

Section 1332 of the Patient Protection and Affordable Care Act (PPACA)

State Innovation Waivers - Reinsurance Waiver Annual Report

Reporting Instructions: Please capture data for annual 1332 waiver grant reporting in this template, which has been developed based on paragraph 10 of your specific terms and conditions (STC), and in accordance with 45 CFR 155.1324(b)-(c). For any items that are marked “if applicable,” please refer to the requirements in your STCs to determine whether you need to fill in those data fields. Draft annual reports are due within 90 days of the end of each calendar year that your waiver is in effect.

STATE:

| A. GRANTEE INFORMATION | | |
|--|--|---|
| 1. Reporting Period End Date 12/31/2020 | 2. Report Due Date 3/31/2021 | 3. Report Submitted On (Date) 03/31/2021 (and 06/15/2021) |
| 4. Federal Agency and Organization Element to Which Report is Submitted Consumer Information & Insurance Oversight | | |
| 5. Federal Grant Number Assigned by Federal Agency SIWIW200014 | 6a. DUNS Number 082406534 | 6b. EIN 81-0302402 |
| 7. Recipient Organization Name Montana State Auditor, Commissioner of Securities and Insurance | | |
| Address Line 1 840 Helena Ave | | |
| Address Line 2 | | |
| Address Line 3 | | |
| City Helena | State MT | Zip Code 59601 |
| Zip Extension | 8. Grant Period Start Date Jan 1, 2020 | 9. Grant Period End Date Dec 31, 2024 |
| 10. Other Attachments (attach other documents as needed or as instructed by the awarding Federal agency) | | |
| See Montana Reinsurance Program Unaudited Balance Sheet as of 12/31/2020 (attached). | | |

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B. REPORT CERTIFICATION

11. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.

11a. Typed or printed name and title of Authorized Certifying Official

Mary Belcher, Deputy Auditor

11b. Signature of Authorized Certifying Official

11c. Telephone (area code, number, and extension)

406-444-3467

11d. E-mail address

Mary.Belcher@mt.gov

11e. Date report submitted (month/day/year)

03/31/2021 - Finalized 06/15/2021

C. PROGRESS OF SECTION 1332 WAIVER - General

12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.

Enactment of Montana Reinsurance Program. In April 2019, the state of Montana enacted the Montana Reinsurance Association Act ("Act") establishing the Montana Reinsurance Association ("Association") as a nonprofit legal entity and creating a reinsurance program to stabilize the individual health insurance market, maintain competition, and reduce premiums. The Commissioner of Securities & Insurance ("CSI") oversees the activities of the reinsurance program and the five-person Board of Directors ("Board"). The Board met six times during 2020, with a designated staff member of the CSI attending each meeting as an ex-officio member. All board meeting agendas were posted in advance, with public comment solicited at each meeting.

Claims-Based Model. Montana's Reinsurance Program uses a claims-based model to reimburse eligible health insurers for a percentage of an enrollee's claims costs exceeding a specific threshold (attachment point) and up to a specified ceiling (reinsurance cap). For 2020, the Board established a coinsurance rate of 60%, with an attachment point of \$40,000 up to a reinsurance cap of \$101,750.

Administrator/Plan of Operations. The Board retained River9 as the administrator for the reinsurance program, with a contract commencement date of June 1, 2020, and a termination date of May 31, 2023. On March 25, 2020, the Board updated the reinsurance plan of operations to include timelines for reporting and auditing and claims processing. The CSI approved the Plan of Operations on May 5, 2020.

Pass-Through Funding/Assessments. For 2020, the Montana Reinsurance Program received receive

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federal pass-through funding of \$22,490,988. Per Mont. Code Ann. § 33-22-1313, the CSI is authorized to assess each member insurer 1.2% of its total premium volume covering Montana residents from the prior calendar year. On December 4, 2020, the CSI mailed first-time assessments under the reinsurance program to insurers, and collected \$10,032,580.90 in assessments.

Claims Submission and Reimbursement. Claims incurred in 2020 (the first year of operation of the Montana Reinsurance Program) will be submitted for reimbursement in 2021 per the claims deadline established by the Board. The claims deadline has not yet been determined, as that date is dependent, in part, on the outcome of a proposed legislative change to Mont. Code Ann. § 33-22-1316(5), MCA; please see paragraph 17 of this report on legislative changes.

Operational Expenses. During 2020, the Montana Reinsurance Program only incurred operational expenses. All expenses have been paid from draws on the grant. Please see the attached unaudited financial balance sheet dated 12/31/2020 for more details. The 2020 annual audit is currently under way and should be completed by the end of April 2021.

Website. A new website (MTreinsurance.org [mtreinsurance.org]) has been implemented for the reinsurance program as of December 1, 2020. The website will be maintained by the administrator and is the mechanism by which the Board provides notice of its public meetings, agendas, and other meeting-related information. Other relevant information is maintained on the website to ensure public access and awareness.

In summary, in 2020, the Board and the CSI, and their respective actuaries, legal counsel, and staff, have leveraged their collective expertise in insurance, processes, and operations, and have worked collaboratively to implement and operationalize the Montana Reinsurance Program. CMS too has been a collaborative partner in this process and has provided valuable input and feedback on program development, management and reporting expectations.

13. Describe any implementation and/or operational challenges to meet the 1332 statutory guardrails, and plans for and results of associated corrective actions. After the first year, only report on changes and/or updates, as appropriate.

Montana has been able to maintain affordable essential health benefits for the individual health insurance marketplace for consumers in every county in our state, with 3 health insurers offering health plans on and off the individual health insurance marketplace. In Montana, PPACA-compliant plans are required to provide coverage of essential health benefits.

Due to the Montana Reinsurance Program and the 1332 State Innovation Waiver, Montana has seen average individual market premium rate decreases in 2020 as follows:

| Carrier | With Reinsurance | Without Reinsurance |
|---------------|------------------|---------------------|
| BCBSMT | -14.1% | -6.7% |
| COOP | -11.9% | -3.9% |
| PacificSource | -13.4% | -4.7% |

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The Montana Reinsurance Association has not faced any implementation or operational challenges

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| D. PROGRESS OF SECTION 1332 WAIVER - <u>State-Specific</u> | | |
|---|--|--|
| 14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1) | | |
| | Value | Comments (if applicable) |
| a. Actual individual market enrollment on the Exchange in the state | 38,418 | |
| Actual individual market enrollment off the Exchange in the state | 9,515 | |
| b. Actual average individual market premium rate on the Exchange (i.e., total individual market premiums divided by total member months of all enrollees) | \$563.70 | (\$269,774,526 in Premium)/ (478,574 Member Months) |
| Actual average individual market premium rate off the Exchange (i.e., total individual market premiums divided by total member months of all enrollees) | \$554.40 | (\$64,103,483 in Premium)/ (115,627 Member Months) |
| c. Actual Second Lowest Cost Silver Plan (SLCSP) premium for Exchange plans under the waiver for a representative consumer (e.g., a 21-year old non-smoker) in each rating area | Area 1: \$329.98 Area 2: \$381.53 Area 3: \$369.21 Area 4: \$369.90 | 21-year old, non-tobacco |
| Estimate of the SLCSP premium for Exchange plans as it would have been without the waiver for a representative consumer (e.g., a 21-year old non-smoker) in each rating area | Area 1: \$364.15 Area 2: \$421.04 Area 3: \$407.44 Area 4: \$408.21 | 21-year old, non-tobacco |
| d. For states with State-based Exchanges , actual amount of Advanced Premium Tax Credit (APTC) paid to issuers, by rating area for the plan year | N/A | N/A |
| e. For states with State-based Exchanges , actual number of APTC recipients for the plan year. This should be reported as number summed over all 12 months and divided by 12 to provide an annualized measure. | N/A | N/A |

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15. Please confirm whether there was any impact of the waiver on the scope of benefits or Essential Health Benefit (EHB) benchmark.

Montana's reinsurance waiver does not impact the benefits covered or Montana's Essential Health Benefits(EHB) benchmark.

16. Describe any changes to the state-operated reinsurance program, including changes to the funding level the program will be operating at for the next plan year, any changes to the approved payment parameters for reinsurance program reimbursement or changes to eligibility criteria for enrollees' claims to be reimbursed under the program.

For 2021, the Board established the same payment parameters as it used in 2020: a coinsurance rate of 60%, with an attachment point of \$40,000 up to a reinsurance cap of \$101,750.

On February 25, 2021, CMS notified Montana that its pass-through funding associated with its reinsurance program was estimated to be \$23,688,514 for calendar year 2021. With the passage of the American Rescue Plan, premium tax credits will be offered to more enrollees and these new tax credit expenditures will be reduced in Montana due to the existence of the reinsurance program. This federal savings is not contemplated in the February estimate of the 2021 pass-through funding amount. On March 22, 2021, along with 13 other states that have reinsurance programs, the CSI requested that CMS recalculate state pass-through amounts to account for the additional federal savings that will accrue as a result of the premium tax credit expansion.

17. Describe any changes in state law that might impact the waiver and the date(s) these change occurred or are expected to occur.

The CSI, with the Board's approval, has proposed two changes in the Montana 2021 legislative session to the state-based statutes governing the Montana Reinsurance Program; specifically:

(1) Mont. Code Ann. § 33-22-1316(5), MCA. The disbursement date for reinsurance payments will be changed from August 15 to December 31 of the year following the applicable benefit year.

(2) Mont. Code Ann. § 33-22-1313(5), MCA. The federal citation will be changed from 45 CFR 158.221 to 45 CFR 158232(f), such that the calculation of an insurer's medical loss ratio will be based on a single year of experience, without applying any credibility assessment.

House Bill 63 is expected to pass with those two changes, with an effective date of 7/1/2021

18. Report on spending:

| | Value | Comments (if applicable) |
|--|--------|-----------------------------------|
| a. Amount of Federal pass-through funding spent on individual claim payments to issuers from the reinsurance program | \$0.00 | No claim payments made until 2021 |

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| | | |
|---|---|---------------------------------|
| b. Amount of Federal pass-through funding spent on operation of the reinsurance program | \$119,275 | |
| c. Amount of any unspent balance of Federal pass-through funding for the reporting year | \$22,019,019 | |
| d. Amount of state funding contribution to fully fund the program for the reporting year | Only remaining funds are through insurer assessments. | |
| 19. If applicable, provide a claims breakout at an aggregate level for the top 5 conditions or cost drivers of the 5 conditions, including settings of care in the individual market. Not Applicable | | |
| 20. If applicable, report on any incentives for providers, enrollees, and plan issuers to continue managing health care cost and utilization for individuals eligible for reinsurance. All plan issuers conduct some utilization review activities for their individual membership. | | |
| 21. If applicable, report of any reconciliation of reinsurance payments that the state wishes to make for any duplicative reimbursement through the state reinsurance program for the same high cost claims reimbursed through the Department of Health and Human Services (HHS)-operated high cost risk adjustment program. | | |
| | Value | Comments (if applicable) |
| a. Reinsurance payment (before reconciliation) for high-cost claims to issuers who also receive payment through the HHS risk adjustment program under the high-cost risk pool | 0 | N/A |
| b. Risk adjustment amount paid by HHS for those claims | 0 | N/A |
| c. Reinsurance reconciliation (or true-up) amount applied | 0 | N/A |

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E. POST-AWARD FORUM

22. Was the date, time, and location of the Post-Award Forum advertised 30 days in advance?

☒ **Yes**

☐ **No**

23. State website address where Post-Award Forum was advertised

reinsurance.mt.gov

24. Date Post-Award Forum took place

June 12, 2020

25. Summary of Post-Award Forum, held in accordance with §155.1320(c), including all public comments received and actions taken in response to concerns or comments.

A post award forum was held on June 12, 2020. No public comments were received.

26. Other Attachments (attach other documents as needed pertaining to Post-Award Form)

None

F. STATE INTERNAL IMPLEMENTATION REVIEW - ATTESTATION

27. Attestation: The state attests that periodic implementation reviews related to the implementation of the waiver have been conducted in accordance with 31 CFR 33.120(b) and 45 CFR 155.1320(b).

☒ **Yes**

☐ **No**

28. Describe the state's implementation review process.

In 2020, the Montana Reinsurance Program produced a number of reports to catalog how the reinsurance program operates throughout the calendar year:

(a) three quarterly reports, as required by the federal grant specific terms and conditions, all submitted to CMS per their required due dates.

(b) a Pass-Through Funding report as required by the federal grant specific terms and conditions and submitted on September 18, 2020 to CMS (for 2021).

(c) an annual Solvency and Compliance Annual Review Report, drafted by an independent CPA, and submitted to the CSI and the Economic Affairs Interim Committee (EAIC) of the Legislature on June 30, 2020, per Mont. Code Ann. §33-22-1308(4).

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(d) an annual Operations and Finance Report (2019) submitted to the CSI and EAIC on June 30, 2020, per Mont. Code Ann. §33-22-1308(5).

(e) an annual Examination of the Montana Reinsurance Association completed by the CSI as of December 31, 2020, and provided to CMS on 1/20/2021, per Mont. Code Ann. §33-22-1307(b).

The Board met regularly, six times in 2020, to implement, operationalize, and review the reinsurance program. A designated staff member of the CSI attended each board meeting as an ex-officio member, with other staff members attending on a regular basis representing actuarial, finance/accounting, and examinations. There was continued collaboration between the Board and the CSI outside of these board meetings to discuss the program, its progress, and emerging issues.

The CSI's reinsurance program staff and the program's administrator participated in the CMS regularly scheduled status calls. In addition, the CSI regularly updated CMS as necessary, and sought its guidance regarding questions about the reinsurance program and its implementation.