



# Washington Health Benefit Exchange

## **Subsidy Study**

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Advisory Committee

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# Today's Topics

- Status Update & Timeline
- Progress on Model
- Review of Financing Mechanisms
- Stakeholder Feedback
- Next Steps



# ESSB 5526 (Section 6) Requirements

- Plan to *implement and fund* a state premium subsidy program
- Developed by Exchange in consultation with HCA and OIC
- Plan must include:
  - Assessment of the impact of subsidies on the uninsured rate
  - Assessment of providing cost-sharing reductions to plan participants
  - Implementing legislation
- Due to the legislature by November 15, 2020
- Limited to individuals purchasing coverage on the Exchange
- Limited to individuals up to 500% FPL
- Affordability goal: limit participant premium spend to no more than 10% of income



# Subsidy Study Timing

- Three main workstreams/deliverables:
  1. Modeling/Actuarial Analysis (Spring/Summer)
  2. Financing/Decision Package (Summer)
  3. Legislative Report/Bill Language (Fall)
  
- Report and legislative language due (Nov 15)
  - Recommended approach and fiscal impacts
  
- Governor's budget (Dec)
  
- Legislative session (Jan - May)



# High Level of Stakeholder Engagement

- Cascade Care Workgroup meetings
- All-Carrier meetings
- Legislator meetings
- Inter-agency Cascade Care Meetings (OIC, HCA, HBE)
- Coordinating with HCA & Universal Health Care Workgroup on actuarial assumptions and projections
- Coordinating with OFM on COVID-19 uninsured projections
- Committee and Workgroup presentations



# Cascade Care Workgroup Meetings

<b>May 21</b>	CC Session 1: Introduction, Background, Legislation, Timeline
<b>June 24</b>	CC Session 2: Review Initial Model
<b>July 8</b>	CC Session 2 feedback due.
<b>July 22</b>	CC Session 3: Review Model Revisions [Discuss additional scenarios & initiate funding discussion]
<b>July 31</b>	CC Session 3 feedback due.
<b>Aug 26</b>	<b>CC Session 4: Review Model Revisions [Confirm model/scenarios &amp; review funding estimates]</b>
<b>Sept 4</b>	<b>CC Session 4 feedback due.</b>
<b>Sept 23</b>	CC Session 5: Review Initial Policy Recommendations & Finalize Funding Approach
<b>Oct 2</b>	CC Session 5 feedback due



# Stakeholder Feedback

- Interest in 3 Model Scenarios:
  - Enhanced APTC
  - Fixed-dollar PMPM
  - U-curve
- Interest in Demographic Data (e.g., age, race, ethnicity, county)
- Interest in Additional Model Outputs
  - Scenario comparisons
  - Detail on market movement (uninsured rate; renewals; disenrollments, metal level movement, county level impacts)
  - Future market impacts
  - Summary tables
- Interest in Additional Populations
  - Undocumented (out of scope)
  - Essential workers (information not available)



# Incorporating Stakeholder Feedback

- What model does/will do:
  - Incorporates Washington specific data (working with OFM and HCA)
  - Illustrate 3 scenarios: Enhanced APTC; Fixed-dollar subsidy; U-curve
  - Show impact on morbidity/premiums; uninsured rate; cost
  - Show impact of COVID-19 on 2020-2022 enrollment
  - Show impact of tying subsidy to Cascade Care plans
  - Account for income; age; race; ethnicity; county
- What the model will not do:
  - Analyze subsidies tied to a specific metal tier
  - Include full 1332 analysis
  - Similar level of analysis for CSR subsidies





# Subsidy Financing

- HBE Goals
  - Broad-based & sustainable funding source
  - Funding level sufficient to achieve SB 5526 affordability target
    - *Enabling individuals earning up to 500% FPL to spend no more than 10% of MAGI on premiums*
- Challenges
  - State budget constrained from COVID-19; competing priorities for spending any new revenue; mitigating adverse impacts to unsubsidized consumer premiums
- Initial Feedback From Stakeholders
  - Financing should be broad-based, stable, and scalable
  - Pursue federal waiver authority to draw-down federal funds
  - Concern over financing mechanisms that would raise the cost of health care
- Focus of next stakeholder meeting (Aug. 26)



# Initial Review of Funding Options

- **Assessments on Fully-insured & Self-insured Health Insurance**
  - Covered Lives Assessments
  - Claims Taxes
  - Federal Health Insurance Provider Fee
- **Assessments on Fully-insured Health Insurance**
  - Tax on Carrier Surplus
  - Premium Taxes
- **Assessments on Health Insurance & Providers**
  - *Colorado Tax/Assessment (2020)*
- **Assessments on Employers**
  - Payroll Taxes
- **Assessments on Individuals**
  - Individual Mandate Penalty
  - Capital Gains Tax



# Subsidy Study Funding Review

## CASCADE CARE - SUBSIDY STUDY - FUNDING MODEL REVIEW

This chart is provided in accordance with HBE's work "to develop a plan to implement and fund premium subsidies" pursuant to ESSB 5526 (2019). The chart provides an overview of assessments, fees, premiums, and taxes that have been proposed or enacted in Washington, in other states, or at the federal level.

\*The level of assessment, revenues, and expenditures are provided for illustrative purposes where available, and are not meant to constrain the modeling of a state subsidy funding mechanism. This chart is not intended to be an exhaustive list of all funding options available to policymakers. \*

	Assessments on Fully-insured & Self-funded Insurance					Assessments on Fully-insured Insurance		Assessment on Insurance & Hospitals	Assessment on Employers			Assessment on Individuals		
	WA Covered Lives Assessment	PALS	WSHIP Assessment	WA Claims Tax	Federal Health Insurance Tax (HIT)	WA Carrier Surplus Tax	WA Premium Tax	Colorado Tax / Assessment	Mass. Employer Fair-Share Contribution	Mass. Employer Medical Assistance Contribution	Washington Paid Family & Medical Leave	Individual Mandate Penalty	Capital Gains Tax	
	SB 6062 (2018) - Cleveland [HB 2355 - Cody]	HB 2728 (2020) - Slatter	RCW 48.41.090	HB 2901 (2020) - Riccelli	Sec. 9010 of PPACA, P.L. 111-148	HB 2679 (2020) - Robinson [SB 6451 - Frockt]	HB 2821 (2020) - Cody	SB 20-215 (2020)	956 CMR 11 (2007-2014)	956 CMR 12 (2014-Present)	RCW 50A.10	SB 5840 (2019) - Cleveland	SB 5222 (2019) - Hasegawa	
	Proposed	Enacted	Enacted	Proposed	Repealed, effective 2021	Proposed	Proposed	Enacted	Repealed in 2014	Enacted	Enacted	Proposed	Proposed	
<b>Entities Assessed</b>	Fully-insured Carriers & Third-Party Administrators (TPA)	Fully-insured Carriers, Employers that provide insurance, & Self-funded Multiple Employer Welfare Agreements (MEWA)	Disability & Stop-loss insurers, HCCCs, HMOs, & Self-funded MEWAs	Fully-insured Carriers, TPAs, & Employers offering self-funded coverage	Fully-insured individual, small group, and large group health plans, Medicaid managed care, Medicare Part D, and Medicare Advantage	Fully-insured Carriers	Fully-insured Carriers & Managed Care Organizations (MCO)	Fully-insured Carriers & Hospitals	Employers w/ 11 or more FTEs that does not make a fair-share contribution to employee premiums	All employers w/ 6 or more employees	Employers & Employees	Uninsured Washington Residents	Washington Residents earning capital gains	
<b>Type of Assessment</b>	Assessment on covered lives	Assessment on covered lives	Assessment on covered lives	Claims Tax	Fee on health insurance premiums	Non-profit Carriers = Fee on excessive surplus For-profit Carriers = Tax on depreciation deductibles	Premium Tax	Carrier Fee = percentage of annual premiums Hospital Assessment = annual \$20 million	Employer Assessment	Employer Assessment	Employer & Employee Payroll Premiums	Individual Mandate Penalty	Capital Gains Tax	
<b>Tax / Fee %</b>	Assessment on entity's covered lives as a fraction of total covered lives in WA, necessary to equal \$200 million total (estimated at \$5 ppm)	Assessment on entity's covered lives as a fraction of total covered lives in WA, necessary to equal program expenses	Assessment on entity's covered lives as a fraction of total covered lives in WA, necessary to equal program expenses (estimated at \$0.68 ppm - 2025)	1% on all paid claims	Fee on 50% of net premiums between \$25 and \$50 million and 100% on net premiums above \$50 million ("2.2% of premium), based on insurer's market share.	Non-profit Carriers = Payment of 3% of all Surplus above 600% RBC For-profit Carriers = 3% tax of all depreciation deductibles	2.2% (2021) & 1.5% (2022-on)	Non-profit carriers = 1.15% of annual premiums For-profit carriers = 2.1% of annual premiums Hospital Assessment = \$20 million	\$295 or the sum of a Fair Share Employer Contribution and the Per Employee Cost of Unreimbursed Physician Care (whichever was less)	0.36% of all wages up to the Massachusetts unemployment insurance taxable wage base (\$500 per employee per year in 2014)	2019-20 total premium rate of 0.4% of wages, with review for annual adjustments beginning in 2021. ~1/3 paid by employers & ~2/3 paid by employee	2.5% of an individual's annual income or \$695, whichever is greater, capped at the avg bronze premium in WA	8.5% of the individual's Washington capital gains	
<b>Dedicated Uses</b>	Reinsurance	Partnership Access Line & Psychiatry Consultation Line @ UW (to fund non-Medicare portion of calls)	WSHIP Program Administration	Premium assistance for individuals w/ income btm 133-500% FPL, enrolled in a CHIP	Federal Advance Premium Tax Credits	Subsidies for unsubsidized & Foundational Public Health	Low-income health insurance programs	Reinsurance / Subsidies for subsidized population / Subsidies for unsubsidized population	In part - Subsidized low monthly premium insurance through ConnectorCare program	In part - Subsidized low monthly premium insurance through ConnectorCare program	Paid Family & Medical Leave	Admin of penalty / outreach to uninsured / activities to increase availability of health insurance or affordability of premiums	Funding for a Universal Health Care trust program	
<b>State Revenue</b>	\$200 million (yr 1) & ~\$160 million (yr 2-on)	Indeterminate	\$28 million (2019)	Indeterminate - Mechanism to track claims or assess TPAs/Employers	-	~\$57 million /yr in excess surplus (although true amounts unknown) Tax amounts = unknown	\$291 million (2021) & \$199 million (2022-on)	\$54.9 million (2021) / \$104.4 million (2022) / \$109.7 million (2023)	-	-	Employer Contribution = ~\$213 million / yr Employee Contribution = ~\$367 million / yr	Indeterminate - Commonwealth fund estimated a potential for \$165 million in revenue based on 2019 data	~\$1.3 billion annually	
<b>Federal Revenue</b>	\$40 million / yr	-	-	-	\$15.5 billion (2020)	-	\$97.4 million (2021) & \$66 million (2022-on), used to offset taxes on MCOs	~\$88 (2021) - \$175 (2023) million	-	-	-	-	None proposed, but 1332 possibility given reduction in premiums	-
<b>Expenditures</b>	\$200 million / yr	Indeterminate (\$510,000 in 2020)	\$29 million (2019)	-	-	-	(Offsets to PEBB/SEBB/Medicaid costs)	\$182.4 million (2021) up to \$314.8 million (2023)	-	-	-	-	-	-
<b>Administrative Costs</b>	Differs annually, between \$20,000 to \$400,000 - OIC	\$294,000 / yr	\$1.9 million (2019), = 4.8% of total expenses	-	-	\$109,000 - OIC	-	\$2.8-\$4.2 million	-	-	-	-	-	-
<b>Other Notes</b>	Required establishment of a TPA registration program & federal 1332 waiver	-	-	Premium assistance is set on a sliding scale by HCA and must be applied-for	-	Concerns expressed around getting to a dollar-figure based on RBC. May need to adjust assessment calculation.	HCA has questions around whether the PMA9/dedicated use of funds align with CMS policies.	Federal match based on 1332 waiver	-	-	-	Commonwealth Fund projects a 15% reduction in premiums (based on 2019 data)	-	
<b>Other State/Federal Activity</b>	Federal - Transitional Reinsurance Covered Lives Assessment (2014-2016)	-	-	Vermont - Health Care Claims Tax (Includes TPAs & PBMs) (23 V.S.A. 245)	-	-	Washington - Insurer Premium Tax (RCW 48.14.020) Vermont - Insurance Premiums Tax (32 V.S.A. 211) Oregon - 1.5% premium tax on insurers, including PEBB to fund reinsurance and Medicaid programs (HB 2391 (2017)) N.J. - 2.75% premium tax to replace HIA (AB 4389 (2020))	-	-	-	Oregon - PFML Payroll Tax (HB 2005 (2019))	Federal - ACA Individual Mandate (2014-2018)	-	



# Next Steps

- Finalize model
- Use model to make data-driven policy decisions about how to structure subsidy
- Estimate subsidy implementation costs
- Further discuss and analyze potential funding mechanisms



# Additional Information & Resources

<https://www.wahbexchange.org/about-the-exchange/cascade-care-2021-implementation/>

## Subsidy Study Materials

- Workgroup Meeting Materials
- Stakeholder Feedback
- Research and Data
- Financing Information
- Wakely Report



# Appendix

# SB 5526 – Subsidy Study

**NEW SECTION. Sec. 6.** (1) The Washington health benefit exchange, in consultation with the health care authority and the insurance commissioner, must develop a plan to implement and fund premium subsidies for individuals whose modified adjusted gross incomes are less than five hundred percent of the federal poverty level and who are purchasing individual market coverage on the exchange. The goal of the plan is to enable participating individuals to spend no more than ten percent of their modified adjusted gross incomes on premiums. The plan must also include an assessment of providing cost-sharing reductions to plan participants and must assess the impact of premium subsidies on the uninsured rate.

(2) The Washington health benefit exchange must submit the plan, along with proposed implementing legislation, to the appropriate committees of the legislature by November 15, 2020.

(3) This section expires January 1, 2021.



# Individual Market Assessment

## **ESSB 6168 – Sec 214**

(10) \$100,000 of the general fund—state appropriation for fiscal 5 2021 is provided solely for the exchange to contract with an independent actuarial consultant to conduct an assessment of the impact of a state requirement that individuals enroll in health coverage. The assessment shall consider the effects of this requirement on revenue, individual market enrollment, individual market premiums, and the uninsured rate. The exchange shall submit assessment findings to the chairs of the health committees of the legislature no later than December 15, 2020.





# Cascade Care Workgroup Membership

Name	Title	Organization
Patrick Connor	Washington State Director	National Federation of Independent Business
Erin Dzedzic	Principal	Dzedzic Public Affairs
Sean Graham	Director of Legislative & Political Affairs	Washington State Medical Association
Melinda Hews	Senior Director, Small Group & Individual & Family Marketing, Sales & Business Development	Kaiser Permanente
Sybill Hyppolite	Healthcare Policy Specialist	SEIU Healthcare
Allie Mangiaracino	Senior Market Insights Analyst	Covered California
Kristin Meadows	Director of Individual Strategy	Premera
Daphne Pie	Health Services Administrator	Public Health-Seattle & King County
Shirley Prasad	Policy Director – Government Affairs	Washington State Hospital Association
Andrea Tull Davis	Senior Director, Government & External Relations	Coordinated Care
Marilyn Watkins	Policy Director	Economic Opportunity Institute
Janet Varon	Executive Director	Northwest Health Law Advocates





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