Section 1332 Innovation Waiver
Public Meeting Presentation
Minnesotans access health insurance in many ways

Minnesota Health Insurance by Market (2015)

- Uninsured, 4.3%
- Medical Assistance, 15.6%
- MinnesotaCare, 1.9%
- Medicare, 16.6%
- TRICARE, 1.0%
- Individual Market, 5.4%
- Small Group Market, 4.8%
- Large employer - self insured, 12.6%
- Large employer - self insured, 37.8%
Minnesotans who buy their own insurance need help

• About five percent of Minnesotans get healthcare coverage through the individual market
  • Minnesotans without access to coverage through an employer, MinnesotaCare, Medicare, Medicaid
  • Contractors, farmers, realtors, daycare providers
• Premiums increased dramatically in 2016 and 2017
Rising costs have destabilized Minnesota’s individual market

• The rate of premium increases has been dramatic
  • Driven by high-cost claims and healthy people leaving the market
  • In 2015, claim costs exceeded premiums collected by 38%
  • 50% of individual market claim amounts have been incurred by 2.2% of enrollees
  • Costs are passed on to all individual market enrollees in the form of higher premium rates
National events also affected Minnesota’s individual market

• Federal programs provided stabilizing assistance but not in amounts originally promised and are no longer in effect

• Minnesota insurance companies reacted with rate increases, narrower provider networks and market exit

• Minnesota isn’t unique - Similar issues occurring in other states
In 2017, Minnesota passed new laws aimed at helping consumers who buy their own insurance

• Short-term
  • January 2017: 25% discount on premiums for Minnesotans who don’t qualify for assistance

• Long-term:
  • April 2017: State-based reinsurance program called the Minnesota Premium Security Plan (MPSP)
  • Designed to alleviate the impact of high-cost claims
  • Translates to lower premium rates for consumers from what they would be absent the program, starting in 2018
Minnesota is seeking a 1332 waiver

• Minnesota’s waiver seeks to:
  • maximize federal funding to reduce individual market premiums
  • Capture federal funds that would otherwise already come to Minnesota
  • Stabilize the individual market
  • Not affect other state programs
The Federal government gives states the opportunity to innovate

- Section 1332 of the Affordable Care Act (ACA) permits states to apply for a State Innovation Waiver

- A successful waiver must ensure that the state’s innovation results in:
  - Health care at least as comprehensive as prior to the waiver
  - Health care is at least as affordable as prior to the waiver
  - Coverage is provided to at least a comparable number of residents as would be expected without the waiver
  - No increase of the federal deficit
The MPSP will use Federal money to fund the reinsurance program

• Because reinsurance will lower premiums, it also will lower federal tax credits Minnesotans use to make their insurance more affordable
  • Higher premiums = higher federal tax credits; lower premiums = lower Federal tax credits

• Minnesota’s waiver seeks to retain the foregone federal tax credits use those federal funds to support the MPSP
  • Budget neutral for the federal government
  • Using money that would otherwise come to Minnesota if the reinsurance program didn’t exist
Establishment of Minnesota’s reinsurance program is contingent on approval of the state’s 1332 waiver

• For the MPSP to work, Minnesota needs an approved waiver

• With an approved waiver, the MPSP will:
  • Decrease premiums from what they otherwise would be absent the program
  • Not change employer-based insurance, Medicare, or Medicaid
  • Have no impact on MinnesotaCare
The amount of federal funding for the MPSP could be significant

- The federal government can be expected to pay $139 million - $167 million less in premium tax credits with the MPSP than without the MPSP in 2018.
  - Based on analysis performed by MN Department of Commerce Actuaries.
  - The amount could grow over time.
Impact on federal funding for MinnesotaCare

• State law requires that the waiver seek necessary authority to hold MinnesotaCare’s federal funding stream harmless

• MinnesotaCare is basic health plan under the ACA

• Federal funds are based on premium levels in the marketplace

• ‘Pass through of funding’ request in draft application
Minnesota is currently seeking public comment and input to improve the state’s waiver

- 4/4/17: State legislation directs Commerce to seek 1332 waiver
- 4/28/17: Draft waiver and actuarial analysis posted publicly on Commerce website
- Comments accepted through May, 26
• Four public meetings this week
  • Duluth, Rochester, Moorhead, St. Paul
    • Parallel consultation with Minnesota’s Federally-Recognized Tribal Governments
• Commerce required by law to submit final application to federal regulators by June 15
• Federal government will then perform review, conduct its public comment period, and make a decision on approving the waiver
• Questions or comments?