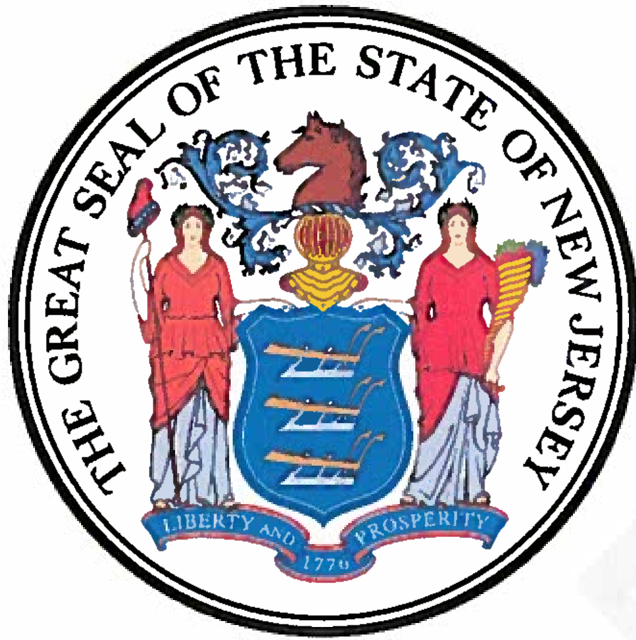


# New Jersey 1332 Waiver Application

June 27, 2018

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## Executive Overview

### Request

The State of New Jersey, through its Department of Banking and Insurance (Department), submits this 1332 State Innovation Waiver request to the Centers for Medicare and Medicaid Services (CMS), a division of the United States Department of Health and Human Services (HHS), and the Department of the Treasury. This request seeks waiver of Section 1312(c)(1) in accordance with Section 1332 of the Affordable Care Act (ACA) for a period of five years beginning with the 2019 calendar year to develop a state reinsurance program. This waiver will not affect any other provision of the ACA but will result in a lower market-wide index rate, thereby lowering premiums and reducing the federal cost of the premium tax credit (PTC) and advance payments of the PTC (APTC).

### Basis for Request and Goal of Reinsurance Program

During recent years, New Jersey's individual health insurance market has seen substantial instability. Several health carriers have withdrawn from the state's individual health insurance market and remaining carriers have reduced the number of available plans and types of plan options. Premiums and cost-sharing for consumers has increased significantly.[1] Given the current environment, including the known and anticipated changes for calendar year 2019, and historical rate trends that demonstrate significant upward pressure on rates, the Department anticipates further increases in premiums and instability in enrollment to continue in our individual health insurance market. Note that the New Jersey individual health insurance market is comprised of coverage offered through the Marketplace as well as coverage offered outside the Marketplace.

The creation of a state reinsurance program through a 1332 waiver will increase certainty and stability in New Jersey's individual health insurance market. By reimbursing carriers for certain high-cost claims, the reinsurance program will reduce risk for carriers in the market. This will exert downward pressure on premiums by reducing the magnitude of any actuarially justified rate increases that are driven by other factors, such as the cost of care. The program is also expected to encourage current carriers to maintain participation and create favorable conditions for continued and possibly expanded participation in the individual health insurance market – both on and off the Federally Facilitated Marketplace (FFM), and may also incent new carriers to enter New Jersey's individual health insurance market due to the stabilization of premiums through reinsurance of high-cost claims.

### Operation, Funding, and Impact of the New Jersey Reinsurance Program

[1] See Appendix XX identifying the carriers and their participation as either marketplace and off marketplace or off marketplace only.

The New Jersey Health Insurance Premium Security Act (the Act), P.L.2018, c.24, which passed the New Jersey Legislature on April 12, 2018, and was signed into law on May 30, 2018, establishes a reinsurance program called the Health Insurance Premium Security Plan to be administered by the New Jersey Individual Health Coverage Program Board of Directors (IHC Board or Board). The IHC Board is a State agency that is "in but not of" the Department. The Commissioner of the Department sits ex officio as one of the Board's members. The Act provides that the Board, subject to the disapproval of the Commissioner, shall design and adjust the payment parameters of the reinsurance program to stabilize or reduce premium rates in the individual health insurance market by achieving between a 10% and 20% reduction in what indicated premium rates would be for the applicable benefit year without the reinsurance plan. P.L.2018, c.24, §4g(1) and 5.

Based upon actuarial analysis, the Board and the Commissioner are proposing establishment of a reinsurance program under the Act that will achieve a 15% reduction in what indicated premium rates would otherwise be for 2019 absent a reinsurance program. To achieve this reduction, total funding for the reinsurance program for 2019 is estimated to be approximately $323.7 million. As enacted, the reinsurance program is fully funded by three sources. First, the reinsurance program will be funded through any federal pass-through funds received as a result of this waiver application. All additional necessary funds for the reinsurance program will be funded by:

(1) monies collected by the State pursuant to P.L.2018, c.31 that also passed the New Jersey Legislature on April 12, 2018, and was signed into law on May 30, 2018, and which establishes a State shared responsibility tax equal to a taxpayer's federal penalty that would apply for the taxable year under section 5000A of the Internal Revenue Code of 1986, as in effect on December 15, 2017 (26 U.S.C s.5000A); and

(2) annual appropriations out of the General Fund of the State in an amount as the Board, in consultation with the Commissioner, determines necessary to fully fund the program.

P.L.2018, c.24, §10c and d.

Under the Act, the reinsurance program will reimburse qualifying carriers in the individual health insurance market for a percentage of an enrollee's claims between an attachment point and a reinsurance cap to be determined by the Board and non-disapproved by the Commissioner. The IHC Board, in consultation with the Commissioner, will set the program payment parameters.[2] P.L.2018, c.24, §4g(1) and 5. Based upon actuarial analysis and to

[2] If necessary, P.L.2018, c.24 permits, pursuant to N.J.S.A.17B:27A-16.1, the Board to adopt rules on an expedited basis. The commissioner is also able to disapprove payment parameters proposed by the Board.

achieve the 15% reduction in upward pressure on rates, in 2019, the program will reimburse 60% of claims between the $40,000 attachment point and the $215,000 reinsurance cap. As noted above and based upon actuarial analysis, the IHC Board estimates that the reinsurance program, as part of the waiver proposal, will result in a reduction of indicated premiums with respect to 2019 rates of 15% and similar downward pressure of 15% for 2020. The IHC Board expects that rates will continue to demonstrate the downward rate pressure exerted by the reinsurance program such that year-to-year rate increases thereafter will primarily reflect trend. Further, the Board can adjust the payment parameters of the reinsurance program to maintain such downward rate pressure as market experience evolves and the program will continue to be fully funded as provided for in the Act and as discussed above.

## Compliance with Section 1332

New Jersey's waiver, if approved, will reduce premiums as compared to the premiums that would be required in the absence of reinsurance, and increase affordability of health insurance in New Jersey's individual health insurance market. Note that the New Jersey individual health insurance market has two components – Marketplace and outside the Marketplace. The IHC Board gathers quarterly enrollment data and thus has an effective baseline against which to evaluate changes in enrollment. Data is posted on: http://www.state.nj.us/dobi/division_insurance/ihcseh/ihcsehenroll.html, and the most recent data is provided as Appendix xx.

We estimate that total enrollment in the individual health insurance market will increase by approximately 2.7% in 2019, 2.6% in 2020, and 2.6% in 2021.(See Table 1 below.) The waiver will not impact the comprehensiveness of coverage in New Jersey in any way. As required by the Individual Health Coverage Program Act, N.J.S.A. 17B:27A-2 et seq., all individual health benefits plans issued in New Jersey must be the standard individual health benefits plans. The standard health benefits plans are comprehensive and developed by the IHC Board as set forth in regulation, N.J.A.C. 11:20 Appendix Exhibits A and B. The waiver will have no material impact on premiums or enrollment in group coverage or public programs. Based on actuarial analysis, the downward pressure on individual health insurance premiums, including premiums for the second lowest cost silver plan, is projected to reduce net federal spending by about $218 million, $244.4 million, $264.7 million, $286.5 million, and $310.2 million in each of the five years the waiver is in place. Therefore, New Jersey requests federal pass-through funding for each year equal to the amount of the federal savings. However, neither pass-through of the federal savings, nor other aspects of the waiver, will increase the federal deficit in any year of the waiver.

## Table 1 - Detailed Summary of Individual Market Projections- Baseline and Waiver

| Baseline | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Total Individual Enrollment | 321,000 | 322,000 | 321,000 | 322,000 | 322,000 | 323,000 | 324,000 | 324,000 | 325,000 | 326,000 | 327,000 |
| ACA APTC Enrollment | 189,000 | 188,000 | 189,000 | 190,000 | 191,000 | 191,000 | 192,000 | 193,000 | 194,000 | 195,000 | 196,000 |
| ACA Non-APTC Enrollment | 132,000 | 134,000 | 132,000 | 132,000 | 132,000 | 132,000 | 132,000 | 131,000 | 131,000 | 131,000 | 131,000 |
| Aggregate Premium (millions) | $2,240.0 | $2,351.6 | $2,621.6 | $2,832.5 | $3,060.4 | $3,306.7 | $3,572.9 | $3,860.4 | $4,171.2 | $4,507.0 | $4,869.8 |
| Average Premium Rate PMPM | $581 | $609 | $680 | $733 | $791 | $853 | $919 | $991 | $1,069 | $1,153 | $1,243 |
| Aggregate APTCs (millions) | $1,001.7 | $1,132.8 | $1,302.2 | $1,428.5 | $1,565.7 | $1,714.5 | $1,875.9 | $2,050.8 | $2,240.8 | $2,447.2 | $2,671.4 |
| Average APTCs PMPM | $442 | $502 | $574 | $627 | $684 | $746 | $813 | $885 | $963 | $1,047 | $1,138 |
| Exchange User Fees (millions) | $58.3 | $62.3 | $69.7 | $75.4 | $81.5 | $88.2 | $95.4 | $103.2 | $111.6 | $120.7 | $130.5 |
| **Waiver** | | | | | | | | | | | |
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Total Individual Enrollment | 321,000 | 331,000 | 330,000 | 330,000 | 331,000 | 332,000 | 332,000 | 333,000 | 334,000 | 334,000 | 335,000 |
| ACA APTC Enrollment | 189,000 | 188,000 | 189,000 | 190,000 | 191,000 | 191,000 | 192,000 | 193,000 | 194,000 | 195,000 | 196,000 |
| ACA Non-APTC Enrollment | 132,000 | 142,000 | 141,000 | 141,000 | 140,000 | 140,000 | 140,000 | 140,000 | 140,000 | 139,000 | 139,000 |
| Aggregate Premium (millions) | $2,240.0 | $2,049.7 | $2,284.3 | $2,467.9 | $2,666.2 | $2,880.5 | $3,112.0 | $3,362.2 | $3,632.4 | $3,924.5 | $4,240.0 |
| Average Premium Rate PMPM | $581 | $517 | $577 | $623 | $671 | $724 | $780 | $842 | $907 | $978 | $1,055 |
| Aggregate APTCs (millions) | $1,001.7 | $906.0 | $1,047.9 | $1,153.1 | $1,267.6 | $1,391.8 | $1,526.4 | $1,672.4 | $1,831.2 | $2,003.7 | $2,191.3 |
| Average APTCs PMPM | $442 | $401 | $462 | $506 | $554 | $606 | $662 | $722 | $787 | $857 | $933 |
| Exchange User Fees (millions) | $58.3 | $53.4 | $59.8 | $64.6 | $69.9 | $75.6 | $81.8 | $88.5 | $95.7 | $103.5 | $111.9 |
| **Change - Baseline Scenario to Waiver Scenario** | | | | | | | | | | | |
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Total Individual Enrollment | 0 | 9,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Total Individual Enrollment (%) | 0.0% | 2.7% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% |
| Average Premium Rate PMPM (%) | 0.0% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% |
| Average APTCs PMPM (%) | 0.0% | -20.0% | -19.5% | -19.3% | -19.0% | -18.8% | -18.6% | -18.4% | -18.3% | -18.1% | -18.0% |
| **Demonstration of Deficit Neutrality Requirement (amounts shown in millions)** | | | | | | | | | | | |
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Change in Total APTCs | $0.0 | -$226.8 | -$254.3 | -$275.4 | -$298.1 | -$322.8 | -$349.4 | -$378.3 | -$409.6 | -$443.5 | -$480.1 |
| Change in Exchange User Fees | $0.0 | -$8.8 | -$9.9 | -$10.7 | -$11.6 | -$12.5 | -$13.6 | -$14.7 | -$15.9 | -$17.2 | -$18.6 |
| Net Savings to Federal Government | $0.0 | -$218.0 | -$244.4 | -$264.7 | -$286.5 | -$310.2 | -$335.9 | -$363.6 | -$393.7 | -$426.3 | -$461.5 |
| **Projected Reinsurance Program Cost and Funding Levels** | | | | | | | | | | | |
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Cost of Reinsurance Program | $0.0 | $323.7 | $349.2 | $377.3 | $407.6 | $440.4 | $475.8 | $514.0 | $555.3 | $600.0 | $648.2 |
| Federal Pass Through Funding | $0.0 | $218.0 | $244.4 | $264.7 | $286.5 | $310.2 | $335.9 | $363.6 | $393.7 | $426.3 | $461.5 |
| State Funding (millions) | $0.0 | $105.8 | $104.8 | $112.6 | $121.1 | $130.2 | $139.9 | $150.4 | $161.6 | $173.7 | $186.7 |

Notes:

1. Enrollment volumes have been rounded to the nearest thousand and reflect average month enrollment levels
2. Aggregate values are in millions and have been rounded to the nearest hundred thousand
3. PMPM values have been rounded to the nearest whole dollar

## I. New Jersey 1332 Waiver Request

New Jersey's individual health insurance market, like others across the country, has been through significant changes and challenges in the past few years. Despite the State's efforts to work collaboratively with our health carriers to ensure a stable and competitive, yet adequately priced, market with multiple plan options, the number of carriers participating in the individual health insurance market has decreased since the inception of the ACA. Further, New Jersey's individual health insurance market enrollment continues to be relatively unstable and premiums continue to increase.[3]

New Jersey seeks waiver of Section 1312(c)(1) in accordance with Section 1332 of the ACA for a five-year period beginning in the 2019 plan year to implement a State reinsurance program. The waiver is intended to further stabilize the individual health insurance market, exert downward pressure on rates through reductions in what premiums would be without a reinsurance program, to encourage more carriers to participate in the market, and to incent existing and new carriers to offer a wider variety of plans.

Section 1312(c)(1) requires "all enrollees in all health plans . . . offered by [an] issuer in the individual health insurance market . . . to be members of a single risk pool." This application calls for waiving the single risk pool requirement to the extent it would otherwise require excluding expected state reinsurance payments when establishing the market-wide index rate. A lower index rate will result in lower premiums for New Jersey's second lowest cost silver plan, resulting in a reduction in the overall APTC that the federal government is obligated to pay for subsidy-eligible consumers in New Jersey. The waiver does not require changes to any other ACA provision.

Without a reinsurance program, individual health insurance premiums likely will continue to rise at an unsustainable rate. Consequently, New Jersey residents will be forced to confront the costs of ever-rising health premiums, resulting in stagnation of individual market growth despite data that shows New Jersey has an uninsured rate of 7.5% as of 2016 and 7.6% as of 2017.[4] This continued failure to incent new participants into the market likely will result in increased morbidity that further drives up rates due to adverse selection and provider cost shifting. By implementing a reinsurance program, New Jersey will reduce the potential for further market disruption, lower the cost of individual premiums absent a reinsurance program, and decrease federal APTC and PTC obligations.

By mitigating high-cost individual health insurance claims, the reinsurance program will help to stabilize New Jersey's individual health insurance market and make premiums more affordable.

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[3] See Appendix XX

[4] National Center for Health Statistics, National Health Interview Survey Early Release Program Estimates, 2017, Robin A. Cohen, Ph D., Emily P. Zammitti, M.P.H., and Michael E. Martinez, M.P.H., M.H.S.A., Division of Interview Statistics (May 2018).

Table 1 above shows that, with the waiver and reinsurance program in place, individual health insurance market premiums, including premiums for the second lowest cost silver plan, are expected to be 15% lower in 2019 than they would be absent the waiver and reinsurance program.

This premium reduction will reduce federal APTC and PTC cost. Table 1 shows that absent the waiver, 2019 federal APTC and PTC spending in New Jersey will be an estimated $906 million. After factoring in the waiver, total 2019 federal APTC and PTC spending is estimated to be $679.2 million– a savings of $226.8 million. Similar savings are estimated for each year of the 10-year budget window.

To establish the state's reinsurance program, New Jersey seeks federal pass-through funds in the amount of the federal savings for APTC and PTC, subject to the cap imposed by the statutory deficit neutrality requirement. Table 1 shows that, taking into account the waiver's impact on federal revenues from the federal Exchange user fee, New Jersey requests pass-through funding of $218 million in 2019.

## II. Compliance with Section 1332 Guardrails

In support of the following sections A through D, the Department's application includes the analysis required by 31 CFR part 33 and 35 and 45 CFR Part 155, subpart N. See Appendix Exhibit 1.

### A. Scope of Coverage Requirement (1332(b)(1)(C)):

As previously noted, the waiver will reduce the cost of coverage in the individual health insurance market. The lower cost of coverage will allow more New Jersey residents to purchase or maintain coverage in the individual health insurance market than without the waiver. As indicated in Table 1, enrollment in the individual health insurance market is expected to increase by approximately 2.7% in 2019, with similar increases in later years. The waiver will have no material impact on the availability of other types of coverage, such as Medicaid, CHIP, and employer-based insurance, so no impact is expected on the number of individuals with those types of coverage. The waiver will not negatively impact vulnerable populations who buy coverage in the individual health insurance market since premiums will be lower than they would be without the waiver. There is no expectation that the waiver will result in any reduction of coverage across different groups of state residents.

### B. Affordability Requirement (1332(b)(1)(B)):

As noted above, the reinsurance program will, in each year it is in effect, make the cost of individual coverage lower than it would be absent the waiver, and thus more affordable. Overall, premium rates in the individual health insurance market are expected to decrease while other out-of-pocket expenses are not expected to change due to the waiver. The waiver will not affect the premiums or cost-sharing for coverage obtained through other means, such as Medicaid, CHIP,

and employer-based coverage. The waiver will not negatively impact consumers, including vulnerable populations who buy coverage in the individual health insurance market since premiums will be lower than they would be without the waiver. For example, premium rates for the second lowest cost silver plan in the single statewide rating area in New Jersey's individual ACA market are expected to be approximately 15.3% below the baseline in all years under the proposed Section 1332 Waiver.

### C. Comprehensiveness Requirement (1332(b)(1)(A)):

The waiver will have no effect on the comprehensiveness of coverage for New Jersey's residents. Regardless of whether the waiver is granted, all New Jersey plans in the individual health insurance market are ACA-compliant and provide coverage of essential health benefits in addition to other comprehensive benefits as defined in the New Jersey standard individual health benefits plans under the New Jersey benchmark plan. See Individual Health Coverage Program Act, N.J.S.A. 17B:27A-2 et seq.; and N.J.A.C. 11:20 Appendix Exhibits A and B. Similarly, the scope of benefits provided by other types of coverage such as Medicaid, CHIP, and grandfathered plans will not be impacted. The waiver is expected to increase the number of individuals with health coverage in the individual health insurance market in New Jersey. Those individuals that gain health coverage as a result of the reduced premiums available due to the waiver will enjoy comprehensive coverage enabling them access to comprehensive services and supplies.

### D. Deficit Neutrality Requirement (1332(b)(1)(D)):

As stated above, New Jersey anticipates that individual premiums, including premiums for the second lowest cost silver plan, will be lower under the waiver by 15% in 2019, 15% in 2020, and similar amounts in 2021 through 2027, than premiums absent a waiver and reinsurance program. Because federal APTC and PTC costs are tied to the second lowest cost silver plan, these lower premiums will result in lower federal spending net of revenues in each year of the waiver. Lower premiums in the individual health insurance market will also result in a small reduction in revenues from the federal Exchange user fee in each year of the waiver. Combining these factors, the waiver will produce net federal savings of about $218 million in 2019 and similar amounts in later years. New Jersey requests pass-through funds in each year equal to the expected APTC and PTC savings, and not to exceed net expected savings under the waiver. As shown in Table 2 for selected time periods and in Appendix Exhibit 1 for each year, granting pass-through funding in these amounts will not result in the waiver increasing the federal deficit in any year, over the 5 years of the waiver, or over a 10-year budget window.

**Table 2**

| Impact to Federal Deficit Savings/Costs, Selected Time Periods | | | |
|---|---|---|---|
| **Category of Impact** | **2019** | **2019-2023** | **2019-2028** |
| Savings in APTC and PTC | *$226.8 Million* | *$1.377 Billion* | *$3.438 Billion* |

| | | | |
|---|---|---|---|
| Impact on Exchange User Fee Revenues | *-$8.8 million* | *- $53.5 Million* | *-$133.5 Million* |
| Requested Pass-through funds | *$218 Million* | *$1.323 Billion* | *$3.304 Billion* |
| **Total Impact on Federal Deficit** | *$0* | *$0* | *$0* |

## III. Description of the New Jersey 1332 Waiver Proposal

### A. Authorizing Legislation

The New Jersey Health Insurance Premium Security Act (the Act), P.L.2018, c.24, was signed into law by New Jersey's Gov. Phil Murphy on May 30, 2018. The goal of the Act is to stabilize premiums for health insurance in the individual health insurance market and provide greater financial certainty to health carriers and health insurance consumers.

The Act gives the Commissioner, in consultation with the IHC Program Board, the authority to apply for a federal 1332 waiver to establish the reinsurance program. P.L.2018, c.24, §2 and 9. If the waiver is granted and the Commissioner accepts the waiver, the Act requires the IHC Program Board to annually propose reinsurance program requirements, including the reinsurance program attachment point, coinsurance rate, reinsurance cap, and payment processes, in consultation with the Department, and ultimately provide interested parties notice of the payment parameters through administrative action. P.L.2018, c.24, §4. The Board is to propose to the Commissioner the payment parameters for the next benefit year by April 30 of the year before the applicable benefit year. P.L.2018, c.24, §5.[5] The Commissioner then has 15 days to review the payment parameters. Ibid. If the Commissioner takes no affirmative action to disapprove the payment parameters within that time, then the proposed payment parameters are final and effective. Ibid.

The reinsurance program will reimburse individual health carriers for a proportion (coinsurance amount) of high-cost claims between a minimum lower bound (attachment point) and a maximum upper bound (cap). P.L.2018, c.24, §6. Based on actuarial analysis, for 2019, the Board and the Commissioner have decided to set the reinsurance cap at $215,000, the coinsurance rate at 60%, and the attachment point at $40,000 to achieve the desired premium reduction of 15%. P.L.2018, c.24, §4. Carriers will submit a request for reinsurance to the Board once the total amount paid for an enrollee meets the attachment point. P.L.2018, c.24, §7a. The Board will advise the Commissioner and carriers quarterly during the applicable benefit year of the total reinsurance payment requests. P.L.2018, c.24, §4e. By June 30 of the year following the applicable benefit year, the Board will notify the Commissioner, carriers, and the State Treasurer – who has responsibility for holding and maintaining the reinsurance fund. P.L.2018, c.24, §10a – of the total reinsurance payments to be made. P.L.2018, c.24, §4e. By November 1 of the year following the

[5] In the first year, parameters were set after this date due to the date of enactment of P.L.2018, c.24.

applicable benefit year, the State Treasurer will disburse the payments from the reinsurance fund due to eligible carriers. P.L.2018, c.24, §4f.

The Act creates the New Jersey Health Insurance Premium Security Fund (the Fund) to support the reinsurance program that is to be fully funded to achieve the premium reduction levels targeted by the Board through the selected reinsurance payment parameters. P.L.2018, c.24, §10c. The Fund shall be funded to levels based upon actuarial analysis to stabilize or reduce premium rates in the individual health insurance market achieving between a 10% and 20% reduction in what indicated rates would be for the applicable benefit year without the reinsurance plan and to cover all necessary administrative costs of the reinsurance provided by the plan, and as discussed above the State has selected 15%. The sources of this funding are as follows:

> (1) all funds collected by the State pursuant to P.L.2018, c.31 which establishes a State shared responsibility tax equal to a taxpayer's federal penalty that would apply for the taxable year under section 5000A of the Internal Revenue Code of 1986;
>
> (2) federal pass-through funding granted in response to this waiver application; and
>
> (3) annual appropriation out of the General Fund of the State in an amount as the board, in consultation with the Commissioner, determines necessary to fully fund the plan.

P.L.2018, c.24, §10d.

Under the Act, the operation of the reinsurance program is contingent on waiver approval and acceptance by the Commissioner. P.L.2018, c.24, §9. The funding mechanism described above and the underlying structure of the reinsurance program are also contingent on waiver approval and acceptance by the Commissioner; however, the Commissioner and the Board are authorized to take necessary anticipatory measures to prepare for implementation. P.L.2018, c.24, §14.

### B. Federal Pass-Through Funding

The waiver is designed to improve access for New Jersey residents to affordable and comprehensive health coverage in the individual health insurance market. The goal of the reinsurance program is to inject new capital into the individual health insurance market through the federal pass-through funding and to transfer a portion of the risk of high-cost claimants to the State, thereby spreading the burden of these high-cost claims and lowering premiums for the individual health insurance market in the absence of a reinsurance program. In doing so, the reinsurance program will likely incentivize individuals to join or remain in the market, improve morbidity to exert additional downward pressure on premium rates, encourage carrier participation, and increase market stability.

Because the amount of APTC available for eligible consumers is tied to the second lowest cost silver plan available through the New Jersey's Marketplace (note: New Jersey has a federally facilitated Marketplace), the waiver will reduce net federal expenditures due to lower APTC and PTC. Through this waiver request, New Jersey seeks the amount of these federal savings, net of other costs that result from the waiver. New Jersey will use these funds to finance a large portion of the reinsurance program.

## IV. Draft Waiver Implementation Timeline

The Board, in consultation with the Commissioner, will be responsible for implementing the reinsurance program. The Board will promulgate the program's operating processes, requirements, and procedures through administrative action. The Commissioner may review, and may disapprove, the payment parameters annually. The Board will collect and analyze the submitted reinsurance claims, perform a post-benefit year calculation of the total amount necessary to fund the reinsurance program and advise the Commissioner, carriers and State Treasurer of same. P.L.2018, c.24, §4. Thereafter, the State Treasurer will ensure that there are sufficient funds appropriated in the State budget to fully fund the program after taking into account the federal pass-through funding and any proceeds from the State's continuation of the individual mandate penalty, and distribute the reinsurance payments to eligible carriers. P.L.2018, c.24, §10 and 4f. New Jersey has initiatives designed to incentivize providers, payers, and enrollees to contain and manage health care costs and utilization for all enrolled individuals. The reinsurance program is not anticipated to include additional incentives.

The timeline for this implementation plan is as follows:

03/09/18: SOW for actuarial services for New Jersey's application for waiver issued
04/12/18: Legislation authorizing the waiver application passes both houses
04/13/18: DOBI Order No. A18-102 issued to direct carriers to provide data
04/27/18: Deadline for carriers to submit data pursuant to Order No. A18-102
05/15/18: Engagement letter with Oliver Wyman executed
05/30/18: Legislation signed into law
05/31/18: New Jersey's 30-day public comment period begins
06/12/18: First public hearing
06/25/18: IHC Board selects payment parameters
06/28/18: Second public hearing
07/01/18: The New Jersey public comment period ends
07/02/18: The 1332 waiver application is submitted to the federal government
Xx/xx/xx: The federal government determines that the waiver application is complete and 45 day preliminary review period begins
Xx/xx/xx: Ends 45-day federal preliminary review period
Xx/xx/xx: Federal comment period begins
Xx/xx/xx: Ends the 180-day federal review period

Xx/xx/xx: Approval date through December 31: implement operational requirements
01/01/19: Federal government funds the program for 2019
05/01/19: Board provides each eligible carrier and Commissioner with first quarter reinsurance payment requests
04/30/19: The IHC Board proposes 2020 payment parameters to Commissioner
06/22/19: DOBI holds six-month public forum required by 45 CFR 155.1320(c)
08/01/19: Board provides each eligible carrier and Commissioner with second quarter reinsurance payment requests
11/01/19: Board provides each eligible carrier and Commissioner with third quarter reinsurance payment requests
01/01/20: Federal government funds the program for 2020
02/15/20: Board provides each eligible carrier and Commissioner with fourth quarter 2019 reinsurance payment requests
04/15/20: IHC Board notifies carriers, Commissioner, and State Treasurer of reinsurance payments to be made for plan year 2019
07/15/20: State Treasurer disburses reinsurance payments to eligible carriers

## V. Additional Information and Reporting

### A. Administrative Burden

Waiver of Section 1312(c) will cause minimal administrative burden and expense for New Jersey or the federal government. The waiver will cause no additional administrative burden to employers and individual consumers because Section 1312(c) does not relate to the administrative functions or requirements typically undertaken by employers or individuals. Individual health carriers will experience some administrative burden and associated expense as a result of the reinsurance program; however, the monetary benefit to carriers from the program will far exceed any resulting administrative expense.

New Jersey has the resources and staff necessary to absorb the following administrative tasks that the waiver will require the State to:

- Administer the reinsurance program;
- Distribute federal pass-through funds;
- Monitor compliance with federal law;
- Collect and analyze data related to the waiver;
- Perform reviews of the implementation of the waiver;
- Hold annual public forums to solicit comments on the progress of the waiver; and
- Submit annual reports (and quarterly reports if ultimately required) to the federal government.

The waiver will require the federal government to perform the following administrative tasks:

- Review documented complaints, if any, related to the waiver;
- Review State reports;
- Periodically evaluate the State's 1332 waiver program; and
- Calculate and facilitate the transfer of pass-through funds to the State.

New Jersey believes that the above administrative tasks are similar to other administrative functions currently performed by the federal government, so that their impact is minimal. Waiver of Section 1312(c)(1) does not necessitate any changes to the Federally Facilitated Marketplace or to IRS operations and will not impact how APTC and PTC payments are calculated or paid.

### B. Impact on Residents Who Need to Obtain Health Care Services Out-of-State

Although New Jersey shares borders with New York, Pennsylvania, and Delaware, and many New Jersey residents work in those states, carrier service areas are limited to New Jersey and networks do not contain providers in those states. Access to specialized facilities and practitioners located in New York City, Philadelphia and northern Delaware is made available, as appropriate, through the in-plan exception process when it is demonstrated as medically necessary or to ensure a continuing course of treatment with a particular provider under certain circumstances. Granting this waiver request will not have an impact upon carrier networks or service areas when coverage is provided for services performed by out-of-state providers.

### C. Ensuring Compliance, Waste, Fraud and Abuse

The Department is responsible for monitoring and requiring carrier compliance with all applicable market conduct standards and for ensuring the solvency of all carriers through continual monitoring and risk-focused financial analysis of carrier reporting. This includes performing market conduct and financial analyses, examinations, and investigations; and providing consumer outreach and protection through response to consumer inquiries and complaints. The Department investigates all complaints that fall within the Department's regulatory authority.

The State of New Jersey, as well as the IHC Program Board, prepare comprehensive financial accounting statements annually. The Board's financial statements are audited annually, with the most recent audit completed for the fiscal year ending in 2017. The IHC Program Board will administer the reinsurance program in accordance with its existing accounting, auditing, and reporting procedures and those established in the Act. See P.L.2018, c.24, §11b. Auditing and reporting obligations of participating carriers are established in P.L.2018, c.24, §7e, and will be further established by rule.

The IHC Program is audited annually by an independent auditor under contract with the IHC Board. The reinsurance program will also be subject to audit by an independent auditor under contract with the State of New Jersey. The federal government is responsible for calculating the savings resulting from this waiver and for ensuring that this waiver does not increase federal spending.

### D. State Reporting Requirements and Targets

The IHC Program Board will assume responsibility for the reporting requirements of 45 CFR 155.1324, including the following:

- Quarterly reports (45 CFR 155.1324(a)): To the extent required, the IHC Program Board will submit quarterly reports, including reports of ongoing operational challenges, if any, and plans for, and results of, associated corrective actions.

- Annual reports (45 CFR 155.1324(b)): the IHC Program Board will submit annual reports documenting the following:

  (1) The progress of the waiver.
  (2) Data, similar to that contained in Attachment 1, on compliance with Section 1332(b)(1)(B) through (D) of the ACA.
  (3) Modifications, if any, to the essential health benefits for compliance with Section 1332(b)(1)(A) of the ACA.
  (4) The premium for the second lowest cost silver plan under the waiver and an estimate of the premium as it would have been without the waiver for a representative consumer in each rating area.
  (5) A summary of the annual post-award public forum required by 45 CFR 155.1320(c) together with a summary of action taken in response to public input.
  (6) Any additional information required by the terms of the waiver.

To the extent that quarterly reporting is required under 45 CFR 155.1324(a), the IHC Program Board recommends that such reporting commence no sooner than April 30, 2020, in order to provide some experience with the program about which to report. The IHC Program Board will submit and publish annual reports by the deadlines established in 45 CFR 155.1324(c) or the deadlines established by the terms of the waiver.

## VI. Supporting Information and Miscellaneous

### A. 45 CFR 155.1308(f)(4)(i) – (iii)

The supporting information required by 45 CFR 155.1208(4)(i) – (iii), including the actuarial analyses and certifications, the economic analyses, the detailed deficit neutral 10-year budget plan, and the data and assumptions demonstrating that the proposed waiver is in compliance with 1332(b)(1)(A) – (B) are found in Appendix Exhibit 1.

## VII. Public Comment and Tribal Consultation

## A. Public Comment

On May 31, 2018, the Department of Banking and Insurance opened public comment on this waiver request and posted notice of the opportunity to comment on the Department's website at www.state.nj.us/dobi/division_insurance/section1332/. The Department also notified the Secretary of State for posting of notice at the Office of the Secretary of State and to provide notice to the press, and posted notice in three newspapers throughout the state. See Appendix XX.

On June 12, 2018, the Department held a public hearing in room 220 in the Department of Banking and Insurance Building at 20 West State Street, Trenton, New Jersey. At the public hearing, one member of the public testified. On June 28, 2018 the Department held an additional public hearing at the Rutgers Center for State Health Policy, 112 Paterson Street, New Brunswick, New Jersey. At the public hearing, xx members of the public testified. This testimony was also submitted in writing. See Appendix xx.

The Department also received [insert number] written public comments on this waiver request. See Appendix XX. The public comment period closed at the end of the day on July 1, 2018.

## B. Tribal Consultation

The State of New Jersey does not have any Federally recognized Indian tribes within its borders, and thus, has not established a separate process for meaningful consultation with any tribes with respect to this 1332 waiver application.

DRAFT

OLIVER WYMAN

# NEW JERSEY SECTION 1332 STATE INNOVATION WAIVER – INDIVIDUAL REINSURANCE PROGRAM - DRAFT

## ACTUARIAL ANALYSIS

JUNE 27, 2018

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# 1. Introduction

The State of New Jersey is filing a State Innovation Waiver application under Section 1332 of the Affordable Care Act (Section 1332 Waiver) that seeks to waive §1312(c)(1)[1] of the Affordable Care Act for the purpose of establishing a state-based and state-administered reinsurance program. If approved, the Section 1332 Waiver, as proposed, is targeted to be effective January 1, 2019, for an initial period of five years.

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) was retained by the State of New Jersey to perform the actuarial and economic analysis related to the State's proposal to waive §1312(c)(1) of the Affordable Care Act. As directed under 45 CFR 155.1308(f)(4)(i)-(iii), the Centers for Medicare and Medicaid Services (CMS) regulations require that states include as part of a Section 1332 Waiver application actuarial and economic analyses, along with actuarial certifications and the data and assumptions used, to support the State's estimates that the proposed Section 1332 Waiver will satisfy the following requirements:

- **Scope of Coverage:** Coverage under the Section1332 Waiver will be provided to at least a comparable number of residents as would be provided absent the waiver
- **Affordability of Coverage:** The Section 1332 Waiver will provide coverage and cost sharing protections against excessive out-of-pocket spending that are at least as affordable as would be provided absent the waiver
- **Comprehensiveness of Coverage:** Coverage under the Section 1332 Waiver will be at least as comprehensive as would be provided absent the waiver
- **Deficit Neutrality:** The Section 1332 Waiver will not increase the Federal deficit

This report provides the required actuarial and economic analyses, as well as the actuarial certifications, necessary to support that the proposed Section 1332 Waiver is expected to satisfy these requirements. Additionally, this report outlines the assumptions and methodology used to generate the actuarial and economic projections that result from our analysis. Any other use of this report may be inappropriate and is prohibited by Oliver Wyman.

[1] §1312(c)(1) states that "A health insurance issuer shall consider all enrollees in all health plans (other than grandfathered health plans) offered by such issuer in the individual market, including those enrollees who do not enroll in such plans through the Exchange, to be members of a single risk pool."

# 2. Overview of State-Based Reinsurance Program

The State of New Jersey is submitting a Section 1332 Waiver application that seeks to implement a state-based and state-administered reinsurance program in an effort to stabilize the individual ACA market in New Jersey. Under the proposed Section 1332 Waiver, a reinsurance program would be established for 2019 and beyond with the objective of reducing premium rates[2] in the individual ACA market by an average of 15.0%.

In this section, focusing on calendar year 2019, we provide the estimated cost of the reinsurance program, describe how the reinsurance program is expected to be funded, provide the parameters which would be utilized to determine payments from the New Jersey Health Insurance Premium Security Fund to issuers, and provide the estimated impact the reinsurance program is expected to have on premium rates in the individual ACA market. As enrollment volumes and corresponding claim costs change over the time period in which the proposed Section 1332 Waiver will be in effect, it is expected that items such as the reinsurance parameters described below will be adjusted as needed by the New Jersey Individual Health Benefits Program Board (the Board) in order to ensure the reinsurance program remains fully funded (net of Federal pass-through funding) and continues to target the same overall objective for each calendar year (i.e., reducing premium rates in the individual ACA market by an average of 15.0%).

## Cost and Funding of the State-Based Reinsurance Program in 2019

Overall, it is estimated that the total funding needed to develop a reinsurance program that will accomplish New Jersey's stated objective (i.e., lowering premium rates in individual ACA market by an average of 15.0%) in calendar year 2019 is $323.7 million.

This estimate was developed based on projected enrollment, premium, claims, and administrative expense volumes in the individual ACA market in 2019. In developing the estimate, it was assumed that issuer claim expenses as a percentage of premium in 2019 will be equal to the average filed target loss ratio in New Jersey's individual ACA market in 2018, plus 2.9% (to account for the one year moratorium of the ACA Insurer Fee), and that issuers' fixed administrative expenses as a percentage of premium in 2019 will be equal to half of the average administrative expense ratio[3] which was filed by New Jersey issuers in 2018. With respect to the assumption that half of the market average administrative expense ratio is represented by fixed expenses, we note that we discussed the assumption with issuers in New Jersey's individual health insurance market and, based on those discussions, found it to be a reasonable one. Then, taking into account the morbidity improvement which is expected to occur in 2019 under the proposed Section 1332 Waiver (i.e., as a result of issuers filing lower rates in 2019 due to the state-based reinsurance program), the total projected cost of the program was calculated as follows:

---

[2] The reinsurance program is expected to reduce issuer expenses, including medical and pharmacy claim expenses as well as fixed administrative expenses, by an average of 15.0%; this correspondingly is expected to allow issuers to reduce premium rates by an average 15.0%, plus any anticipated improvement in morbidity

[3] Calculated as total projected administrative expenses, excluding taxes & fees and profit & risk margin, divided by projected premium

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*Projected 2019 Cost of Reinsurance Program =*

*Projected 2019 Premium Volume x [Issuer Target Loss Ratio + 2.9% + (50.0% x Issuer Admin Expense %)] x 15.0%*

Funding for the reinsurance program is expected to come from the following three sources[4]:

- ***Federal pass-through funds*** received as a result of the Section 1332 Waiver
- ***State-based individual mandate penalty revenue***, or money collected by the State pursuant to P.L. 2018, c.31 which established a State shared responsibility tax equal to a taxpayer's federal penalty that would apply the taxable year under section 5000A of the Internal Revenue Code of 1986, as in effect on December 15, 2017 (26 U.S.C s.5000A)
- ***Annual appropriations*** out of the General Fund of the State in an amount as the Board, in consultation with the Commissioner, calculates necessary to fully fund the program

## Estimated Reinsurance Parameters and Payment Calculation

Consistent with the Federal Transitional Reinsurance Program which was in place from 2014 through 2016, New Jersey's state-based reinsurance program will reimburse issuers for a portion of high dollar claim expenses which occur between a specified attachment point and reinsurance cap, while maintaining an incentive for issuers to continue applying their care management practices for their high cost claimants.

Table 1 below provides the reinsurance parameters which would be applicable in calendar year 2019:

**Table 1 - 2019 Reinsurance Parameters**

| Parameter | Value |
|---|---|
| Attachment Point | $40,000 |
| Reinsurance Cap | $215,000 |
| Coinsurance % | 60.0% |

These parameters have been chosen by the Board and were estimated through the use of issuer provided claims data from calendar year 2017, which were adjusted to reflect projected 2019 cost levels and enrollment volumes, and to reflect a projected distribution of claim expenses consistent with assumed market-wide morbidity levels. In assessing the reasonability of the resulting parameters, issuer provided member level claims data from calendar year 2016 was also reviewed and considered.

Utilizing the parameters outlined in Table 1, reinsurance payments will be calculated based on an issuer's annual paid claim expenses[5] for a given member as follows:

*2019 Reinsurance Payment For ACA $Member_i$ =*
*Maximum[Minimum[$Member_i$ Annual Paid Claims Expense, $215,000] - $40,000, $0] x 60.0%*

[4] http://www.state.nj.us/dobi/division_insurance/section1332/180531draftapplication.pdf
[5] Paid by the insurer; includes medical and pharmacy claims

In utilizing the parameters described, as with the Federal Transitional Reinsurance Program, it is expected that issuers will continue to have incentives to apply their care management practices even after a given member reaches the specified annual attachment point. This is because issuers will be reimbursed for only a portion of a given member's claim costs between the attachment point and reinsurance cap.

## Estimated Premium Impact of State-Based Reinsurance Program

As noted earlier, the intent of the state-based reinsurance program will be to reduce premium rates in the individual ACA market by an average of 15.0%. To the extent premium rates are reduced by an average of 15.0%, enrollment levels in the individual ACA market would be expected to increase by approximately 2.7% in 2019, leading to an improvement in the overall morbidity of New Jersey's individual ACA market equal to approximately 0.4%. Assuming that issuers will take a similar level of projected morbidity improvement into account in their 2019 rate development processes, it is expected that the proposed state-based reinsurance program will lead to an overall reduction in premium rates (relative to the baseline scenario) equal to approximately -15.3% and a reduction in 2019 premium rates relative to 2018 levels equal to approximately -10.0%.

# 3. Actuarial and Economic Analysis

Actuarial analysis meeting the requirements under 45 CFR 155.1308(f)(4)(i) and other applicable information as requested in the Checklist for Section 1332 Innovation Waiver Applications[6] are provided in this section. Oliver Wyman's Healthcare Reform Microsimulation Model (HRM Model) was utilized to examine the impact that the proposed Section 1332 Waiver is expected to have on the insurance markets in the State of New Jersey, and in meeting each of the guardrails associated with Section 1332 Waivers as outlined in Federal statute.

The HRM Model is an economic utility model that captures the flow of individuals across various markets based on their economic purchasing decisions. It is integrated with actuarial modeling designed to assess the impact that various reforms are expected to have on the health insurance markets. For more information regarding the specifications and functionality underlying the HRM Model, please refer to the overview in Appendix A.

The projections produced by the HRM Model were analyzed to assess whether the following Federal requirements are expected to be met under the proposed Section 1332 Waiver:

- **Scope of Coverage:** Coverage under the Section 1332 Waiver will be provided to at least a comparable number of residents as would be provided absent the waiver
- **Affordability of Coverage:** The Section 1332 Waiver will provide coverage and cost sharing protections against excessive out-of-pocket spending that are at least as affordable as would be provided absent the waiver
- **Comprehensiveness of Coverage:** Coverage under the Section 1332 Waiver will be at least as comprehensive as would be provided absent the waiver
- **Deficit Neutrality:** The Section 1332 Waiver will not increase the Federal deficit

Table 2 below summarizes at a high level the expected impact of the proposed Section 1332 Waiver on the requirements outlined above. A more detailed discussion of the results as they relate to each of the Federal requirements follows. Overall, our analysis shows that the proposed Section 1332 Waiver is expected to meet all four of the listed requirements in 2019, and would be expected to meet the listed requirements in each year thereafter for the ten-year period ending in 2028.

**Table 2: Summarized Expected Impact of the Proposed Section1332 Waiver**

| Requirement | Impact of Proposed Section 1332 Waiver |
|---|---|
| Scope of Coverage | The number of individuals covered in the New Jersey health insurance markets is expected to increase |
| Affordability of Coverage | Premium rates in the individual market are expected to decrease while other out-of-pocket expenses are not expected to change; Affordability in the other markets is not expected to be impacted by the proposed Section 1332 Waiver |
| Comprehensiveness of Coverage | Not impacted by the proposed Section1332 Waiver |
| Deficit Neutrality | The Federal deficit is not expected to increase |

[6] https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Checklist-for-Section-1332-State-Innovation-Waiver-Applications-5517-c.pdf

## Scope of Coverage

Under the scope of coverage requirement,[7] a comparable number of residents must be expected to have coverage under the proposed Section 1332 Waiver as would have coverage absent the waiver. For these purposes, "coverage" refers to minimum essential coverage. In assessing this requirement, we note that we are estimating that the proposed Section 1332 Waiver will not have a material impact on the number of New Jerseyans covered under employer-sponsored plans, Medicaid, Medicare, or other public programs. As a result, the focus of our analysis is on the impact of the proposed Section 1332 Waiver to New Jersey's individual market.

Table 3 below summarizes the projected average volume of enrollees in New Jersey's individual market[8] and the projected average volume of uninsured individuals in New Jersey by year under the baseline and waiver scenarios:

**Table 3: Summary of Average Individual Market Enrollment**

| | Individual Market | | | Uninsured | | |
|---|---|---|---|---|---|---|
| Year | Baseline | Waiver | Change vs. Baseline | Baseline | Waiver | Change vs. Baseline |
| 2018 | 321,000 | 321,000 | 0.0% | 738,000 | 738,000 | 0.0% |
| 2019 | 322,000 | 331,000 | 2.7% | 742,000 | 733,000 | -1.2% |
| 2020 | 321,000 | 330,000 | 2.6% | 747,000 | 738,000 | -1.1% |
| 2021 | 322,000 | 330,000 | 2.6% | 750,000 | 742,000 | -1.1% |
| 2022 | 322,000 | 331,000 | 2.6% | 754,000 | 745,000 | -1.1% |
| 2023 | 323,000 | 332,000 | 2.6% | 757,000 | 749,000 | -1.1% |
| 2024 | 324,000 | 332,000 | 2.6% | 761,000 | 752,000 | -1.1% |
| 2025 | 324,000 | 333,000 | 2.6% | 765,000 | 756,000 | -1.1% |
| 2026 | 325,000 | 334,000 | 2.6% | 768,000 | 760,000 | -1.1% |
| 2027 | 326,000 | 334,000 | 2.6% | 772,000 | 763,000 | -1.1% |
| 2028 | 327,000 | 335,000 | 2.6% | 775,000 | 767,000 | -1.1% |

Note: Enrollment values shown have been rounded to the nearest thousand

Absent the proposed Section 1332 Waiver and corresponding reinsurance program, total enrollment volumes in the baseline scenario in New Jersey's individual market would be expected to stay relatively flat between 2018 and 2019. Under the proposed Section 1332 Waiver, enrollment in the individual market would be expected to be approximately 2.6% to 2.7% higher relative to baseline enrollment levels over the time period of 2019 through 2028. The increase in enrollment under the proposed Section 1332 Waiver is driven primarily[9] by uninsured individuals expected to enter the Individual ACA market as a result of lower rates.

## Individual ACA Market Enrollment by Household Income

Table 3a below presents projected enrollment levels in the individual ACA market by household income over the time period of 2018 through 2028. For the purpose of this comparison, household income is being measured as a percentage of the Federal poverty level (FPL).

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[7] 45 CFR 155.1308(f)(3)(iv)(C)

[8] Through a data request issued to individual market carriers in the State of New Jersey, it was determined that there are no longer any grandfathered or transitional plans remaining in the individual market as of 2018.

[9] While there may be some migration of enrollees from the employer market to the Individual market, based on our modeling, we expect any migration from the employer market to be minimal

**Table 3a: Summary of Average Individual ACA Market Enrollment by FPL**

| Baseline | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Income Range | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| < 100% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100% - 150% | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 |
| 151% - 200% | 59,000 | 59,000 | 59,000 | 59,000 | 60,000 | 60,000 | 60,000 | 60,000 | 61,000 | 61,000 | 61,000 |
| 201% - 250% | 39,000 | 39,000 | 39,000 | 39,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 41,000 |
| 251% - 300% | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 301% - 400% | 32,000 | 32,000 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 34,000 | 34,000 |
| 401%+ | 132,000 | 133,000 | 131,000 | 131,000 | 131,000 | 131,000 | 131,000 | 130,000 | 130,000 | 130,000 | 130,000 |
| **Total** | **321,000** | **322,000** | **321,000** | **322,000** | **322,000** | **323,000** | **324,000** | **324,000** | **325,000** | **326,000** | **327,000** |

| Waiver | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Income Range | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| < 100% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100% - 150% | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 |
| 151% - 200% | 59,000 | 59,000 | 59,000 | 59,000 | 60,000 | 60,000 | 60,000 | 60,000 | 61,000 | 61,000 | 61,000 |
| 201% - 250% | 39,000 | 39,000 | 39,000 | 39,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 41,000 |
| 251% - 300% | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 301% - 400% | 32,000 | 32,000 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 33,000 | 34,000 | 34,000 |
| 401%+ | 132,000 | 141,000 | 140,000 | 140,000 | 139,000 | 139,000 | 139,000 | 139,000 | 139,000 | 139,000 | 138,000 |
| **Total** | **321,000** | **331,000** | **330,000** | **330,000** | **331,000** | **332,000** | **332,000** | **333,000** | **334,000** | **334,000** | **335,000** |

| Change in Number of Enrollees - Baseline to Waiver | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Income Range | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| < 100% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100% - 150% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 151% - 200% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 201% - 250% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 251% - 300% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 301% - 400% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 401%+ | 0 | 9,000 | 9,000 | 9,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| **Total** | **0** | **9,000** | **9,000** | **9,000** | **8,000** | **8,000** | **8,000** | **8,000** | **8,000** | **8,000** | **8,000** |

Note: Values shown have been rounded to the nearest thousand; the sum of values within each column may not be equal to the total value shown due to rounding.

Overall, we are estimating that there will be no change in enrollment between the baseline and waiver scenarios for individuals with incomes below 400% FPL. This is because, due to the way in which premium rates are calculated under the ACA for these individuals (i.e., maximum premium rates as a percentage of income, net of APTCs), their net out-of-pocket costs are assumed to be insulated, on average, from changes in gross premium rates.

On the other hand, ACA enrollees who have household incomes greater than 400% FPL do not receive APTCs and, therefore, their total out-of-pocket costs are expected to be favorably impacted. For these individuals, the full impact of the reinsurance program would be expected to be realized through reductions to their premium rates, resulting in an expected increase in enrollment for that segment of the population in 2019 and beyond.

We note that, through a data request issued to individual market carriers in the State of New Jersey, it was determined that there are no grandfathered or transitional plans in the individual market.

## Individual ACA Market Enrollment by Metal Level Plan

Table 3b below presents projected enrollment levels in the individual ACA market by metal level over the time period of 2018 through 2028.

### Table 3b: Summary of Average Individual ACA Market Enrollment by Metal Level[10]

**Baseline**

| Metal Level | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Catastrophic | 4,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bronze | 74,000 | 85,000 | 84,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 86,000 | 86,000 |
| Silver | 233,000 | 223,000 | 223,000 | 223,000 | 224,000 | 224,000 | 225,000 | 225,000 | 226,000 | 226,000 | 227,000 |
| Gold | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 |
| Platinum | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **321,000** | **322,000** | **321,000** | **322,000** | **322,000** | **323,000** | **324,000** | **324,000** | **325,000** | **326,000** | **327,000** |

**Waiver**

| Metal Level | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Catastrophic | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bronze | 74,000 | 68,000 | 68,000 | 69,000 | 69,000 | 69,000 | 69,000 | 69,000 | 70,000 | 70,000 | 70,000 |
| Silver | 233,000 | 247,000 | 247,000 | 247,000 | 248,000 | 248,000 | 248,000 | 249,000 | 249,000 | 250,000 | 250,000 |
| Gold | 11,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Platinum | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **321,000** | **331,000** | **330,000** | **330,000** | **331,000** | **332,000** | **332,000** | **333,000** | **334,000** | **334,000** | **335,000** |

**Change in Number of Enrollees - Baseline to Waiver**

| Metal Level | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Catastrophic | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bronze | 0 | -16,000 | -16,000 | -16,000 | -16,000 | -16,000 | -16,000 | -16,000 | -16,000 | -16,000 | -16,000 |
| Silver | 0 | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 | 23,000 | 23,000 | 23,000 | 23,000 |
| Gold | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Platinum | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **9,000** | **9,000** | **9,000** | **8,000** | **8,000** | **8,000** | **8,000** | **8,000** | **8,000** | **8,000** |

Note: Values shown have been rounded to the nearest thousand; the sum of values within each column may not be equal to the total value shown due to rounding.

As shown in Table 3b, it is expected that there will be some shift in the distribution of ACA enrollment away from bronze plans and into silver plans, specifically for those enrollees who do not receive APTCs. This is being driven by the fact that as premium rates are decreased by a significant percentage (relative to the baseline), the difference in rates between plans across the metal tiers (e.g., silver and bronze plans) shrinks. However, the difference in expected member cost sharing (i.e. related to incurred claims and corresponding plan benefits) between the metal tiers does not shrink. As a result, the value of enrolling in richer benefit plans increases as rates are reduced, which is expected to lead to increased enrollment in the silver and gold plans under the proposed Section 1332 Waiver (relative to baseline levels).

## Individual ACA Market Enrollment by Age

Table 3c below presents projected enrollment levels in the individual ACA market by age over the time period of 2018 to 2028. Overall, enrollment in the Individual ACA market is expected to increase across every age group under the proposed Section 1332 Waiver. As shown, the distribution of Individual ACA enrollment by age is not expected to shift significantly under the proposed Section 1332 Waiver in 2019 or beyond.

[10] As of calendar year 2018, carriers in New Jersey's Individual market no longer offer Platinum coverage

**Table 3c: Summary of Average Individual ACA Market Enrollment by Age**

Baseline

| Age | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0-20 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 49,000 | 49,000 | 49,000 | 49,000 | 49,000 |
| 21-30 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 | 48,000 |
| 31-40 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 46,000 | 46,000 | 46,000 | 46,000 |
| 41-50 | 56,000 | 56,000 | 56,000 | 56,000 | 56,000 | 57,000 | 57,000 | 57,000 | 57,000 | 57,000 | 57,000 |
| 51-60 | 83,000 | 83,000 | 83,000 | 83,000 | 83,000 | 83,000 | 84,000 | 84,000 | 84,000 | 84,000 | 84,000 |
| 61+ | 41,000 | 41,000 | 41,000 | 41,000 | 41,000 | 41,000 | 41,000 | 42,000 | 42,000 | 42,000 | 42,000 |
| **Total** | **321,000** | **322,000** | **321,000** | **322,000** | **322,000** | **323,000** | **324,000** | **324,000** | **325,000** | **326,000** | **327,000** |

Waiver

| Age | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0-20 | 48,000 | 51,000 | 51,000 | 51,000 | 51,000 | 51,000 | 51,000 | 51,000 | 51,000 | 51,000 | 52,000 |
| 21-30 | 48,000 | 48,000 | 48,000 | 48,000 | 49,000 | 49,000 | 49,000 | 49,000 | 49,000 | 49,000 | 49,000 |
| 31-40 | 45,000 | 47,000 | 47,000 | 47,000 | 47,000 | 47,000 | 47,000 | 47,000 | 47,000 | 47,000 | 47,000 |
| 41-50 | 56,000 | 57,000 | 57,000 | 57,000 | 58,000 | 58,000 | 58,000 | 58,000 | 58,000 | 58,000 | 58,000 |
| 51-60 | 83,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 86,000 | 86,000 | 86,000 |
| 61+ | 41,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 43,000 | 43,000 | 43,000 | 43,000 | 43,000 |
| **Total** | **321,000** | **331,000** | **330,000** | **330,000** | **331,000** | **332,000** | **332,000** | **333,000** | **334,000** | **334,000** | **335,000** |

Change in Number of Enrollees - Baseline to Waiver

| Age | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0-20 | 0 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| 21-30 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 31-40 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 41-50 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 51-60 | 0 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| 61+ | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| **Total** | **0** | **9,000** | **9,000** | **9,000** | **8,000** | **8,000** | **8,000** | **8,000** | **8,000** | **8,000** | **8,000** |

Note: Values shown have been rounded to the nearest thousand; the sum of values within each column may not be equal to the total value shown due to rounding.

## Affordability of Coverage

Under the affordability requirement,[11] health care coverage must be at least as affordable for state residents as coverage would be absent the waiver. For this purpose, affordability refers to the ability of state residents to pay for health care, and is measured by comparing their net out-of-pocket spending for health coverage and services to their incomes. Out-of-pocket expenses are assumed to include premium contributions and any plan level cost-sharing that is the responsibility of the individual.

As with the scope of coverage requirement, in assessing this requirement, we are estimating that the proposed Section 1332 Waiver will not have a material impact on the affordability of coverage for those individuals enrolled in employer-sponsored plans, Medicaid, Medicare, or any other public programs. As a result, the focus of our analysis is again on the impact of the proposed Section 1332 Waiver on out-of-pocket expenses in New Jersey's individual ACA market. Additionally, since the proposed Section 1332 Waiver does not directly impact member plan level cost-sharing (i.e., members will be able to purchase plans with comparable benefit cost sharing as those plans which they are currently enrolled in), the focus of the affordability requirement is further centered on changes in premium rates.

Under the proposed Section 1332 Waiver it is expected that gross premium rates (i.e., prior to any application of APTCs) in the individual ACA market will decrease. For enrollees who receive APTCs under both the baseline and the Section 1332 Waiver, their total out-of-pocket costs will not change for the subsidy benchmark plan (i.e., the second lowest cost silver plan) as their

[11] 45 CFR 155.1308(f)(3)(iv)(B)

premium rate for that plan will be capped at the applicable maximum percentage of household income they are required to pay under the ACA.[12] For enrollees who do not receive APTCs or for enrollees who currently receive APTCs but who would no longer receive APTCs under the proposed Section 1332 Waiver (due to their gross premium rates decreasing below what their premium rate net of APTCs would otherwise be), the proposed reinsurance program will result in an improvement in the overall affordability of health coverage relative to the baseline scenario.

Table 4 presents estimates of the second lowest cost Silver plan premium PMPM for a single, 21 year old, non-tobacco user[13] in New Jersey's single statewide rating area, under both the baseline and waiver scenarios.

**Table 4: Estimated Second Lowest Cost Silver Premium Rate by Rating Area**
**21 - 24 Year Old, Non-Tobacco User**

| Baseline | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rating Area | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| 1 | $321 | $341 | $381 | $411 | $443 | $478 | $515 | $555 | $598 | $645 | $695 |

| Waiver | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rating Area | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| 1 | $321 | $289 | $323 | $348 | $375 | $404 | $436 | $470 | $507 | $546 | $589 |

| % Difference in Second Lowest Cost Silver Plan Premium PMPM - Baseline to Waiver | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rating Area | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| 1 | 0.0% | -15.3% | -15.3% | -15.3% | -15.3% | -15.3% | -15.3% | -15.3% | -15.3% | -15.3% | -15.3% |

Note: Values shown have been rounded to the nearest dollar

As shown, the corresponding premium rates for the second lowest cost silver plan in the single statewide rating area in New Jersey's individual ACA market are expected to decrease by approximately 15.3% in all years under the proposed Section 1332 Waiver (relative to the baseline). Due to the application of the specified Age Curve[14] for ACA rating purposes, a similar percentage change would be expected to occur for all other ages, although all else equal, the premium difference would generally be expected to be greater than that shown above for enrollees who are older than 24 and less than that shown above for enrollees who are younger than 21.

## Comprehensiveness of Coverage Requirement

Under the comprehensiveness of coverage requirement,[15] health care coverage under the proposed Section 1332 Waiver must be forecast to be at least as comprehensive overall for New Jersey residents as coverage absent the waiver. Comprehensiveness refers to coverage

[12] For individuals who receive APTCs and purchase either the lowest-cost cost silver plan or another plan which is cheaper than the second lowest cost silver plan (e.g., a bronze plan), we estimate that their premium rates, net of APTCs, may increase somewhat as a result of the proposed Section 1332 Waiver (relative to the baseline). This is because the proposed reinsurance program is expected to reduce the APTCs which can be applied to those lower cost plans by a greater magnitude than the premium rates for those plans are expected to decrease by. However, as noted earlier, their out-of-pocket premium for the subsidy benchmark plan will not increase. Additionally, their premium rates net of APTCs for plans whose premium rates are greater than that of the second lowest cost silver plan (e.g., a gold plan) would be expected to decrease (relative to the baseline), improving the affordability of coverage for individuals enrolled in those plans.

[13] Tobacco rating factors cannot be used in the Individual ACA market in New Jersey

[14] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Downloads/StateSpecAgeCrv053117.pdf

[15] 45 CFR 155.1308(f)(3)(iv)(A)

requirements for ACA essential health benefits (EHBs) and, as appropriate, Medicaid and CHIP standards. The proposed Section 1332 Waiver does not impact the scope of services covered by issuers in the commercial markets or the scope of services covered by Medicaid or CHIP programs. Therefore, the proposed Section 1332 Waiver is expected to have no impact on the comprehensiveness of coverage available to New Jersey residents.

## Economic Analysis and Deficit Neutrality

Under the deficit neutrality requirement,[16] the projected Federal spending, net of Federal revenues, under the proposed Section1332 Waiver must be equal to or lower than projected Federal spending net of Federal revenues in the absence of the waiver.

The proposed Section 1332 Waiver was analyzed to determine the impact it is expected to have on costs associated with advance premium tax credits (APTCs). Additionally, the proposed Section 1332 Waiver was analyzed to determine the expected impact it will have on Exchange User Fees, which are currently a source of Federal revenue. Table 5 that follows summarizes the expected impact of the proposed Section 1332 Waiver on these two items for each year from 2018 through 2028. A detailed discussion of these items, as well as a discussion of other items which were considered in determining the impact to the Federal deficit, follows.

**Table 5: Impact of the Proposed Section 1332 Waiver on the Federal Deficit**
(Amounts shown in millions)

| | A | B | C | D | A - B - C - D |
|---|---|---|---|---|---|
| Year | Change in APTCs | Change in Exchange User Fees | Change in Shared Responsibility Payments | Change in Health Insurer Fees | Change in Federal Deficit |
| 2018 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| 2019 | -$226.8 | -$8.8 | $0.0 | $0.0 | -$218.0 |
| 2020 | -$254.3 | -$9.9 | $0.0 | $0.0 | -$244.4 |
| 2021 | -$275.4 | -$10.7 | $0.0 | $0.0 | -$264.7 |
| 2022 | -$298.1 | -$11.6 | $0.0 | $0.0 | -$286.5 |
| 2023 | -$322.8 | -$12.6 | $0.0 | $0.0 | -$310.2 |
| 2024 | -$349.4 | -$13.6 | $0.0 | $0.0 | -$335.9 |
| 2025 | -$378.3 | -$14.7 | $0.0 | $0.0 | -$363.6 |
| 2026 | -$409.6 | -$15.9 | $0.0 | $0.0 | -$393.7 |
| 2027 | -$443.5 | -$17.2 | $0.0 | $0.0 | -$426.2 |
| 2028 | -$480.1 | -$18.7 | $0.0 | $0.0 | -$461.5 |

Note: APTCs are considered expenditures for the Federal government whereas Exchange User Fees, Shared Responsibility Payments, and Health Insurer Fees are considered revenue sources for the Federal government. Therefore, in the table above, a reduction in APTCs will decrease the Federal deficit whereas a reduction in Exchange User Fees will increase the Federal deficit.

A more detailed summary providing projected results over the ten-year budget period under both the baseline and Section 1332 Waiver scenarios, including all additional information requested in the "Checklist for Section 1332 State Innovation Waiver Applications" that hasn't already been provided (i.e., the projected volume of individual ACA market enrollees by APTC eligibility, the overall average individual market premium rate PMPM, aggregate premium and

[16] 45 CFR 155.1308(f)(3)(iv)(D)

APTC amounts, aggregate exchange user fees, and projected cost as well as funding levels of the proposed reinsurance arrangement) can be found in Appendix B.

## Advance Premium Tax Credits

Changes in premium for the second lowest cost silver plan and changes in subsidized enrollment have a direct impact on APTCs paid by the Federal government. As shown in Table 6, the proposed Section 1332 Waiver is expected to significantly decrease the volume of APTCs paid by the Federal government each year beginning in 2019.

**Table 6 - Summary of APTC Enrollment and APTC Payments Baseline and Waiver Scenarios**

| | Baseline | | | Waiver | | | Change |
|---|---|---|---|---|---|---|---|
| Year | APTC Enrollment | Avg APTC PMPM | Total APTCs (millions) | APTC Enrollment | Avg APTC PMPM | Total APTCs (millions) | Total APTCs (millions) |
| 2018 | 189,000 | $442 | $1,001.7 | 189,000 | $442 | $1,001.7 | $0.0 |
| 2019 | 188,000 | $502 | $1,132.8 | 188,000 | $401 | $906.0 | -$226.8 |
| 2020 | 189,000 | $574 | $1,302.2 | 189,000 | $462 | $1,047.9 | -$254.3 |
| 2021 | 190,000 | $627 | $1,428.5 | 190,000 | $506 | $1,153.1 | -$275.4 |
| 2022 | 191,000 | $684 | $1,565.7 | 191,000 | $554 | $1,267.6 | -$298.1 |
| 2023 | 191,000 | $746 | $1,714.5 | 191,000 | $606 | $1,391.8 | -$322.8 |
| 2024 | 192,000 | $813 | $1,875.9 | 192,000 | $662 | $1,526.4 | -$349.4 |
| 2025 | 193,000 | $885 | $2,050.8 | 193,000 | $722 | $1,672.4 | -$378.3 |
| 2026 | 194,000 | $963 | $2,240.8 | 194,000 | $787 | $1,831.2 | -$409.6 |
| 2027 | 195,000 | $1,047 | $2,447.2 | 195,000 | $857 | $2,003.7 | -$443.5 |
| 2028 | 196,000 | $1,138 | $2,671.4 | 196,000 | $933 | $2,191.3 | -$480.1 |

Notes:
1. Enrollment volumes have been rounded to the nearest thousand and reflect average monthly enrollment levels
2. PMPM values have been rounded to the nearest whole dollar
3. Total APTCs are in millions and have been rounded to the nearest hundred thousand

The overall impact of the proposed Section 1332 Waiver on the volume of enrollees receiving APTCs is expected to be de minimis. Therefore, the decrease in APTC payments shown is driven entirely by the expected decrease in premium rates as a result of the implementation of a state-based reinsurance program in 2019 which reduces premium rates by approximately 15.0% and improves the morbidity of the individual ACA market (relative to the baseline) by approximately 0.4%.

## Exchange User Fees

New Jersey utilizes the Federal Facilitated Marketplace (FFM) through which issuers sell ACA insurance plans to individuals and families. To fund the administration of the FFM, the Federal government collects 3.5% of premium revenue associated with health plan premiums sold through the FFM (i.e., the Exchange User Fee). We have assumed that the 3.5% rate will continue into the future and are projecting that Exchange User Fee collections will decrease under the proposed Section 1332 Waiver, due primarily to the reduced premium rates but slightly offset by a small expected increase in the volume of individuals enrolling through the FFM in 2019 and beyond (i.e., due to the increased enrollment volumes being projected for individuals who do not receive APTCs).

## Other Considerations Related to the Federal Deficit

Under the ACA, most individuals are required to maintain a minimum level of health insurance coverage. However, under the Tax Cut and Jobs Act of 2017, the Federal individual mandate penalty will be reduced to $0 starting in 2019. As a result, the proposed Section 1332 Waiver will have no impact on shared responsibility payments.

Given that Federal cost-sharing reduction (CSR) payments are not currently being funded and have been assumed to remain unfunded in the future, there is no expected change being assumed in the volume of CSR payments between the baseline and waiver scenarios.

With respect to the Health Insurer Fee, while the proposed reinsurance program is expected to reduce premium rates in New Jersey's individual ACA market (which could result in less Federal revenue being received from New Jersey issuers), given the way in which the Health Insurer Fee is assessed at the national level, it would not be expected that lower premium rates in the State of New Jersey would impact the overall level of revenue collected nationally (i.e., if lower revenue is expected to be collected from New Jersey issuers, that reduction in Federal revenue would be expected to be offset by slightly higher revenue collected from issuers in other states). Additionally, we note that there is a moratorium on the Health Insurer Fee in place for 2019.

There is the potential for the proposed Section 1332 Waiver to impact the amount of Federal income taxes paid by issuers. However, we examined the potential impact of this item and, in our opinion, believe it to be de minimis.

## Sensitivity of Results

Significant uncertainty exists with respect to future enrollment and premiums in the individual ACA health insurance market. As a result, actual experience will likely differ from that which is being assumed in this analysis. We note that some of the key assumptions related to health insurance markets that we have made in the development of our projections include the following: CSR subsidies will continue to be unfunded by the Federal Government and issuers will continue to load premiums for their on-Exchange silver plans by an amount equal to the lost CSR payments, issuer plan and network offerings will be similar to those available to consumers in 2018, issuer pricing assumptions will be similar to those used in 2018 (except where explicitly stated), issuers will offer at least one off-Exchange only Silver plan in 2019 on which no CSR load will be applied, there will be no significant issuer entries or exits, and there will be no additional significant legislative changes at either the state or Federal level. To the extent these assumptions do not hold true in future years, we would expect that actual results would vary, potentially significantly, from those assumed in this analysis. Further, given that Federal pass-through funding will ultimately be based on actual premium rates filed by issuers offering coverage in New Jersey's individual ACA market and actual enrollment volumes, final funding amounts are likely to differ from the estimates provided in this report.

Given the level of uncertainty which exists, we performed sensitivity testing of key assumptions being made and shared those results with the State of New Jersey. Some of the key assumptions which were sensitivity tested include the following:

- Overall membership volumes

- APTC membership volumes
- Average premium PMPM levels
- The percentage of issuer administrative costs which are assumed to be fixed vs. variable
- The level of morbidity improvement under the proposed Section 1332 Waiver assumed by carriers
- The projected level of growth in non-APTC membership under the proposed Section 1332 Waiver

We note that in each of the scenarios tested, while the changes made to the specified assumptions impacted the cost estimates of the reinsurance program and projected Federal pass-through funding amounts, there were no cases where any of the four Federal requirements associated with Section 1332 Waivers would not be expected to be met.

# 4. Data Sources and Modeling Methodology

The projections underlying our analysis are based on results from Oliver Wyman's HRM Model, which was utilized to examine the impact that the proposed Section 1332 Waiver is expected to have on the insurance markets in the State of New Jersey, and in meeting the requirements associated with Section 1332 Waivers as outlined in Federal statute. As noted earlier, the HRM Model is an economic utility model that captures the flow of individuals across various markets based on their economic purchasing decisions. It is integrated with actuarial modeling designed to assess the impact that various reforms are expected to have on the health insurance markets.

As previously noted, we are estimating that the proposed Section 1332 Waiver will not have a material impact on the number of New Jerseyans covered under employer-sponsored plans, Medicaid, Medicare, or other public programs. As a result, we did not present detailed modeling results for those markets.

The primary basis for the population underlying the HRM Model is data from the 2016 American Community Survey (ACS).[17] The ACS data provides detailed information for each individual in a surveyed household unit, including demographic, socioeconomic, geographic, and employment information. The data also provides information regarding health insurance coverage type. The ACS data was supplemented and synthesized with several other data sources, including information from an issuer data call.

In May 2018, the New Jersey Department of Banking and Insurance issued a data call to health insurance issuers offering coverage in New Jersey's individual ACA market in 2018 in order to collect detailed information for that market such that the information could aid in calibrating the HRM Model. The data which was correspondingly provided by issuers included premium, claims, and enrollment information from January 2015 through March 2018. The issuer provided data was further augmented with information from a number of other sources, including but not limited to:

- 2016 and 2017 statutory financial statements submitted by issuers in New Jersey's health insurance markets
- 2016 medical loss ratio (MLR) data
- 2016 and 2017 Marketplace enrollment public use files and effectuated enrollment reports
- 2018 Open Enrollment snapshot reports
- U.S. Census Bureau data
- 2015 and 2016 summary reports on transitional reinsurance payment and risk adjustment transfers
- 2015 and 2016 health insurance coverage estimates from the Kaiser Family Foundation
- New Jersey population projections from nj.gov
- National CPI and CMS Personal Health Care Price Index projections

[17] 2016 ACS data was not available at the time the microsimulation modeling was completed.

- Publicly available 2016, 2017, and 2018 rate filing information (e.g., Unified Rate Review Template data)
- 2016, 2017, and 2018 Marketplace premium rates

These additional data sources were utilized to determine the overall average annual enrollment volumes in the individual market for each of 2016, 2017, and 2018 (accounting for those issuers that exited the market prior to 2018), to validate the issuer data which was provided (e.g., average premiums PMPM), and to gather additional information utilized in our modeling but not captured through the issuer data call (e.g., the distribution of individuals enrolling through the FFM, including by income range).

Health status was assigned to various sub-populations within the HRM Model based on a statistical analysis of self-reported health status data obtained from the Current Population Survey (CPS). The CPS data provides the starting assumptions for the population morbidity, because the data includes a self-reported health status indicator as well as fields classifying income, age, gender, geography, coverage type, and other categories. Respondents to the survey classify their health into one of five categories: excellent, very good, good, fair and poor. The model reflects these classifications numerically by assigning a morbidity load to each category.

Information from the Agency for Health Care Research and Quality's MEPS data was used to simulate the New Jersey employer-based market. MEPS identifies key statistics for the employer-based market for every state by group size, including employer offer rates, employee take-up rates, and self-funding rates among employers. Individuals in the ACS data identified as working for private employers were categorized into employer group size segments (e.g., small employer groups) based on the distribution of employees by group size according to MEPS. Additionally the MEPS data was used to determine the number of individuals enrolled in self-funded plans to estimate the total size of the employer-based market. MEPS data was further used to inform our estimates of employer offer rates and self-funding rates.

The utility functions underlying the HRM Model were calibrated to replicate the number of individuals in each of the individual, employer-based, and uninsured markets in New Jersey for 2016, 2017, and 2018. The various parameters of HRM Model's utility functions were then further adjusted until the model also projected individual market enrollment in each of 2016, 2017, and 2018 that was consistent with key characteristics of the actual individual market enrollment for each year (e.g., by age range, income range, etc.).

The HRM Model assumes a "steady" state population beyond 2018. This means the overall distribution by income, health status, employer size, and family composition of the population being modeled is not expected to change significantly. Additional adjustments were applied to the model results to reflect anticipated population growth within the State of New Jersey. The population growth adjustments were developed based on population projections which are publicly available on the nj.gov website.

Average claim costs were calibrated and adjusted on an overall basis using information provided in the issuer data call, statutory financial statements, and from other public data sources. Beyond 2018, claim costs within the HRM Model were trended forward assuming an average annual claims trend rate equal to 7.8%. As a reasonability check of this assumption, we note that Oliver Wyman (OW) develops a semi-annual Carrier Trend Survey which reports the

nationwide pricing trends utilized by numerous issuers within the industry. The most recent survey available is for January 2018 effective dates and reflects pricing trends being used for approximately 100 million commercial members nationwide. Based on the January 2018 survey, the median trend rates being used are 7.2% for group medical PPO plans, 8.0% for group medical HMO plans, 6.1% for individual medical PPO plans, 7.7% for individual medical HMO plans, and 10.0% for prescription drug coverage. Relative to these results, and based on a review of 2018 issuer rate filings in New Jersey's individual health insurance market, the assumed trend rate equal to 7.8% was considered to be reasonable. Member cost-sharing and incurred claims were calculated by the HRM Model, with the assumed annual limitation on cost-sharing indexed for inflation each year according to Federal regulations using the most recent projections published by NHED.

Actual lowest-cost premium rates for New Jersey's individual ACA market in 2016, 2017, and 2018 were utilized within the HRM Model. Premium rates for 2019 (the baseline scenario) were developed from 2018 rate levels, assuming issuers will incorporate the following three additional items: one year of premium/claims trend, any necessary rate corrections to ensure they achieve their target loss ratios in calendar year 2019, and the moratorium on the ACA Insurer Fee. Additionally, in developing the 2019 premium rates, it is being assumed that issuers will offer at least one off-Exchange only Silver plan in 2019 on which no CSR load will be applied. Premium rates for 2020 and beyond are assumed to increase by the assumed annual premium/claims trend rate equal to 7.8% and, for 2020 specifically, the reintroduction of the ACA Insurer Fee.

Federal premium tax credits for eligible individual market enrollees were assumed to change each year based on premium changes associated with the second lowest cost silver plan available in each rating area and changes in the Applicable Percentage Tables. The Applicable Percentage Tables, while known for 2015 through 2018, were adjusted each year beyond 2018 according to the methodology outlined by the Internal Revenue Service (IRS).[18] Premium and income growth rates utilized in developing the Adjustment Ratio that was applied to the projected Applicable Percentage Tables were based on the most recent projections published by NHED.

As noted earlier, additional key assumptions which were incorporated into the HRM Model include the following: CSR subsidies will continue to be unfunded by the Federal Government and issuers will continue to load premiums for their silver plans by an amount equal to the lost CSR payments, issuer plan and network offerings will be similar to those available to consumers in 2018, issuer pricing assumptions will be similar to those used in 2019, there will be no significant issuer entries or exits, and there will be no additional significant legislative changes at either the state or Federal level.

[18] https://www.irs.gov/pub/irs-drop/rp-14-37.pdf

# 5. Distribution and Use

This report was prepared for the sole use of the State of New Jersey. All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the State of New Jersey. This report is not intended for general circulation or publication, nor is it to be used or distributed to others for any purpose other than those that may be set forth herein or in the definitive documentation pursuant to which this report was issued. All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the State of New Jersey.

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# 6. Disclosures and Limitations

The State of New Jersey engaged Oliver Wyman Actuarial Consulting, Inc. to assist in performing actuarial and economic analyses as part of their State Innovation Waiver application under Section 1332 of the Patient Protection and Affordable Care Act. The actuarial services provided consisted of analyses and forecasting to determine whether the proposed Section 1332 Waiver will satisfy the Section 1332 Waiver guardrail requirements.

Tammy Tomczyk and Ryan Schultz, Fellows of the Society of Actuaries are responsible for this actuarial communication. They are both Members of the American Academy of Actuaries, and meet the requirements to issue this report.

For our analysis, we relied on a wide range of data and information as described throughout this report. This includes information received from issuers currently offering coverage in the individual market in New Jersey. Though we have reviewed the data for reasonableness and consistency, we have not independently audited or otherwise verified this data. Our review of the data may not reveal errors or imperfections. We have assumed the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information are inaccurate or incomplete, our findings and conclusions may need to be revised. All projections are based on data and information available as of June 15, 2018, and the projections are not a guarantee of results which might be achieved.

The estimates included within are based on Federal law, regulations issued by the United States Department of Health and Human Services and the Internal Revenue Service, and applicable laws and regulations of the State of New Jersey. Further, our estimates assume that current law as it relates to the Affordable Care Act, and other statutes and regulations that impact the health insurance markets, will continue in the future years without material change that would impact the results included in this report.

In addition, the projections we show in this report are dependent upon a number of assumptions regarding the future economic environment, medical trend rates, issuer behavior, the behavior of individuals and employers in light of incentives and penalties, and a number of other factors. These assumptions are disclosed within the report and have been discussed with representatives from the State of New Jersey.

While this analysis complies with the applicable Actuarial Standards of Practice, in particular ASOP No. 23, Data Quality and ASOP No 41, Actuarial Communication, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic, statistical and other unforeseen variations from projected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect our projections. For these reasons, no assurance can be given that the emerging experience will correspond to the projections in this analysis. To the extent future conditions are at variance with the assumptions we have made in developing these projections, actual results will vary from our projections, and the variance may be substantial.

Oliver Wyman is not engaged in the practice of law and this report, which may include commentary on legal issues and regulations, does not constitute, nor is it a substitute for, legal

advice. Accordingly, Oliver Wyman recommends that the State of New Jersey secure the advice of competent legal counsel with respect to any legal matters related to this report or otherwise.

This report is intended to be read and used as a whole and not in parts. Separation or alteration of any section or page from the main body of this report is expressly forbidden and invalidates this report.

# 7. Actuarial Certification

I, Tammy Tomczyk, am a Partner with Oliver Wyman Actuarial Consulting, Inc. I am a Fellow in the Society of Actuaries, a Member of the American Academy of Actuaries, and am qualified to provide the following certification.

This actuarial certification applies to the State of New Jersey's application for a State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act. The State is seeking to waive §1312(c)(1) of the Affordable Care Act, which requires that all enrollees in all health plans offered by an issuer in the individual market be members of a single risk pool.

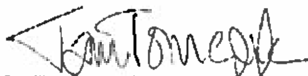
**Reliance**
In performing the analyses outlined in this report and arriving at my opinion, I used and relied on information provided by the State of New Jersey, information obtained from issuers currently offering coverage in the individual market in New Jersey, financial statement information, and additional information published by various agencies of the Federal government.

I used and relied on this information without independent investigation or audit. If this information is inaccurate, incomplete, or out of date, my findings and conclusions may need to be revised. While I have relied on the data provided without independent investigation or audit, I have reviewed the data for consistency and reasonableness. Where I found the data inconsistent or unreasonable, I requested clarification.

**Actuarial Certification**
In my opinion, the State of New Jersey's proposed Section 1332 Waiver application complies with the following requirements:

- **Scope of Coverage Requirement** – The Section 1332 Waiver will provide coverage to at least a comparable number of the State's residents as would be covered absent the waiver.
- **Affordability Requirement** - The Section 1332 Waiver will provide coverage and cost-sharing protections against excessive out-of-pocket spending that results in coverage which is at least as affordable for the State's residents as would be provided absent the waiver.
- **Comprehensiveness of Coverage Requirement** – The Section 1332 Waiver will provide coverage that is at least as comprehensive for the State's residents as would be provided absent the waiver.
- **Deficit Neutrality Requirement** – The Section 1332 Waiver will not increase the Federal deficit.

This certification conforms to the applicable Actuarial Standards of Practice promulgated by the Actuarial Standards Board.



Tammy Tomczyk, FSA, FCA, MAAA

June 27, 2018

Date

# Appendix A. Overview of Oliver Wyman's Healthcare Reform Microsimulation Model

We utilized Oliver Wyman's HRM Model to assess the impact that the proposed Section 1332 Waiver is expected to have on the individual health insurance market and correspondingly the uninsured population in the State of New Jersey. The HRM Model is an economic utility model that captures the flow of individuals across various markets based on their economic purchasing decisions and is integrated with actuarial modeling designed to assess the impact various reforms are expected to have on the health insurance markets. This model is a leading edge tool for analyzing the impact of various healthcare reforms or proposed legislation.

The HRM Model projects the number of individuals expected to seek coverage under each health insurance coverage type through the use of economic utility functions. The decision-making process for determining which health insurance coverage type is selected is made at the health insurance unit (HIU) level, where an HIU is defined as any grouping of family members where each person within the HIU might be eligible for coverage under the same policy. One exception to this is that individuals who are identified as being eligible for Medicare, Medicaid, CHIP, and other government sponsored coverage (e.g., government workers) are assumed to retain their government sponsored coverage, and the economic utility associated with employer-based coverage, individual market coverage or being uninsured is only evaluated by the HRM Model for the remaining individuals within an HIU.

HIUs are generally assumed to make economically rational decisions in selecting the health insurance option that maximizes the economic utility for the HIU. The HRM Model does allow for some irrational behavior, including the principle of "inertia" in HIU decision making (i.e., people are unlikely to make significant changes in their situation for relatively small changes in utility) and the assumption that not all uninsured individuals will actually shop for health insurance coverage each year.

An HIU's decision to enroll in ACA coverage is based on the lowest cost bronze, silver, or gold plan available in each rating area (RA) which provides the greatest economic value. Both on-Exchange and off-Exchange plans are made available to each HIU, with APTCs applied for those HIUs who are eligible. The economic utilities for all members of the HIU are aggregated to develop the corresponding utility for the HIU under each health insurance option.

Individuals identified as working for private employers are randomly categorized into synthetic employer groups of varying group sizes based on the distribution of group size from the Medical Expenditure Panel Survey (MEPS). An employer-based economic utility function, which takes into account items such as the expected costs which would be incurred as a result of not offering coverage (e.g., the penalty for not offering coverage) and the benefits that would be available to an employer's employees if they were to purchase coverage in the individual market (e.g., APTCs), determines whether or not a given employer will offer health insurance coverage to its employees and their dependents. If an employer offers coverage, all eligible employees and their dependents within each HIU (i.e., individuals who are not eligible for health insurance

coverage through a government sponsored program) are assumed to evaluate the health insurance coverage options offered by the employer.

The decision as to whether an HIU will take up coverage in either the employer-based market, the individual market, or choose to be uninsured is based on the result from comparing two economic utility functions. The first economic utility function calculates the utility associated with taking up coverage in either the employer-based market or the individual market (depending on whether the employer of the primary or spouse within an HIU is modeled to offer coverage) and is a function of the premium the HIU would be expected to pay (net of employer subsidies or Federal premium subsidies, respectively), any cost-sharing the HIU would be expected to pay out-of-pocket (net of any CSRs for applicable individual market coverage), and the risk aversion of the HIU. If multiple coverage options are available within a given market (e.g., bronze-level coverage, silver-level coverage), the utility of each coverage option is evaluated. The second economic utility function calculates the utility associated with not taking coverage and remaining uninsured, and is a function of any tax penalty the HIU would be assessed, total allowed claim costs for the HIU (assuming a reduced level of utilization due to the lack of insurance coverage), and the risk aversion of the HIU. If the utility of being uninsured is greater than the utility associated with taking up health insurance coverage, the HIU is assumed to be uninsured. Otherwise, the HIU is assumed to take up coverage in either the employer-based market or the individual market for the coverage option that provides the maximum utility for the HIU.

# Appendix B. Ten Year Budget Period Projections

## Detailed Summary of Individual Market Projections- Baseline and Waiver Scenarios

| Baseline | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Individual Enrollment | 321,000 | 322,000 | 321,000 | 322,000 | 322,000 | 323,000 | 324,000 | 324,000 | 325,000 | 326,000 | 327,000 |
| ACA APTC Enrollment | 189,000 | 188,000 | 189,000 | 190,000 | 191,000 | 191,000 | 192,000 | 193,000 | 194,000 | 195,000 | 196,000 |
| ACA Non-APTC Enrollment | 132,000 | 134,000 | 132,000 | 132,000 | 132,000 | 132,000 | 132,000 | 131,000 | 131,000 | 131,000 | 131,000 |
| Aggregate Premium (millions) | $2,240.0 | $2,351.6 | $2,621.6 | $2,832.5 | $3,060.4 | $3,306.7 | $3,572.9 | $3,860.4 | $4,171.2 | $4,507.0 | $4,869.8 |
| Average Premium Rate PMPM | $581 | $609 | $680 | $733 | $791 | $853 | $919 | $991 | $1,069 | $1,153 | $1,243 |
| Aggregate APTCs (millions) | $1,001.7 | $1,132.8 | $1,302.2 | $1,428.5 | $1,565.7 | $1,714.5 | $1,875.9 | $2,050.8 | $2,240.8 | $2,447.2 | $2,671.4 |
| Average APTCs PMPM | $442 | $502 | $574 | $627 | $684 | $746 | $813 | $885 | $963 | $1,047 | $1,138 |
| Exchange User Fees (millions) | $58.3 | $62.3 | $69.7 | $75.4 | $81.5 | $88.2 | $95.4 | $103.2 | $111.6 | $120.7 | $130.5 |

| Waiver | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Individual Enrollment | 321,000 | 331,000 | 330,000 | 330,000 | 331,000 | 332,000 | 332,000 | 333,000 | 334,000 | 334,000 | 335,000 |
| ACA APTC Enrollment | 189,000 | 188,000 | 189,000 | 190,000 | 191,000 | 191,000 | 192,000 | 193,000 | 194,000 | 195,000 | 196,000 |
| ACA Non-APTC Enrollment | 132,000 | 142,000 | 141,000 | 141,000 | 140,000 | 140,000 | 140,000 | 140,000 | 140,000 | 139,000 | 139,000 |
| Aggregate Premium (millions) | $2,240.0 | $2,049.7 | $2,284.3 | $2,467.9 | $2,666.2 | $2,880.5 | $3,112.0 | $3,362.2 | $3,632.4 | $3,924.5 | $4,240.0 |
| Average Premium Rate PMPM | $581 | $517 | $577 | $623 | $671 | $724 | $780 | $842 | $907 | $978 | $1,055 |
| Aggregate APTCs (millions) | $1,001.7 | $906.0 | $1,047.9 | $1,153.1 | $1,267.6 | $1,391.8 | $1,526.4 | $1,672.4 | $1,831.2 | $2,003.7 | $2,191.3 |
| Average APTCs PMPM | $442 | $401 | $462 | $506 | $554 | $606 | $662 | $722 | $787 | $857 | $933 |
| Exchange User Fees (millions) | $58.3 | $53.4 | $59.8 | $64.6 | $69.9 | $75.6 | $81.8 | $88.5 | $95.7 | $103.5 | $111.9 |

| Change - Baseline Scenario to Waiver Scenario | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Individual Enrollment | 0 | 9,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Total Individual Enrollment (%) | 0.0% | 2.7% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% |
| Average Premium Rate PMPM (%) | 0.0% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% | -15.1% |
| Average APTCs PMPM (%) | 0.0% | -20.0% | -19.5% | -19.3% | -19.0% | -18.8% | -18.6% | -18.4% | -18.3% | -18.1% | -18.0% |

| Demonstration of Deficit Neutrality Requirement (amounts shown in millions) | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Change in Total APTCs | $0.0 | -$226.8 | -$254.3 | -$275.4 | -$298.1 | -$322.8 | -$349.4 | -$378.3 | -$409.6 | -$443.5 | -$480.1 |
| Change in Exchange User Fees | $0.0 | -$8.8 | -$9.9 | -$10.7 | -$11.6 | -$12.5 | -$13.6 | -$14.7 | -$15.9 | -$17.2 | -$18.6 |
| Net Savings to Federal Government | $0.0 | -$218.0 | -$244.4 | -$264.7 | -$286.5 | -$310.2 | -$335.9 | -$363.6 | -$393.7 | -$426.3 | -$461.5 |

| Projected Reinsurance Program Cost and Funding Levels | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost of Reinsurance Program (millions) | $0.0 | $323.7 | $349.2 | $377.3 | $407.6 | $440.4 | $475.8 | $514.0 | $555.3 | $600.0 | $648.2 |
| Federal Pass Through Funding (millions) | $0.0 | $218.0 | $244.4 | $264.7 | $286.5 | $310.2 | $335.9 | $363.6 | $393.7 | $426.3 | $461.5 |
| State Funding (millions) | $0.0 | $105.8 | $104.8 | $112.6 | $121.1 | $130.2 | $139.9 | $150.4 | $161.6 | $173.7 | $186.7 |

Notes:
1. Enrollment volumes have been rounded to the nearest thousand and reflect average month enrollment levels
2. Aggregate values are in millions and have been rounded to the nearest hundred thousand
3. PMPM values have been rounded to the nearest whole dollar

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