



WASHINGTON REINSURANCE PROGRAM REVIEW

Proposed Start Date
1/1/2019



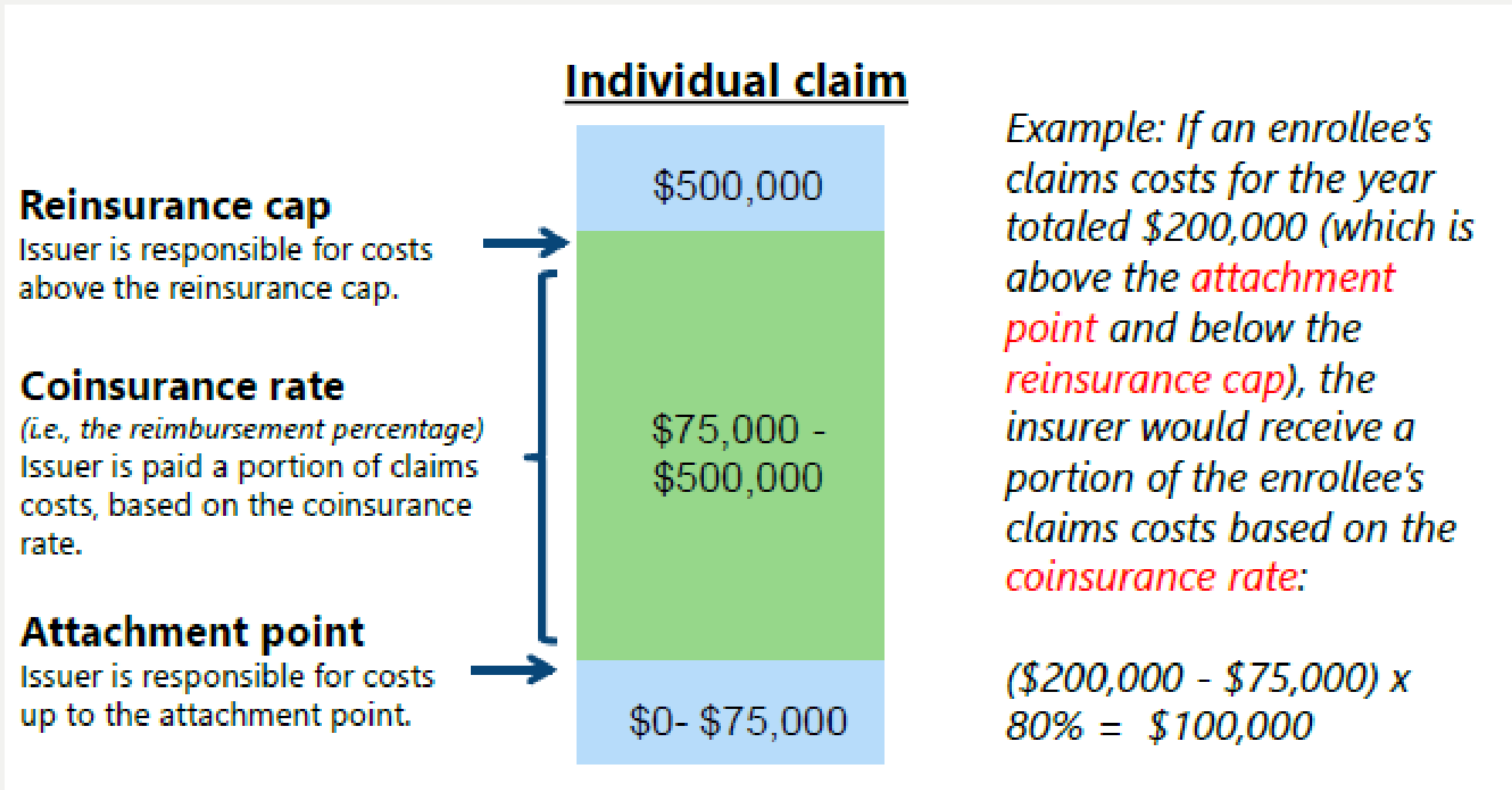
What is reinsurance?

- A reimbursement system that protects insurers from very high health insurance claims. It usually involves a third party paying part of an insurance company's claims once they pass a certain amount. Reinsurance is a way to stabilize an insurance market and make cover more available and affordable.

Washington State Reinsurance Program

- Reduces the trend in health plan premiums for all people who purchase in the individual market.
- Lowered premiums result in increased enrollment.
- Seamless to consumers.
- Helps avoid bare counties and increase plan choices.
- Can be implemented in 2019.
- Proven effectiveness at the national level: Federal Transitional Reinsurance Program.
- Likely eligible for federal funding to help finance the program through a federal waiver, as in Alaska, Minnesota, and Oregon.

How reinsurance works



Program Operation

- WSHIP – Washington State’s high risk pool board will operate the program under a plan of operation approved by OIC.
- The program pays a portion of costs for higher cost enrollees. Claims costs paid by the program result in lower premiums.
- Reinsurance payments to carriers are capped at \$200 million per year.
- OIC will reset “payment parameters” for the program after the first year of operation in order to maintain spending within the \$200 million cap.
- It’s estimated that about 10% of residents in Washington State would be high cost.
- This will help ensure that we’ll have insurance companies in Washington State for next Open Enrollment.

How funded?

- Sources of funding: Health carrier/insurer and third party administrator (TPA) assessments modeled on the federal transitional reinsurance program. Carriers and TPA's pay an amount per covered life into program based. Medicare and Medicaid enrollees are excluded.
- Federal funding through a state innovation waiver (Section 1332 waiver) or other federal funding for state reinsurance programs.
- Board determines the assessment per covered life needed to generate \$200 million, which is reduced by available federal funds and under-expenditures from prior years.
- For years beyond current year (CY) 2020, OIC will evaluate alternative financing sources for the program, including a health care paid claims assessment like that used in Michigan.

What is the State Innovation 1332 Waiver?

- Section 1332 of the Affordable Care Act (ACA) permits a state to apply for a State Innovation Waiver to pursue innovative strategies for providing their residents with access to high quality, affordable health insurance while retaining the basic protections of the ACA.
- OIC will submit a state innovation waiver (Section 1332 waiver) application to the Department of Health and Human Services on or before April 1, 2018, preceded by tribal consultation and public review.
- Legislation must be enacted quickly – by February 1 – in order to meet the requirements for a federal waiver request and have a waiver approved by the time carriers file their proposed plans and rates for 2019.
- Implementation of the reinsurance program is contingent on approval of the waiver application.