



Update: Subsidy Implementation Plan

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Exchange Board Meeting
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Today's Topics

- Review scope and implementation timing
- Update on recent staff activity
- Preparation for in-depth October Board briefing

Background: Cascade Care Bill

- ✓ **Standard Qualified Health Plans (QHPs):** Requires HBE, in consultation with HCA, OIC, and an actuary and other stakeholders, to design and implement standard QHP plans for 2021 plan year
- ✓ **Public Option:** Requires HCA, in consultation with HBE, to contract with health carriers to offer state procured standard QHPs (public option plans) for 2021 plan year that have provider reimbursement rate caps and must include quality and value requirements
- ❑ **Subsidy Implementation Plan:** Requires HBE, in consultation with HCA and OIC, to develop and submit a plan for implementing premium subsidies through Exchange for individuals up to 500% FPL

Background: Legislative Requirements for Subsidy Implementation Plan

- 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
- 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

Background: Key Exchange Goals & Considerations

- Lower Washington's uninsured rate
- Increase access
- Lower premiums
- Support continuity of coverage and retention
- Build credible and scalable model that can be used now and, in the future, to determine impacts on premiums, enrollment, state costs and the uninsured rate

Implementation Timing

- Three main workstreams & deliverables
 1. Building Subsidy Model & Actuarial Analysis (Summer)
 2. Identify and Analyze Funding Mechanisms (Summer/Fall)
 3. Legislative report & draft bill language
- Stakeholder engagement (May – present)
 - Interagency Workgroup Meetings
 - Cascade Care Workgroup Stakeholder Meetings
- Subsidy implementation plan and legislative language due to legislature (November 15)
- Individual mandate assessment due to legislature (December 15)
- Governor's budget (December)
- Legislative session (January - May)

Recent Activity

- Wakely has built a scalable model, informed by Washington and Exchange specific data (uninsured, market movement, COVID-19 impacts)
- Model and underlying assumptions have been vetted with stakeholders (and their actuaries)
- Analyzing requested scenarios, to help identify areas of greatest need and maximum effect
- Key topline comparative metrics include:
 - Total state cost
 - Number of uninsured gaining coverage
 - Number receiving state subsidy
 - Average premium reduction
 - Subsidy impact on: Current enrollees; Enrollees migrating from off-Exchange; and uninsured
 - Morbidity Impact
 - Increase in federal spending on premium tax credits
 - Percentage of individuals under 500% FPL Paying <10% of Income on Premium

Recent Activity (continued)

- Reviewing population specific outcomes, including:
 - Subsidy status
 - Age
 - Income
 - Race
 - Ethnicity
 - Geography
- Completed review of subsidy financing mechanisms considered in prior legislative sessions; narrowing scope for inclusion in report
 - Assessments on Fully-insured & Self-insured Health Insurance
 - Assessments on Fully-insured Health Insurance
 - Assessments on Health Insurance & Providers
 - Assessments on Employers
 - Assessments on Individuals

Next Steps

- Complete comparative analysis (September)
- Review impact of tying subsidies to Cascade Care plans (September)
- Begin cost-sharing assessment (September)
- Review findings with stakeholders (CC Workgroup meeting September 29)
- Board meeting to review staff recommendations (October 22)
- Report and leg. language submitted to legislature (November 15)

Appendix



Cascade Care Implementation Website: Subsidy Study Materials

Subsidy Study Materials

Stakeholder Feedback

- [Summary of May 21 Meeting Feedback](#)
- [Summary of June 24 Meeting Feedback](#)
- [Summary of July 22 Meeting Feedback](#)

Background Research & Data

Washington State Research

- [Estimated Impact of COVID-19 on Washington State's Health Coverage – OFM 2020](#)
- [FPL and Immigration Status of the Uninsured](#)
- [Washington State's Uninsured Rate – Washington State Health Services Research Project – OFM 2019](#)
- [American Community Survey 2018 – Percent Uninsured by FPL](#)

National & Other State Research

- [Background on Affordability](#)
 - [California](#)
 - [Covered California Program Eligibility by FPL](#)
 - [Covered California State Subsidy Program Design \(2020\)](#)

- [Massachusetts](#)
 - [MIT Economics Study of Massachusetts Subsidies for Low-Income Adults \(2019\)](#)
 - [Massachusetts ConnectorCare Fact Sheet](#)
- [Vermont](#)
 - [Vermont Health Connect 2020 Subsidy Eligibility Thresholds](#)

Financing & Data Analysis

- [Funding Model Review Chart](#)
- [Health Insurance Provider Fee Background](#)
- [Colorado](#)
 - [Colorado Senate Bill 20-215 – Colorado HIT Tax](#)

Wakely Reports

- [Stakeholder Subsidy Analysis Model – 07/17/2020](#)

For more information on the Exchange's Cascade Care implementation work please contact Cascade Care Workgroup at cascadecare@wahbexchange.org

All Cascade Care Workgroup meeting materials also available online:
<https://www.wahbexchange.org/about-the-exchange/cascade-care-2021-implementation/>

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 modelling 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 |
| Entities Assessed | 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, HCSCs, 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 |
| Type of Assessment | 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 |
| Tax / Fee % | 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 - 2019) | 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 premiums). 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 (~\$50 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 |
| Dedicated Uses | Reinsurance | Partnership Access Line & Psychiatry Consultation Line @ UW (to fund non-Medicaid portion of calls) | WSHIP Program Administration | Premium assistance for individuals w/ income btwn 133-500% FPL, enrolled in a QHP | 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 |
| State Revenue | \$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 |
| Federal Revenue | \$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 | - |
| Expenditures | \$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) | - | - | - | - | - |
| Administrative Costs | Differs annually, between \$120,000 to \$400,000 - OIC | \$294,000 / yr | \$1.9 million (2019)... = 4.8% of total expenses | - | - | \$109,000 - OIC | - | \$2.8-\$4.2 million | - | - | - | - | - |
| Other Notes | 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 FMAP/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) | - |
| Other State/Federal Activity | Federal - Transitional Reinsurance Covered Lives Assessment (2014-2016) | - | - | Vermont - Health Care Claims Tax [includes TPAs & PBMs] (32 V.S.A. 243) | - | - | 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) | - |

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 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.



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