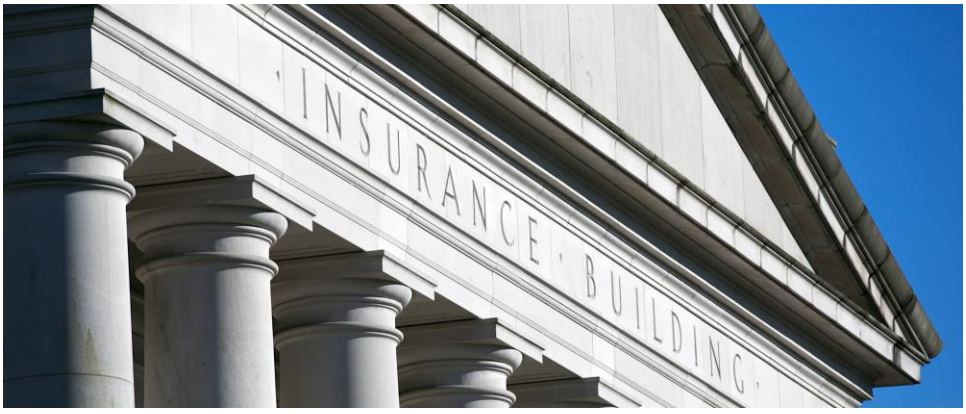


Market Stability Efforts in Washington State

NASHP/ Sailing the Seas: State Efforts to Stabilize the Individual Market

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OFFICE of the INSURANCE COMMISSIONER WASHINGTON STATE

The State of Washington's Individual Market

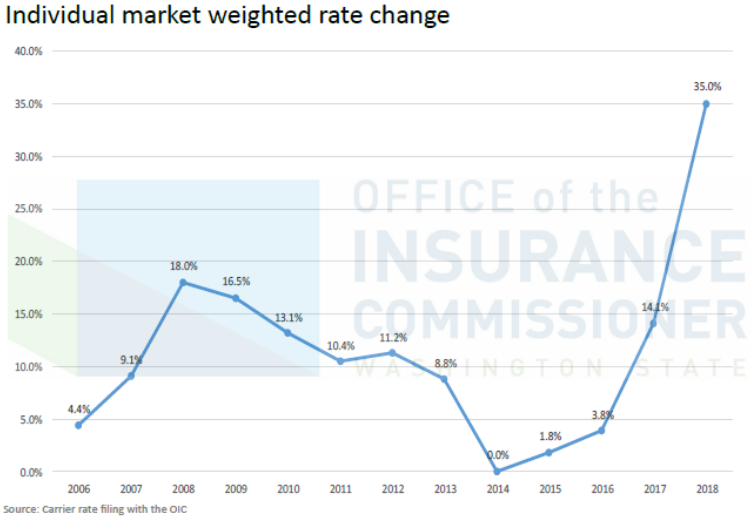
2018

- Estimated 268,400 enrollees:
  - Of these, almost 80% purchase on Exchange
  - 66% of Exchange enrollees receive an advance premium tax credit (APTC) subsidy
  - Loss of about 35,000 people from the market -- 2017 to 2018
- Eleven issuers offering 74 plans/ On Exchange: 7 issuers offering 41 plans
- Nine counties with one issuer
- In response to threat of cost-sharing reduction (CSR) termination, Office of the Insurance Commissioner (OIC) approved two sets of rates for silver plans sold on Exchange-- one assuming CSR's paid and another assuming CSR's not paid. When CSR's were terminated in October 2017, issuers used the higher set of rates.

The State of Washington's Individual Market

2019

- Stability in issuers - Eleven selling 88 plans/ On-Exchange 7 issuers offering 40 plans.
- No bare counties at filing - Fourteen counties with one issuer.
- Weighted average proposed rate increase: 19%
  - Proposed rate increases range from 6% to 29%



Methodology: this graph represents the annual change in rate for continuing plans on the individual market as approved (rather than requested) by OIC. The average rate changes are weighted by observed enrollment as of March of the earlier year and expected enrollment for the following year.

The rate increase in 2018 reflects the impact of termination of CSR payments and federal reinsurance payments.
The proposed average rate increase for 2019 is 19%.

In the 2018 Washington State Legislature

QHP linked to state purchasing -- ESHB 2408/C. 219 2018 Laws Washington State Legislature

- Beginning January 1, 2020, each carrier (or at least one health carrier in an insurance holding company system) that has a fully-insured contract to serve school or state employees must offer at least one Silver and one Gold Qualified Health Plan (QHP) in any county that the carrier/holding company is contracted to serve school or state employees.
- The rates for a Public Employee Benefits Board (PEBB) or School Employees Benefits Board (SEBB)-approved health plan may not include the administrative costs or actuarial risks associated with the QHPs offered by the carrier.

In the 2018 Washington State Legislature

ESHB 2408 implementation

- **Timing of state procurement:** Linked to request for proposals (RFP) for implementation of new consolidated school employee health benefit purchasing (SEBB) in 2020. Questions related to amending existing state employee contracts.
- **Enforcement:** State purchasing agency is not the insurance regulatory agency. Enforcement of the requirement is through SEBB contract.
  - SEBB contract allows issuers to have a lower medical loss ratio (but not lower than ACA 85% standard) if they meet requirements related to ESHB 2408 implementation, quality improvement performance benchmarks and value-based purchasing benchmarks.

In the 2018 Washington State Legislature

Reinsurance – SHB 2355/2SSB 6062

- Proposed by Insurance Commissioner Kreidler
- Claims-based reinsurance program with 1332 waiver application
- Actuarial analysis:
  - Rates 10% lower than what they would have been without reinsurance. Cost: $200m per year.
  - Anticipated federal pass through: approximately 25% because Washington market has a higher share of non-subsidized enrollees than other states – approximately 40% non-sub.
- Funding: Bill failed due to lack of agreement on financing for state share of program cost.

In the 2018 Washington State Legislature

ACA Preventive Services – ESHB 1523

- Brings ACA preventive services mandate into state law.
- Enacted: http://apps2.leg.wa.gov/billsummary?BillNumber=1523&Year=2017&BillNumber=1523&Year=2017

Individual Mandate – ESSB 6084

- Would have brought federal ACA individual responsibility provision into state law. Did not pass.
- Challenge in Washington State: No income tax. Very difficult to identify enforcement mechanism.

Medicaid buy-in – SB 5984

- Did not pass

Short-term Limited Duration Medical Plans

- Under current state law, short-term limited duration (STLD) insurance coverage is excepted from the definition of "health plan".
- OIC can set standards for medical plans that will be "deemed" to be STLD; OIC approval required as condition of deeming.
- RCW 48.43.005 (26)(l). RCW 48.43.005: Definitions.

Short-term Limited Duration Medical Plans

- Using state law authority, the OIC is preparing rules to define the term, duration and requirements for STLD medical plans.
- Goals:
  1. There is a legitimate need for STLD medical plans to fill coverage gaps; rules should be sensitive to keeping plan options available to consumers.
  2. Consumers must fully understand the limitations of STLD medical plans.
  3. Plan design and benefits must not be illusory, but STLD medical plans should not be an appealing alternative to the ACA compliant market.

Short-term Limited Duration Medical Plans

Stakeholder draft (June 2018)

- Must provide major medical coverage
- Limit any pre-existing condition look-back period to 24 months
- Term/Duration: 3 month maximum & non-renewable
    - Carrier cannot issue a STLD medical plan if it would result in consumer being covered for more than 3 months in a year.
    - Carrier cannot issue STLD medical plan during open enrollment for coverage beginning the next year.

Short-term Limited Duration Medical Plans

Stakeholder Draft (June 2018) – Cont'd

- Requires disclosure to ensure consumers understand:
    - Available options to purchase ACA-compliant coverage
    - Terms of the STLD medical plan, including :
        - Pre-existing condition exclusions
        - Covered services and limits/restrictions on those services
        - Cost-sharing, including risk of balance billing
        - Maximum amount the plan will pay
- Consumer must acknowledge review of the disclosure form

Short-term Limited Duration Medical Plans

Stakeholder Draft (June 2018) – Cont'd

- OIC approval required for STLD medical plan:
    - Submission and approval or form/description of plan, application, disclosure form, and rates
    - Cannot be issued or sold without prior approval by OIC
    - Cannot be cancelled, except for nonpayment of premium
    - Cannot be rescinded, except for nonpayment of premium or consumer fraud
- Next steps: Anticipate publishing proposed rule in late August
- STLD Rule Website: Short-term medical plans (R 2018-01) | Washington State Office of the Insurance Commissioner

Washington Health Benefit Exchange (HBE)

Impact of Federal Uncertainty on Open Enrollment (OE)

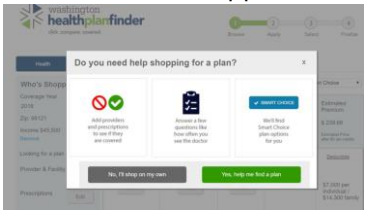
- Washington state consumers were largely shielded from federal cutbacks
    - Extended OE from 45 days to 75 days
    - Increased advertising (nationally, advertising down 90%)
    - Sustained Navigator funding; augmented with enrollment centers (nationally, Navigator funding down 40%
    - Increased *HealthPlanFinder* availability

HBE Tools Improved Consumer Experience

- WAPlanfinder App (over 70k downloads)



- "Smart Planfinder" Customer Decision Support Tool (CDST)



OIC Geographic Rating Area rule

- Washington State limits the variability in premiums between geographic rating areas in the individual and small group markets.
- Recently amended geographic rating areas rules to:
  - Increase the number of rating areas to 9; and
  - Allow greater variation in rates if a carrier files to offer QHP's in all counties in 6 or more rating areas (1.22) or to offer QHP's statewide (1.40). The base premium ratio is 1.15.
  - Adjusting geographic rating areas to increase market stability (R 2017-11) | Washington State Office of the Insurance Commissioner
- 2019 filings: No issuer filed in sufficient number/mix of counties to use the higher ratio.

Looking ahead to 2019 Legislature

Key issue: AFFORDABILITY

- With passage of ESHB 2408 (plus plan year 2019 filings), bare counties are no longer the biggest risk.
- With loss of about 35,000 individual market enrollees, most of them non-subsidized, affordability is the greatest challenge.
- OIC, our Health Benefit Exchange and the Governor's office are exploring policy options for 2019.

Questions?

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