


## 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		
<b>1. Reporting Period End Date</b> 12/31/2022	<b>2. Report Due Date</b> 3/31/2023	<b>3. Report Submitted On (Date)</b> 3/31/2023
<b>4. Federal Agency and Organization Element to Which Report is Submitted</b> Consumer Information & Insurance Oversight		
<b>5. Federal Grant Number Assigned by Federal Agency</b> SIWIW200014	<b>6a. DUNS Number</b> 082406534	<b>6b. EIN</b> 81-0302402
<b>7. Recipient Organization Name</b> Montana State Auditor, Commissioner of Securities and Insurance (CSI)		
<b>Address Line 1</b> 840 Helena Ave		
<b>Address Line 2</b>		
<b>Address Line 3</b>		
<b>City</b> Helena	<b>State</b> MT	<b>Zip Code</b> 59601
<b>Zip Extension</b>	<b>8. Grant Period Start Date</b> Jan 1, 2020	<b>9. Grant Period End Date</b> Dec 31, 2024
<b>10. Other Attachments (attach other documents as needed or as instructed by the awarding Federal agency)</b>		
See Montana Reinsurance Program Unaudited Financial Statements as of 12/31/2022 (attached)		

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<b>B. REPORT CERTIFICATION</b>
<p><b>11. Certification:</b> 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.</p>
<p><b>11a. Typed or printed name and title of Authorized Certifying Official</b> Mary Belcher, Deputy Auditor</p>
<p><b>11b. Signature of Authorized Certifying Official</b> Mary Belcher</p> <div style="text-align: right; font-size: small;">  Digitally signed by Mary Belcher Date: 2023.03.31 13:19:09 -06'00'         </div>
<p><b>11c. Telephone (area code, number, and extension)</b> (406) 444-3467</p>
<p><b>11d. E-mail address</b> Mary.Belcher@mt.gov</p>
<p><b>11e. Date report submitted (month/day/year)</b> 03/31/2023</p>
<b>C. PROGRESS OF SECTION 1332 WAIVER - <u>General</u></b>
<p><b>12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.</b></p> <p><b>Board/Regulatory Governance.</b> In collaboration with and participation by the CSI, the Montana Reinsurance Board met seven times in 2022, updated the program's plan of operation on April 26 and June 9, 2022 (approved by the CSI on July 22, 2022) and hosted a reinsurance public forum on April 28, 2022. No comments were received at the public forum.</p> <p>In addition to Board and CSI governance, the Montana Legislative Audit Division initiated an audit of CSI in 2022. Due to the materiality of the Montana Reinsurance Program, it is included in the scope of the legislative audit. Audit objectives include compliance with state accounting rules, compliance with statutory requirements per Mont. Code Ann. § 33-22 Part 13 and the program's plan of operation, evaluation for adequate internal controls and compliance with federal grant recipient requirements. The audit is currently ongoing; an update will be provided to CMS upon its completion in 2023.</p> <p><b>Claims-Based Model.</b> 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 2022, the Board established a coinsurance rate of 60%, with an attachment point of \$40,000 up to a reinsurance cap of \$106,100.</p> <p><b>Pass-Through Funding/Assessments.</b> During 2022 the Montana Reinsurance Program received federal pass-through funding of \$29,734,004. 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</p>

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calendar year. On December 9, 2022, the CSI mailed 2022 assessments under the reinsurance program to insurers and collected \$9,902,718 in assessments.

**Claims Submission & Reimbursement.** The Montana Reinsurance Program is in its third year of operation. On April 12, 2022 the program paid \$142,760.35 for 2020 runout claims and on 12/28/2022 the program paid \$39,134,013 (\$29,350,510 was paid from the federal grant and \$9,783,503 from State assessment dollars) for 2021 claims.

**Operational Expenses.** All operational expenses have been paid from draws on the federal grant. Please see the attached operational report dated 12/31/2022 for more details.

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 three health insurers offering health plans on and off the individual health insurance marketplace.

Due to the Montana Reinsurance Program and the 1332 State Innovation Waiver, Montana has seen average individual market premium rate changes in 2022 as follows:

Carrier	With Reinsurance	Without Reinsurance
BCBSMT	-2.00%	9.27%
COOP	4.50%	12.04%
PacificSource	-1.30%	10.28%

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<b>D. PROGRESS OF SECTION 1332 WAIVER - <u>State-Specific</u></b>		
<b>14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1)</b>		
	<b>Value</b>	<b>Comments (if applicable)</b>
a. Actual individual market enrollment <b>on</b> the Exchange in the state	48,128	Membership as of 12/31/2022
Actual individual market enrollment <b>off</b> the Exchange in the state	8,873	Membership of 12/31/2022
b. Actual average individual market premium rate <b>on</b> the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$572.05	
Actual average individual market premium rate <b>off</b> the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$548.57	
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	1 - \$340.47 2 ('except' see right)- \$393.04 2 ('only' see right) - \$384.49 3 (except Flathead) - \$380.73 3 Flathead - \$389.19 4 - \$381.12	Group 2 except rates do not include SLCSP for Cascade, Gallatin, and Lewis & Clark counties  Group 2 only rates are specific to Cascade, Gallatin, and Lewis & Clark counties
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	1 - \$375.05 2 ('except' see right)- \$432.96 2 ('only' see right) - \$423.55 3 (except Flathead) - \$419.39 3 Flathead - \$428.72 4 - \$419.83	Group 2 except rates do not include SLCSP for Cascade, Gallatin, and Lewis & Clark counties  Group 2 only rates are specific to Cascade, Gallatin, and Lewis & Clark counties

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	Value	Comments (if applicable)												
<p>d. <b>For states with State-based Exchanges</b>, actual amount of Advanced Premium Tax Credit (APTC) paid to issuers, by rating area for the plan year</p>	N/A													
<p>e. <b>For states with State-based Exchanges</b>, 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.</p>	N/A													
<p><b>15. Please confirm whether there was any impact of the waiver on the scope of benefits or Essential Health Benefit (EHB) benchmark.</b></p> <p>Montana's reinsurance waiver does not impact the benefits covered or Montana's Essential Health Benefits (EHB) benchmark .</p>														
<p><b>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.</b></p> <p>Payment Parameters 2023. The Reinsurance Board of Directors updated the program payment parameters for 2023 at its Board meeting on May 19, 2022; see 2023 payment parameters below in contrast to 2022 payment parameters:</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 15%; text-align: center;">2022</th> <th style="width: 15%; text-align: center;">2023</th> </tr> </thead> <tbody> <tr> <td>- Attachment Point</td> <td style="text-align: center;">\$40,000</td> <td style="text-align: center;">\$40,000</td> </tr> <tr> <td>- Coinsurance</td> <td style="text-align: center;">60%</td> <td style="text-align: center;">60%</td> </tr> <tr> <td>- Reinsurance Cap</td> <td style="text-align: center;">\$106,100</td> <td style="text-align: center;">\$80,800</td> </tr> </tbody> </table>				2022	2023	- Attachment Point	\$40,000	\$40,000	- Coinsurance	60%	60%	- Reinsurance Cap	\$106,100	\$80,800
	2022	2023												
- Attachment Point	\$40,000	\$40,000												
- Coinsurance	60%	60%												
- Reinsurance Cap	\$106,100	\$80,800												
<p><b>17. Describe any changes in state law that might impact the waiver and the date(s) these change occurred or are expected to occur.</b></p> <p>Montana House Bill (HB) 156 (2023 January Regular Session) proposes a minor change related to the payment of reinsurance claims under the Section 1332 waiver program. Specifically, the bill clarifies that “any claims from the preceding benefit year not submitted for reimbursement by the date established in the plan of operation may not be reimbursed.” This change, if adopted by the Montana legislature, will effectively end claims reinsurance reimbursement for run-out claims. For both 2020 and 2021 claim years, run-out claims have been paid by the Montana Reinsurance Association. Amounts have been immaterial (less than 1% of total reinsurance payments), and all three Montana carriers support the updated statute language. The bill is expected to pass by the end of April 2023 and will be effective for calendar year 2022 reinsurance claims submissions.</p>														
<p><b>18. Report on spending:</b></p>														

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	Value	Comments (if applicable)
a. Amount of Federal pass-through funding spent on individual claim payments to issuers from the reinsurance program	\$29,350,510	
b. Amount of Federal pass-through funding spent on operation of the reinsurance program	\$299,119	Calendar year 2022 operating expense payments
c. Amount of any unspent balance of Federal pass-through funding for the reporting year	\$35,555,456	Total unspent Federal pass-through funding as of 12/31/2022
d. Amount of state funding contribution to fully fund the program for the reporting year	\$9,827,782	Montana funding of 2020 runout + 2021 reinsurance claims
<p><b>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.</b></p> <p>N/A</p>		
<p><b>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.</b></p> <p>The Plan of Operations 14.1(d) states that all carriers must "apply all managed care, utilization review, case management, preferred provider arrangements, claims processing, and other methods of operation, as appropriate to each claim without regard to whether such claim is eligible for or may be paid by reinsurance." In 2022, the CSI requested all issuers to file an annual summary report of their Utilization Review plan and activities/functions by March 1, 2023 (for 2022) with the CSI per Mont. Code Ann. §33-32-207(3)(a).</p> <p>All three carriers that participate in Montana's marketplace (and which are eligible to receive claims reimbursements under the MRA program) submitted the required reports. All have integrated utilization review programs that use pre-service, concurrent and post-service reviews. All such reviews are designed to assist their respective members in managing their health care to achieve positive health outcomes using medical, behavioral health, clinical, pharmaceutical and medical equipment means. Methodologies include prior authorization, case management, discharge planning, and medical necessity reviews according to established, written medical policies. To varying extent, each carrier outsources certain utilization review activities and retains oversight over the delegated entities. Although no specific incentives for individuals eligible for reinsurance were reported, the marketplace health plans offer integrated financial incentives in the form of lower out-of-pocket costs for various procedures, drugs, durable medical equipment, etc.</p> <p>Two of the three carriers do not distinguish between the cost containment mechanisms offered through their individual line of business and those offered through their other lines of business.</p>		

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The third carrier uses a multi-tiered utilization review process that serves their marketplace exchange plans. This process is evaluated annually for effectiveness and achievement of goals; program results and recommendations for revisions are reported to internal quality review committees.

**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	N/A	
b. Risk adjustment amount paid by HHS for those claims	N/A	
c. Reinsurance reconciliation (or true-up) amount applied	N/A	

### 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 - posted on March 23, 2022

**24. Date Post-Award Forum took place**

The post award forum was held on April 28, 2022, pursuant to public notice on March 23, 2022.

**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.**

Meeting was called to order by Richard Miltenberger, Chairman of the MRA Board of Directors at 1:06 pm.

No public comments were received.

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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 2022, the CSI and/or the Montana Reinsurance Association initiated, produced or completed a number of reports/audits 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, were submitted to CMS per their required due dates.

(b) A Pass-Through Funding Report (for 2023), as required by the federal grant specific terms and conditions, was submitted to CMS on September 15, 2022.

(c) An annual Solvency and Compliance Annual Review Report, drafted by an independent CPA, was submitted to the CSI and the Montana legislative Economic Affairs Interim Committee (EAIC) on June 30, 2022, per Mont. Code Ann. §33-22-1308(4).

(d) An annual Operations and Finance Report (2021) was submitted to the CSI and EAIC on June 30, 2022, per Mont. Code Ann. §33-22-1308(5).

(e) An in-depth validation of reinsurance claims was conducted by the CSI prior to claims payment, per Mont. Code Ann. §33-22-1307(b). The claims audit includes comparing reinsurance claims submitted to carrier data submitted to CMS' EDGE server. An additional audit is performed on the claims by the independent auditors who audit the program.