market in Washington**

Area	Eligible for CHAMPVA	Supplemental coverage using the national ratio	Supplemental coverage using a weighted average ratio of CA and TX	Supplemental coverage using the Virginia ratio
WA	8,915	587	395	3,473

**Conclusions and Recommendations**

The issue that prevented the submitting association for supplemental CHAMPVA coverage from qualifying is that the association did not meet the requirements of RCW 48.24.045, which states:

“The lives of a group of individuals may be insured under a policy issued to an association which has been in active existence for at least one year, which has a constitution and bylaws, and which has been organized and is *maintained in good faith for purposes other than that of obtaining insurance.* Under this group life insurance policy, the association shall be deemed the policyholder. The policy may insure association employees, members, or their employees. Beneficiaries under the policy shall be persons other than the association or its officers or trustees. The term "employees" as used in this section may include retired employees.”

The OIC recognizes that these plans serve an important purpose for a vulnerable population. The availability of these plans is important in this state because of the size of the military population in

Washington. Overall, insurers who wish to sell supplemental CHAMPVA coverage in the State of Washington need to comply with existing statutes and rules covering the sale of this product, but beyond these requirements, there are no other explicit issues preventing the sale of supplemental CHAMPVA coverage in Washington.

The OIC has identified two options for providing supplemental CHAMPVA coverage within existing statutes. The first option is to offer the plans as an individual supplement which would provide access to interested parties and would not require the insurer to meet the requirements for group coverage. The second option would be to file the product using an association which was formed for purposes other than providing insurance as specified in RCW 48.24.045. The OIC will work with the insurer through the usual correspondence process – the same process that the agency follows regarding any other type of health plan – to ensure that all of the filing requirements are successfully met.

Overall, the OIC believes that this issue does not require a legislative solution, but rather, leaves potential entrants into the market with the choice of how to file their products. The OIC frequently works with insurers to ensure that plans meet all of the filing requirements before a product can be approved. Supplemental CHAMPVA plans are not unusual in this regard, and could potentially be approved, as long as plans meet all of the requirements for either an individual policy or group policy.

**Appendix: Example Rates and Benefits**

This section presents an example of rates and benefits for a supplemental CHAMPVA plan.

**Table A-1. Example Rate Table**

<b>Age of Spouse or Widow/er</b>	<b>Monthly Premium</b>
Under 40	\$33
40-44	\$36
45-49	\$41
50-54	\$53
55-59	\$63
60-64	\$75
65+	\$95
Each child	\$25

**Table A-2. Example Benefits Table**

<b>Covered Care Required</b>	<b>CHAMPVA Pays</b>	<b>CHAMPVA Supplement Plan Pays</b>
<b>Inpatient Services</b> Confinement in civilian hospital or skilled nursing facility	DRG <sup>2</sup> rate, less the beneficiary cost share	The lesser of (1) the standard DRG amount per day, times number of inpatient days, or (2) 25% of the billed amount.
<b>Inpatient Services</b> Non-DRG based	75% of the Allowable Amount	25% of the Allowable Amount
<b>Inpatient Physician Services</b> Visits, surgeons, anesthesiologists, etc.	75% of the Allowable Amount	25% of the Allowable Amount
<b>Outpatient Services</b> Office visits, clinics, laboratory and pharmacy services, durable medical equipment (non-VA source)	75% of the Allowable Amount, after the CHAMPVA Annual Outpatient Deductible	25% of the Allowable Amount
CHAMPVA Supplement Plan pays the Inpatient and Outpatient covered medical expenses once the Calendar Year plan deductible of \$250 per person and \$500 family maximum has been satisfied. Expenses incurred to satisfy the CHAMPVA Calendar Year Outpatient deductible cannot be used to satisfy the CHAMPVA Supplement Plan deductible.		

<sup>2</sup> Diagnosis-Related Groups (DRG) - An agreement between most hospitals and CHAMPVA to accept a fixed rate for inpatient care regardless of the billed amount.