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STATE OF NEW HAMPSHIRE 1332 STATE INNOVATION WAIVER APPLICATION TO ESTABLISH A STATE REINSURANCE PROGRAM

NEW HAMPSHIRE INSURANCE DEPARTMENT

Commissioner Christopher R. Nicolopoulos

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I. Executive Summary

Request

Christopher R. Nicolopoulos, New Hampshire Insurance Commissioner, on behalf of the State of New Hampshire, is submitting this application to the Centers for Medicare and Medicaid Services (CMS), a division of the United States Department of Health and Human Services (HHS), and to the United States Department of the Treasury, for a waiver of certain provisions of the Patient Protection and Affordable Care Act, Public Law 111-148, as amended by the Health Care and Education Reconciliation Act of 2010, Public Law 111-152, together referred to as the Affordable Care Act (ACA), as authorized by Section 1332 of that Act.

New Hampshire's Section 1332 Waiver application seeks to waive Section 1312(c)(1) of the ACA 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, 2021 for an initial period of five years.

This waiver would not affect any other provision of the ACA but is expected to result in a lower market-wide index rate, thereby lowering premiums and reducing the Federal cost of Premium Tax Credits (PTCs). With this Section 1332 Waiver application, New Hampshire requests that the Department of the Treasury "pass-through" net savings to help fund its reinsurance program.

Basis for Request and Goal of Reinsurance Program

New Hampshire's individual health insurance market has seen a steady decline in the rate of unsubsidized enrollees due to the full cost of premiums. The State is concerned that this decline, in combination with recent policy changes, puts the market at risk of losing individual market issuers and that the market is not positioned to attract new issuers. As a result, consumer choice is at risk and premiums are impacted.

New Hampshire believes that the introduction of a state-based reinsurance program to fund high cost claims would lower premiums, making it possible for more individuals to stay in the market and making the market more attractive to existing and possible future issuers. Both of these outcomes would help to maintain stability in the market.

Operation, Funding and Impact of the New Hampshire Reinsurance Program

As outlined in further detail below, House Bill 4 (HB 4), signed into law on October 2, 2019, authorizes the State's Section 1332 Waiver application and requires Federal approval of the waiver application for the reinsurance program to be implemented. Under HB 4, the program would be administered by New Hampshire Health Plan (NHHP), a statutorily-authorized non-profit organization, on behalf of the State.

The proposed reinsurance program would be modeled after the former Federal Transitional Reinsurance Program and would reimburse issuers who offer comprehensive coverage in New Hampshire's single risk pool individual market via an attachment point model reinsurance program. The proposed reinsurance program is expected to lower issuer costs in New Hampshire's individual market by approximately 16 percent on average and increase

enrollment in the individual market's unsubsidized population by approximately 6 percent.

The sources of funding for the proposed reinsurance program are expected to be as follows:

1) A premium assessment, authorized by New Hampshire RSA 404-G, which is described in more detail below.
2) Federal pass-through funding provided in response to this waiver application; estimates of the amount of which are detailed below.

Compliance with Section 1332

New Hampshire's Section 1332 Waiver satisfies all of the waiver guardrails provided for under the ACA:

- The waiver does not make alterations to the required scope of benefits offered in the individual health insurance market in New Hampshire and, therefore, would provide access to coverage that is as comprehensive as absent the waiver. Further, the waiver would result in an increase in the number of individuals with coverage that meets the ACA's Essential Health Benefits requirements.
- The waiver would reduce premiums and not impact cost sharing, thereby increasing the affordability of comprehensive coverage.
- The waiver would cover more individuals in New Hampshire than would be covered absent the waiver.
- The waiver would not result in increased spending or administrative or other expenses to the Federal government.

As detailed below, New Hampshire's waiver would also advance the Federal principles for Section 1332 Waivers.

State Contact

David Sky, FSA, MAAA, Chief Life, Accident and Health Actuary at the New Hampshire Insurance Department, will serve as the State's point of contact for the Section 1332 Waiver application and is responsible for ensuring compliance with all Section 1332 Waiver provisions, submitting required reports and serving as the primary contact for all waiver-related issues and concerns.

Name: David Sky, FSA, MAAA
Title: Chief Life, Accident and Health Actuary
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II. New Hampshire Section 1332 Waiver Request and Goals

Despite having a higher median household income than the nationwide average, New Hampshire's individual health insurance market has seen a steady decline in the rate of unsubsidized enrollees due to the full cost of premiums. In 2019, only 16,000 of the total 41,000 enrollees in the individual market enrolled without PTCs. Furthermore, that segment of enrollees is shrinking quickly. While 25,000 individuals enrolled without premium assistance in 2017, only 16,000 did so in 2019. The individual market also shrunk significantly in 2018 with enrollment dropping 12 percent as a result of rate increases and then decreasing by nearly 50 percent at the end of 2019 when the State's premium assistance program was moved out of the State's Marketplace.[1]

Recent health policy changes have also put a strain on the individual health insurance market in New Hampshire. The elimination of the individual mandate penalty, lack of funding for cost-sharing reductions and expanded access to short-term limited duration insurance and association health plans have led to uncertainty that has destabilized the market. In the early years of the ACA, issuer participation in the individual market in New Hampshire grew significantly up to a high of five issuers participating. That has since decreased to three issuers participating for the last three years. Maintaining current participation levels is always uncertain year to year; New Hampshire is at risk of issuers leaving the market as has happened in other states.

New Hampshire has a long history of using market stabilization mechanisms to reinforce the health of the State's individual market. For approximately four decades, until 1994, New Hampshire provided Blue Cross Blue Shield a tax exemption in exchange for offering guaranteed issue coverage. In 1994, the State introduced market-wide guaranteed issue and subsequently, in 1998, created a risk subsidy mechanism to support the market. Guaranteed issue in the individual market ended in 2002, at which point the State introduced a state-based high-risk pool. Later, in 2010, the State implemented the Federal Pre-Existing Condition Insurance Plan (PCIP). The state-based high-risk pool and the PCIP continued until 2014 when guaranteed issue was required at the Federal level and the Federal Transitional Reinsurance Program began under the ACA.

Based on that history and an in-depth and stakeholder-informed review of current market challenges, New Hampshire believes that a state-based reinsurance program would be an effective way to help stabilize the individual market. By establishing a reinsurance program to reimburse issuers based on their liability for high cost claims, New Hampshire's Section 1332 Waiver would reduce premiums, making private individual health insurance coverage more accessible, particularly for those New Hampshire residents who do not receive advance PTCs. More stable membership in the individual market would, in turn, stabilize issuer participation, reducing the risk of further erosion of issuer participation and supporting the potential for increased competition among issuers in future years and, as a result, increased consumer choice.

In order to implement a reinsurance program, New Hampshire is seeking to waive

[1] https://www.nh.gov/insurance/reports/documents/nhid-annual-hearing-final-report-2019.pdf

Section 1312(c)(1) of the ACA to the extent that it impacts market-wide index rate development effective January 1, 2021 and for an initial period of five years. Waiver of Section 1312(c)(1) is necessary to allow issuers to include expected reinsurance payments as they develop their market-wide index rates – which is a condition of participation in the reinsurance program and necessary for rate savings to be realized.[2]

III. Description of 1332 Waiver Proposal

The proposed New Hampshire reinsurance program has been modeled largely on the Federal Transitional Reinsurance Program that operated in the individual market from 2014 through 2016 under Section 1341 of the ACA. Like the Federal program, New Hampshire's reinsurance program would operate under an attachment-point based model.

Authorizing Legislation

New Hampshire HB 4 (codified as Chaptered Law 346 of 2019) was signed into law by Governor Christopher Sununu on October 2, 2019. HB 4, in part, amended New Hampshire RSA 404-G:12, which directs the New Hampshire Insurance Department (NHID) to work with NHHP to establish a market stabilization program, such as a reinsurance program, for the State's individual market if doing so is supported by actuarial experts retained by NHID. Under the statute, the program would be administered by NHHP.

RSA 404-G:12, together with New Hampshire RSA 420-N:6-a (also amended by HB 4), also authorizes the State to apply for a Section 1332 Waiver and specifically directs the NHID to do so if such action is supported by the recommendations of actuarial experts. As outlined in a report issued to the NHID and attached as Appendix B, NovaRest Actuarial Consulting (NovaRest) found that implementing a reinsurance program would result in both premium savings and increased enrollment. RSA 404-G:12 provides that the reinsurance program may be implemented *if* such waiver is approved by the Federal government. As such, the reinsurance program will only be implemented if the Section 1332 Waiver is granted.

RSA 420-G:12 provides that the Commissioner of Insurance may request the NHHP to develop a plan of operation to support the affordability and accessibility of health insurance in NH's individual health insurance market. As a result, NHID has directed NHHP to develop a Reinsurance Risk Mechanism Plan of Operations that includes the Section 1332 Waiver program within the individual health insurance market.[3]

Based on the findings that a Section 1332 Waiver is necessary to draw down Federal pass-through funding to support the reinsurance program, NH has developed this waiver application as required by State law and as outlined above.

The State funding to support the reinsurance mechanism would be derived from an insurance

[2] Section 1312(c)(1) of the ACA 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 non-group market, including those enrollees who do not enroll in such plans through the Exchange, to be members of a single risk pool."
[3] See Appendix A for the NHID Order.

assessment for which NHHP has authority pursuant to New Hampshire RSA 404-G:3(I), which provides NHHP with those powers and duties approved by the Commissioner of Insurance. As noted above and included in Appendix A, NHID has issued an Order directing NHHP to develop a Plan of Operations. The Order specifically directs NHHP to assess its members to fund the State share to support the reinsurance program. Assessments for the reinsurance program would begin accruing January 1, 2021.

See Appendix A for full copies of the legislation described above.

Reinsurance Program Structure

The New Hampshire reinsurance program, if the Section 1332 Waiver is approved, would be administered by NHHP on behalf of the State.[4] NHHP is a statutorily-authorized non-profit organization that, while independent from the State, has expressed powers authorized by the State. New Hampshire RSA 404-G created and authorizes the activities of NHHP.

Like the Federal Transitional Reinsurance Program, New Hampshire's reinsurance program would function as an invisible reinsurance program, in that enrollees would remain in their current health insurance plan in the single risk pool individual market. Issuers would receive reimbursement from the reinsurance program based on their liability for high-cost claims with funding allocations determined based on attachment-point reinsurance parameters. Enrollees would not be aware that claims were being reimbursed by the reinsurance pool as the reimbursement would be completed on the backend of the process without coverage being ceded or consequences otherwise to the enrollee.

The program would reimburse issuers who offer comprehensive, major medical plans in New Hampshire's individual market that are part of the single-risk pool. Grandfathered and transitional plan claims would be excluded, but reinsurance would be available for both on and off Exchange single risk pool claims. Payments to issuers would be calculated based on a percentage (coinsurance percentage) of the annual claims that issuers incur for coverage under such plans between a specified lower threshold (attachment point) and upper threshold (reinsurance cap). The reinsurance parameters would be determined each year by NHID by February 1st of the prior year based on recommendations of the Board of Directors of NHHP and the Commission on the Status of the Individual and Small Group Markets.

For the 2021 Plan Year, the State is anticipating a reinsurance program with an attachment point of $60,000 and a target reinsurance cap of $400,000. The target coinsurance percentage for 2021 would be 74 percent. However, the coinsurance amount and the cap would not be finalized until all funding and requests for reimbursement have been reviewed. The State has committed that all funding collected for the reinsurance program would be paid out (for payments to issuers and for program administration) for the year for which it is collected, and no additional State funds would be provided. The State understands that actual values of revenue / funding and amounts eligible for reimbursement may differ from projected amounts. Therefore, after the total funding available (inclusive of State and Federal funding) is confirmed and the total amount of payments due based on eligible claims has been determined, the coinsurance rate would be finalized in order to ensure reinsurance reimbursements and

[4] This would include drawing down Federal pass-through funds and submitting reports on behalf of the State.

administrative costs do not exceed the funding available for the applicable plan year based on the static funding parameters outlined below. Similarly, the target coinsurance rate may be increased as necessary to ensure that all funds collected are expended. If, for any year, the coinsurance rate is adjusted to 100% and available funding continues to exceed coinsurance payment amounts, the State would adjust the reinsurance cap.

Final payments to issuers would be based on all claims incurred in the applicable program year and adjudicated and paid by June 30th of the following year. NHHP would calculate an initial, partial payment allocation due to each issuer based on information received in EDGE Server summary reports for which NHHP intends to contract with CMS. NHHP would also collect summary claims information from issuers following the close of the applicable program year (claims incurred in the applicable year and paid by June 30th of the following year). This summary claims data would be used to determine the final payment allocation percentages due to each issuer. These final payment allocation percentages would be authenticated based on a comparison to the EDGE Server summary reports, and issuers may be asked to submit additional claims information to substantiate their data if there are discrepancies. Again, as detailed above, if total payments based on the target reinsurance amount exceed funding available or vice versa, the coinsurance rate – and possibly the cap – would be adjusted to ensure the two amounts match.

The State would revisit reinsurance parameters on an annual basis based on modeling of the assessment adequacy and annual projections of claims for the following program year. It is estimated that NHID would announce the parameters to be used for the future plan years to issuers and members of the public by no later than February of the prior year.

As outlined in detail in Appendix B, the actuarial analysis completed for New Hampshire projects that, for the 2021 Plan Year, the reinsurance program would lower premiums in the individual market by an average of approximately 16 percent and would increase unsubsidized insured enrollment by 6 percent compared to if no program were in effect.

While issuers with plans in the individual single-risk pool market would not be held to a specific rate decrease relative to the reinsurance program, they would be required to reflect the fact that there is a mechanism in place from which they would receive reimbursement and to factor their estimate of rate impact into rates in order to participate in the program.

In utilizing the parameters described, as with the federal Transitional Reinsurance Program, it is expected that issuers would continue to have incentives to apply their care management practices across all claims. This is because it is intentionally expected that issuers would be reimbursed for only a portion of a given member's claim costs and only for those claims between the attachment point and reinsurance cap. However, with the goal of ensuring cost-effectiveness and being prudent with public funds, as a condition of participation in the reinsurance program, issuers would be required to have care management programs in place[5] and to submit descriptions of their care management programs initially and to provide timely updates (no less than annually) to NHHP.

[5] All health issuers in New Hampshire subject to New Hampshire RSA 420-J are already subject to certain care management requirements.

The State reserves the right to make program changes within the parameters of the waiver approval and will do so by August 1st of the year prior to when those changes would be effective.

Reinsurance Program Funding

The sources of funding for the proposed reinsurance program would be as follows:

1) A premium assessment to be applied to issuers across the health insurance market.

As noted above, NHHP would tap its authority under New Hampshire RSA 404-G:3(I) for a per exposure (per member per month) assessment (consistent with the assessment methodology employed to support the former State high-risk pool and other NHHP programs) that applies to all licensed issuers across the State's health insurance markets.[6] This State funding would fund the costs of the program which are not financed by the federal pass-through funding.

The calculation of the State assessment would be fixed at 60 basis points (0.6 percent) of the prior year's Second Lowest Cost Silver Plan (SLCSP) without-waiver rate.[7] As such, the assessment is expected to change each year, and the assessment for a given year can be calculated as soon as the SLCSP premium for the prior year is known (at this point, by November of two years prior to the applicable year). NHID expects the assessment base to be relatively stable and assumes that the assessment rate will increase in proportion to the assumed increases in State funding projected by NovaRest.

Based on the SLSCP rate for 2020 ($404.60) the assessment would be $2.43 per member per month. Based on an assessment base of approximately 490,000 lives, the assessment is estimated to raise $13,500,000 to fund claims cost.[8]

2) Federal pass-through funding provided in response to this waiver application.

Through this Section 1332 Waiver application, New Hampshire is requesting that the Treasury "pass-through" to the reinsurance program the cost savings from reduced federal outlays for PTCs as provided for under 1332(a)(3) of the ACA. PTCs are calculated based on the premium for the SLCSP. Therefore, the reduction of the premiums for the SLCSP that will result from the reinsurance program will directly reduce the cost of PTCs. The pass-through funding amount would be reduced by the decrease in Exchange use fees resulting from premium reductions. The State estimates that it will be eligible for $32,922,477 in pass-through funding in 2021, increasing to between $34,474,001 and $39,632,038 in each of the remaining years of the initial waiver, as outlined in Appendix B. This funding would be used jointly with the State funding to reimburse eligible claims under the reinsurance program.

[6] See New Hampshire RSA 404-G:2 for definition of "health insurance" and "covered lives" that are subject to assessment.
[7] The SLCSP rate used for the calculation would be the "without waiver" rate for a non-smoking 40-year-old.
[8] This is based on $500,000 in administrative costs and was calculated based on a two percent margin of conservatism to account for fluctuations in the assessment base that would impact the total assessment dollars collected. However, all State funds collected and available after funding the program administration would be paid out for the year for which the funds were collected.

IV. Compliance with Section 1332 Guardrails

The NHID retained NovaRest to address the actuarial analysis, actuarial certifications, economic analysis and data and assumptions requirements for the New Hampshire Section 1332 Waiver. NovaRest collected data from all three issuers offering individual coverage in New Hampshire's Marketplace to develop the analysis.

As detailed in NovaRest's report in Appendix B, New Hampshire's proposed waiver program was designed to comply with the required "guardrails" for Section 1332 Waivers outlined in the ACA and described in more detail in guidance published on October 22, 2018.[9] Specifically, and as addressed below, New Hampshire's proposed reinsurance program would satisfy the requirements relative to ensuring that health care coverage remains comprehensive, affordable and accessible to Granite Staters and that the waiver would not increase the federal deficit.

Comprehensiveness of Coverage (1332(b)(1)(A))

ACA Section 1332(b)(1)(A) requires that coverage available after implementation of the waiver must be at least as comprehensive in regard to covered benefits (measured by the extent to which that they satisfy ACA Essential Health Benefit (EHB) requirements) as would be available without the implementation of the Section 1332 Waiver. The proposed waiver cannot make alterations that diminish the scope of benefits offered and cannot result in a decrease in the number of individuals with access to affordable coverage that meets the EHB requirements.

New Hampshire's Section 1332 Waiver would not alter the required scope of benefits offered in the individual insurance market, including relative to the ACA EHB requirement under section 2707 of the Public Health Service Act as well as state mandated benefits. As such, the comprehensiveness of coverage guardrail is satisfied. Furthermore, the waiver would increase the number of individuals that enroll in coverage (as outlined below) that meets both the existing State and Federal requirements. The waiver would have no material impact on comprehensiveness of group coverage or public programs.

Affordability of Coverage (1332(b)(1)(B))

ACA Section 1332(b)(1)(B) requires that the cost of comprehensive (EHB-compliant) coverage and access to cost-sharing protections against excessive out-of-pocket spending must be at least affordable as would be available without the implementation of the Section 1332 Waiver. The proposed waiver cannot decrease existing coverage or cost-sharing protections against excessive out-of-pocket spending or otherwise result in a decrease in affordability for individuals. For the purposes of this guardrail, "affordability" is based on state residents' net out-of-pocket spending, including relative to premium contributions, cost sharing and spending on non-covered services.

New Hampshire's Section 1332 Waiver would not require or encourage issuers to alter their

[9] https://s3.amazonaws.com/public-inspection.federalregister.gov/2018-23182.pdf

plans' cost-sharing designs or network coverage. Furthermore, New Hampshire's Section 1332 Waiver is designed and expected to reduce premium rates in the individual market. As outlined in Appendix B, in the first year of the waiver, premiums are projected to be approximately 16 percent less expensive than they would be without the waiver. As a result, if approved, New Hampshire's Section 1332 Waiver is expected to make coverage more affordable for those who pay the full cost of comprehensive (EHB-compliant) insurance in the individual market and would not raise the cost of coverage for those receiving PTCs. The waiver would have no material impact on premiums, cost sharing and other costs relative to group coverage or public programs.

Scope of Coverage (1332(b)(1)(C))

ACA Section 1332(b)(1)(C) requires that, under a Section 1332 Waiver, coverage must be available to at least a comparable number of the State's residents as would have been covered absent the waiver.

New Hampshire's Section 1332 Waiver does not alter the scope of available coverage and will not alter its availability. NovaRest estimates that reduced premiums will result in more individuals retaining coverage, rather than dropping coverage due to unaffordable premium rates, and further estimates that approximately 1,100 more individuals will be covered in 2021. The waiver would have no material impact on enrollment in group coverage or public programs.

Deficit Neutrality (1332(b)(1)(D))

ACA Section 1332(b)(1)(D) requires that a Section 1332 Waiver must not increase the Federal deficit in each year of the waiver and over a 10-year budget period. The proposed waiver cannot result in increased spending or administrative or other expenses to the Federal government. All changes in Federal revenues and outlays resulting from an approved Section 1332 Waiver must be considered.

New Hampshire's Section 1332 Waiver would not increase Federal spending or administrative or expenses and, as such, would not increase the Federal deficit. The reinsurance program proposed in New Hampshire's Section 1332 Waiver would seek pass-through funding that is equal to, and not greater than, the amount of additional money in PTCs that the Treasury would otherwise pay without a reinsurance program under a Section 1332 Waiver. The funding would result from savings to PTCs due to lower premium amounts, offset by the corresponding reduction in projected revenue from Exchange User Fees. As a result, Federal expenditures would not be expected to change as a result of the waiver.

V. Advancement of Section 1332 Principles

New Hampshire's proposed Section 1332 Waiver would advance the Federal principles for Section 1332 Waivers as enumerated in the Federal State Relief and Empowerment Waiver guidance released on October 22, 2018: providing increased access to affordable private market coverage; encouraging sustainable spending growth; fostering state innovation; supporting and empowering those in need; and promoting consumer-driven healthcare.

Provide Increased Access to Affordable Private Market Coverage

As noted above, the reinsurance program established under New Hampshire's Section 1332 Waiver would reduce premium rates and the contributions made by a number of Granite Staters, specifically those individuals who purchase insurance on the individual market without PTCs. As such, private health insurance would be both more affordable and, in turn, more accessible to those individuals. By stabilizing the individual insurance market, the reinsurance program is also geared toward maintaining issuer participation and competition in the market which benefits all enrollees.

Encourage Sustainable Spending Growth

New Hampshire's Section 1332 Waiver may stem what could be an anti-selection spiral in the non-subsidized segment of the individual market. This portion of the market has seen membership decline by more than 35% from 2017 to 2019. This segment may be causing pressure on individual market premiums, which may be resulting in increased PTCs.

The proposed reinsurance program would reduce individual market premiums and is expected to arrest, or even reverse, this apparent spiral. This would promote more cost-effective coverage which would result in more sustainable federal spending (PTCs and waiver funds).

Foster State Innovation

With input from stakeholders and the New Hampshire legislature, and based on the findings outlined by NovaRest, NHID and NHHP has determined that a state-based, attachment point reinsurance program meets the State's needs for stabilizing the individual insurance market, lowering premium rates and increasing enrollment. In particular, the State heard from issuers that this model, as compared to others considered, would have the largest impact on rates with the least need from conservatism in factoring program impact into their rate development. Through that exercise and this waiver, New Hampshire has designed a program with unique features specifically geared to the State's conditions and needs.

Support and Empower Those in Need

New Hampshire's proposed Section 1332 Waiver is expected to support and empower those in need by supporting and expanding access to health insurance. While premium rates and enrollment may not be impacted for the most vulnerable New Hampshire residents, they would be impacted for a group that is vulnerable when it comes to health insurance coverage – those residents that neither have access to group coverage nor premium assistance. Additionally, by stabilizing the individual market, as outlined above, the State would help to ensure that all New Hampshire residents that purchase private coverage through the individual market – including those with PTCs – have multiple options from which they can choose for coverage.

Promote Consumer-Driven Healthcare

As noted above, by increasing the affordability of health insurance premiums in the individual market and supporting the stability of that market, New Hampshire's Section 1332 Waiver supports the continued opportunity for Granite Staters to not only purchase insurance but to also have the ability to choose between multiple insurance options to find the plan that best meets their individual needs.

VI. Draft Waiver Implementation Timeline

With the proposed waiver, the State is not seeking any new services or potential changes to the current roles and responsibilities of the State or Federal government and would continue to utilize a Federal partnership model with Qualified Health Plans (QHPs) being sold on the Federally-facilitated Marketplace.

New Hampshire would seek to achieve the following timeline and key milestone dates in order to effectuate a Section 1332 Waiver program:

DATE	DESCRIPTION
March 16, 2020	State Public Waiver Notice released, and 30-day State Public Comment Period opens
[March 31, 2020]	First Public Hearing held
[April 2, 2020]	Second Public Hearing held
April 15, 2020	State Public Comment Period closes
April 2020	New Hampshire Section 1332 Waiver application submitted to the Federal government
April/May 2020	Federal government determines waiver application is complete; Federal Approval and 30-day Public Comment Period open
May/June 2020	Federal Public Comment Period closes
May/June 2020	Anticipated Federal approval date
July 15, 2020	Anticipated deadline for Individual QHP rate filings for 2021 Plan Year
August 20, 2020	Expected date for NHID to finalize 2021 rates
September 15, 2020	Expected date by which CMS sends certification notices to issuers for 2021 Plan Year
September 15, 2020	NHID sends pass-through report to Federal government for 2021 Plan Year
November 1, 2020	Expected start date for Open Enrollment
November 1, 2020	Assessment amounts for upcoming plan year would be released NHHP
January 1, 2021	2021 Plan Year begins
April 2021	Federal government makes pass-through funding for program year 1 available to State
April 15, 2021	State submits first quarterly report to Federal government
May 2021	First assessment payment made from issuers to the State (to continue quarterly)
June 15, 2021	State holds required six-month public forum post implementation of the Section 1332

	Waiver per 45 CFR 155.1230(c)
July 15, 2021	Individual QHP rate filing deadline for 2022 plan year
July 15, 2021	State submits second quarterly report to Federal government
August 20, 2021	Expected date for NHID to finalize 2022 rates
September 15, 2021	Anticipated date by which CMS sends certification notices to issuers for 2022 Plan Year
September 15, 2021	NHID sends pass-through report to Federal government for 2022 Plan Year
Fall 2021	State begins to receive monthly EDGE reports from CMS
October 15, 2021	State sends third quarterly report to Federal government
November 1, 2021	Expected start date for Open Enrollment
November 1, 2021	Assessment amounts for upcoming plan year would be released by NHHP
January 1, 2022	2022 Plan Year begins
March 15, 2022	State submits first annual report to Federal government
April 2022	Federal government makes pass-through funding for program year 2 available to State & State receives final EDGE report from CMS for 2021 payment year
June 2022	Issuer submission deadline for NH claim template
June - October 2022	Anticipated calculation and State review period for claims incurred in the 2021 Plan Year
June 30, 2022	Anticipated date for initial, partial payment to issuers for claims incurred in the 2021 Plan Year
October 31, 2022	Anticipated date for 2nd and final payment to issuers for claims incurred in the 2021 Plan Year

VII. Other Requirements

Administrative Burden

New Hampshire's Section 1332 Waiver would cause no additional administrative burden to employers or individual consumers because the reinsurance program proposed by New Hampshire does not relate to the administrative functions or requirements typically undertaken by employers or individuals. Consumers would experience no changes related to this waiver and would continue to purchase and receive premium tax credits in accordance

with current Federal eligibility standards.

The administrative burden to health insurance issuers associated with submitting limited data to New Hampshire would be minimal. It is anticipated the reporting and compliance burden for issuers would be minimal as the State would utilize existing data reporting templates submitted through the EDGE Server, which issuers are currently utilizing for Federal risk adjustment purposes. However, issuers would incur a cost for the financing of the reinsurance program under New Hampshire's Section 1332 Waiver in the form of the previously-described premium assessment.

The waiver is expected to cause minimal administrative burden and expense to the State and Federal governments.

The State of New Hampshire would have the resources to conduct the administrative tasks required for a reinsurance program under a Section 1332 Waiver:

1) Administration of the reinsurance program;
2) Collection and application for pass-through funding;
3) Monitoring of compliance with State and Federal law;
4) Collection and analyses of data related to the Section 1332 Waiver;
5) Performing reviews and implementation of the Section 1332 Waiver; and
6) Submitting any annual, quarterly, or other required reports to the NHID, State legislature, NHHP Board of Directors, CMS, and/or Treasury.

The Section 1332 Waiver would require the Federal government to perform the following administrative tasks, which are minimal in comparison to duties currently performed by the Federal government:

1) Review documented complaints, if any, related to the Section 1332 Waiver;
2) Review State reporting;
3) Evaluate the State's Section 1332 Waiver and reinsurance program;
4) Calculate and facilitate the transfer of pass-through funds; and
5) Allow the use of the EDGE Server to calculate reinsurance payments. If allowed, the NHHP would provide the Federal government, through written communication, with the applicable reinsurance parameters for each plan year to be used for calculating issuer reimbursements under the reinsurance program and would compensate the Federal government for that service.

There are no changes proposed to the current roles and functions of the Federally-facilitated Marketplace on behalf of New Hampshire.

Impact on Other ACA Provisions

The proposed reinsurance program to be implemented if New Hampshire's Section 1332 Waiver is granted would have no impact on other provisions of the ACA.

Impact on Access to Out-of-State Services

Granting this waiver request would not have an impact on issuer networks or service areas when coverage is provided for services performed by out-of-state providers.

Compliance, Fraud, Waste, and Abuse

NHID is responsible for monitoring and requiring issuer compliance with all applicable market conduct standards and for ensuring the solvency of all issuers through continual monitoring and analysis of issuer reporting. This includes the performance of market conduct analysis, exams and investigations. NHID also provides consumer outreach and protection through response to consumer inquiries and complaints. NHID would coordinate with NHHP on any issues or concerns related to issuer compliance.

Under the proposed waiver structure, the NHHP would administer the reinsurance program in accordance with its existing compliance and auditing procedures. In addition, the NHHP would be responsible for establishing procedures for the handling and accounting of program assets and monies, as well as for an annual fiscal reporting. An appeals process will be made available to issuers.

The Federal government would be responsible for calculating the savings from this waiver and for ensuring that the waiver does not increase Federal spending.

Provision of Information Necessary to Administer Waiver at Federal Level

In addition to providing the required reporting information (discussed in Section VIII which follows), if allowed to use the EDGE Server to calculate reinsurance payments, NHHP would provide the Federal government with the applicable reinsurance parameters to be used for calculating issuer reimbursements under the reinsurance program for each plan year through written communication and by no later than February 1st of the year following the applicable plan year.

VIII. State Reporting Requirements and Targets

The State would be responsible for the reporting requirements of 45 CFR 155.1324,[10] including the following:

1) Quarterly reports: NHHP would be responsible for submitting quarterly reports, including reports of operational challenges, if any, and plans for and results of associated corrective actions, as applicable. As outlined in the implementation timeline, it is expected that the first quarterly report would be submitted in April 2021.

2) Annual reports: NHHP would be responsible for submitting annual reports, including the following:
    a. The progress of the Section 1332 Waiver;
    b. Data on compliance with 1332(b)(1)(A) through (D) (i.e., the four Section 1332 guardrails) of the ACA, consistent with the data being used to support this application's finding as required under 45 CFR

[10] https://www.ecfr.gov/cgi-bin/text-idx?SID=1373247b86423447c6097ecf65349683&mc=true&node=se45.2.155_11324&rgn=div8

155.1308(f)(4);[11]

c. A summary of the annual post-award public forum (anticipated to be held in June 2021), in accordance with 45 CFR 155.1320(c),[12] including all public comments received on the progress of the waiver and action taken in response to such concerns or comments;
d. Other information consistent with the State's approved terms and conditions; and
e. Any modifications from Federal or State law (given there is no change to the provision of the ten Essential Health Benefits).

45 CFR 155.1324(c)[13] indicates that a draft annual report must be submitted to the Secretary no later than 90 days after the end of each waiver year or as specified in the waiver's terms and conditions. NHHP is expected to submit the first annual report on or about March 15, 2022.

3) Second Lowest Cost Silver Premium: NHID would provide the actual SLCSP premium 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, on an annual basis. As outlined in the timeline, this information is expected to be provided for the first time on September 15, 2020, and in accordance with the waiver's terms and conditions, for all subsequent years of waiver operations.

[11] https://www.ecfr.gov/cgi-bin/text-idx?SID=1373247b86423447c6097ecf65349683&mc=true&node=se45.2.155_11308&rgn=div8
[12] https://www.ecfr.gov/cgi-bin/text-idx?SID=1373247b86423447c6097ecf65349683&mc=true&node=se45.2.155_11320&rgn=div8
[13] https://www.ecfr.gov/cgi-bin/text-idx?SID=1373247b86423447c6097ecf65349683&mc=true&node=se45.2.155_11324&rgn=div8

IX. Public Comments and Hearings [TO BE FINALIZED AFTER THE PUBLIC COMMENT PERIOD]

Public Comments

On March 16, 2020, the NHID commenced a public comment period on this waiver request. On that date, the NHID posted notice of the opportunity to comment and access to the State's draft waiver application on its website (https://www.nh.gov/insurance). The NHID also issued notices to three major, local newspapers (the Concord Monitor, the Union Leader and the Conway Daily Sun) and via NHID's broad email distribution list which includes stakeholders and members of the public across the state. The NHID had previously shared notice of the waiver on January 10, 2020 and of the public comment period and hearings on February 3, 2020. All notices are provided in Appendix C.

Following the scheduling and notice of the hearings, and in consultation with CMS, NHID rescheduled the planned in-person public hearings to an online webinar format in response to social distancing guidance provided by New Hampshire Governor Chris Sununu and the Federal government. The NHID released follow-up communications to the same newspapers as previously and its email distribution list on March 18, 2020 to alert members of the public about the change and how to join the webinars. The hearings remained on the same dates and at the same time as originally scheduled and both provided statewide access. **[Information about the proposed waiver was presented in both written and oral format during the hearings and participants were given the opportunity to ask questions and provide feedback in writing and verbally.]**

On **[March 31, 2020]**, the NHID held the first webinar public hearing regarding the waiver. In attendance were **[to be added or referenced: attendee list and an overview of comments, including amount, themes and state response. The hearing was recorded, and the recording was posted on the NHID website.]**

On **[April 2, 2020]**, the NHID held a second webinar public hearing regarding the waiver. In attendance were **[to be added or referenced: attendee list and an overview of comments, including amount, themes and state response]**

During the public comment period, the NHID also received **[number to be added]** written public comments on this waiver request in person at the hearings, by email and by letter. **[General overview of comments to be added including amount, themes and state response and Appendix with comments to be referenced.]**. The public comment period remained open for 30 days and closed at the end of the day on **[April 15, 2020]**. In preparing the application, the NHID considered the verbal comments made at the public meetings and the written comments submitted.

Tribal Consultation

New Hampshire does not have any Federally-recognized tribes within its borders, and thus, has not established a separate process for consultation with any tribes with respect to this Section 1332 Waiver application.

Other Stakeholder Input

As part of the required State process, the State began consulting key stakeholders ahead of the public input process in the early phases of developing the waiver. As required under state statute, NHID consulted the state's Commission on the Status of the Individual and Small Group Markets which includes state legislators as well as members representing the following stakeholder communities: state residents, health insurance issuers, businesses, and health insurance brokers. NHID has presented information about the waiver and its planning process throughout the process, and the Commission voted to support the reinsurance program design and key features on January 27, 2020.

The NHHP Board has also been engaged in the planning process in an ongoing manner. The Board includes members representing the following stakeholder communities: health insurance issuers, health care providers, businesses, and health insurance brokers. Like the Commission, the Board has heard updates on the waiver and the planning process throughout the process, and voted in support of the program design and key features on January 9, 2020.

As required, NHID and NHHP will continue to consult both of these groups as well as the State's legislative Joint Health Care Reform Oversight Committee as a means of continuing to engage the public and gain public input on waiver implementation and ongoing operation. In addition, the State intends to engage members of the public in providing input via the required post award public input opportunities.

Appendix A

Enabling Legislation

TITLE XXXVII
INSURANCE

CHAPTER 404-G
INDIVIDUAL HEALTH INSURANCE MARKET

Section 404-G:12

404-G:12 Contingency. –

I. Notwithstanding RSA 404-G:11, and if supported by the recommendations of actuarial experts retained by the department, the commissioner may request that the board of directors of the association develop a plan of operation to support the affordability and accessibility of health insurance in the state's individual health insurance market. The proposal may include resumption of a risk sharing program similar to that referenced in RSA 404-G:5, creation and operation of a reinsurance program, or such other program as the board finds will best support the availability and affordability of health insurance in the state and may also include the development of a waiver application under the Act. The commissioner shall approve the revised plan of operations if the commissioner finds that the plan will further the purpose of this chapter as stated in RSA 404-G:1, I, and is otherwise consistent with New Hampshire and federal law.

II. The board's proposal may include a recommendation that the state apply for a waiver under the Act, or any successor to the Act. If the approved plan includes an application for a waiver, the commissioner and the board shall proceed in accordance with RSA 420-N:6-a. If the waiver is approved by the federal government, the board shall prepare a revised plan of operations consistent with the terms of the waiver, and shall implement it upon approval by the commissioner.

Source. 2013, 200:2. 2017, 221:4, eff. July 10, 2017. 2019, 346:420, eff. July 1, 2019.

TITLE XXXVII
INSURANCE

CHAPTER 420-N
FEDERAL HEALTH CARE REFORM 2010

Section 420-N:6-a

420-N:6-a Waiver. – If such action is supported by the recommendations of actuarial experts retained by the department as being consistent with the purposes of RSA 404-G:1, I, the commissioner shall, at the earliest practicable date, submit an application on behalf of the state to the United States Secretary of the Treasury, and if required, to the United States Secretary of Health and Human Services, to waive certain provisions of the Act, as provided in section 1332 of the Act, or any other applicable waiver provision in order to create a risk sharing or reinsurance mechanism for the individual market under RSA 404-G which is eligible to draw down federal pass-through funding to support such mechanism. The commissioner shall publish and accept public comment on the 1332 waiver application and the plan of operation for the individual market mechanism prior to approving such plans. Upon approval of the joint health care reform oversight committee, the commissioner shall implement any federally approved waiver, including but not limited to overseeing the implementation of a revised plan of operations under RSA 404-G:12.

Source. 2017, 221:7, eff. July 10, 2017. 2019, 346:421, eff. July 1, 2019.

TITLE XXXVII
INSURANCE

CHAPTER 404-G
INDIVIDUAL HEALTH INSURANCE MARKET

Section 404-G:3

404-G:3 Association's Powers and Duties. –

I. The association shall be a not-for-profit, voluntary corporation under RSA 292 and shall possess all general powers as derive from that status and such additional powers and duties as are approved by the commissioner or as specified below.

II. The board of directors of the association shall have the following powers:

(a) Enter into contracts as necessary or proper to administer the plan of operation.

(b) Sue or be sued, including taking any legal action necessary or proper for the recovery of any assessments for, on behalf of, or against members of the association or other participating person.

(c) Take legal action as necessary to avoid the payment of improper claims against the plan or to defend the coverage provided by or through the pool.

(d) Oversee the issuance of policies of insurance and certificates or evidences of coverage.

(e) Retain appropriate legal, actuarial, and other persons as necessary to provide technical assistance in the operation of the plan, policy development, and other contract design and in any other function within the authority of the plan.

(f) Borrow money to carry out the plan of operation.

(g) Provide for reinsurance of risks incurred.

(h) Perform any other functions within the authority of the association as may be necessary or proper to carry out the plan of operation.

(i) Perform additional powers as set forth in RSA 404-G:5-g.

III. The board of directors of the association shall have the following duties:

(a) Fulfill the plan of operation as approved by the commissioner.

(b) Issue policies of insurance to persons eligible for the high risk pool.

(c) Prepare certificate of eligibility forms and enrollment instruction forms.

(d) Determine and collect assessments for the risk sharing mechanism and for the high risk pool.

(e) Disburse assessment payments, as provided in the plan of operation for the high risk pool.

(f) Establish appropriate rates, rate schedules, rate adjustments, expense allowances, agent referral fees, claim reserve formulas and any other actuarial functions appropriate to the plan of operation for the high risk pool.

(g) Provide for and employ cost-containment measures and requirements, which shall include but not be limited to, preadmission screening, second surgical opinion, concurrent utilization review, and individual case management for the purpose of making the benefit plan more cost effective.

(h) Develop a list of medical or health conditions the existence or history of which makes an individual eligible for participation in the high risk pool without first requiring application to a carrier for health coverage.

(i) In connection with the managed care or network based coverage options required pursuant to

RSA 404-G:5-b, III, design, utilize, contract or otherwise arrange for the delivery of cost-effective health care services, including establishing or contracting for administration and operation of the pool with a carrier, a preferred provider organization, a health maintenance organization, or any other network provider arrangement.

IV. Neither the association nor its employees shall be liable for any obligations of the plan. No member or employee of the association shall be liable, and no cause of action of any nature may arise against them, for any act or omission related to the performance of their powers and duties under this chapter unless such act or omission constitutes willful or wanton misconduct. The association may provide in its bylaws or rules for indemnification of, and legal representation for, its members and employees.

Source. 1998, 340:6. 2001, 295:7. 2010, 243:5, eff. July 1, 2010.

The State of New Hampshire
Insurance Department
21 South Fruit Street, Suite 14
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Alexander K. Feldvebel
Acting Commissioner

In the Matter of
The Individual Health Insurance Market
in New Hampshire
Docket: INS No. 20-009-AP

ORDER

A. Procedural History and Jurisdiction

Historically, the individual health insurance market has been more vulnerable than group markets to adverse selection and other destabilizing forces. As a result , since 1998, the New Hampshire Legislature has provided regulatory authority to the New Hampshire Insurance Department ("the Department"), pursuant to RSA 404-G (Individual Health Insurance Market), to protect New Hampshire citizens who participate in the individual market by supporting risk sharing mechanisms that (1) equitably distribute excessive risk associated with the individual market and (2) enable insurers "to better protect against the costs of covering high risk individuals. " RSA 404-G:1 (I). To achieve that purpose, the New Hampshire Individual Health Plan Association ("the Health Plan") was created to facilitate the availability of affordable individual health insurance by establishing (1) an assessment mechanism and (2) a mandatory risk sharing plan to distribute the risks associated within the individual market. See RSA 404-G:1 (II). The Health Plan has implemented several risk sharing mechanisms since 1998 to achieve the purpose set forth in RSA 404-G:1, including a risk subsidy mechanism (1998); a high risk pool (2002); and a federal high risk pool (2013).

In recent years (until 2019), the Medicaid Expansion population purchased insurance in the individual market in New Hampshire. This made it impracticable for the state to pursue a market stabilization program under a1332 waiver, as federal law does not allow for federal Medicaid funds to be contributed to such a program. This barrier was removed in 2019 when the Medicaid Expansion population was moved out of the individual market and into a Medicaid Managed Care program.

To address current needs within the individual insurance market, during the 2019 New Hampshire legislative session, House Bill 4 was signed into law, which amended RSA 404-G and RSA 420-N (Federal Healthcare Reform) with new provisions within RSA 404-G:12 (Contingency) and RSA 420-N:6-a (Waiver). RSA 404-G:12 authorizes the Insurance Commissioner , if supported by the recommendations of actuarial experts retained by the New

Hampshire Insurance Department ("Department "), to request the Board of Directors of the Health Plan to develop a Plan of Operation to support the affordability and accessibility of health insurance in New Hampshire' s individual health insurance market. Likewise , if supported by analysis of actuarial experts retained by the Department, RSA 420-N:6-a, requires the Department to submit an application to the federal government, on behalf of the state, to waive certain provisions of the Affordable Care Act ("the ACA") in order to create a risk sharing or reinsurance mechanism for the individual health insurance market.

B. Findings of Fact

In 2017, five insurers participated in the individual health insurance market in New Hampshire. In 2020, only three insurers issue health insurance policies in New Hampshire in the individual market.

Over the past several years, the Department has retained Gorman Actuarial, an actuarial healthcare consulting firm, to provide analytic support of the Department' s annual hearings on health insurance premiums and to review and analyze medical claim cost drivers within New Hampshire. From 2017 to 2019, Gorman Actuarial reported that the number of individuals insured and receiving premium tax subsidies from the federal government within the individual health insurance market remained relatively stable with approximately 29,000 insureds in 2017 and approximately 30,000 insureds in 2019. By comparison, the number of individuals insured without premium tax subsidies has decreased sharply from approximately 25,000 insureds to approximately 16,000 insureds.

This past year, the Department retained NovaRest Actuarial Consulting, ("NovaRest") to provide actuarial analysis and policy evaluation of New Hampshire' s individual health insurance market, including the impact a Section 1332 Waiver would have in New Hampshire's individual insurance market if such a program were to be implemented. The federal program providing for Section 1332 State Relief and Empowerment Waivers under the ACA ("1332 waiver")[1] allows states to apply for federal funding to support programs that reduce premium tax credit[2] expenditures by the federal government within the individual market. The 1332 waiver program transfers the federal savings associated with premium reductions to states, which is known as federal pass through funding.[3] According to federal guidelines,[4] in order to be approved by the federal government, states have to demonstrate that a 1332 waiver program meets four requirements, as follows:

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[1] " Section 1332:State Innovation Waivers." The Center for Consume r Information & Insurance Oversight. https://www.ems.gov/CCI I0 /Programs-and-Initiatives /State-Innovation.

[2] Premium tax credits are income based and calculated against the cost of the 2nd lowest cost silver plan.

[3] Premium tax savings, or pass through funding, is calculated against the cost of the 2nd lowest cost silver plan with the waiver program versus the cost of the 2nd lowest cost silver plan without the waiver program. Savings, in the first instance, are realized via a State share, a source of funds made available by the State. The pass through savings are leveraged by the State share. Other states with 1 332 programs have generally leveraged between 2 and 3 federal pass through dollar s for every state share dollar.

[4] See 45 CFR 155 .1308(t).

(1) Comprehensive Coverage - 1332(b)(l)(A) provision: The proposed waiver cannot make alterations to the required scope of benefits offered in the state and cannot result in a decrease in -the number of individuals with coverage that meet the ACA' s Essential Health Benefits requirements.

(2) Affordability - 1332(b)(l)(B) provision: The proposed waiver cannot decrease existing coverage or cost sharing protections against excessive out-of-pocket spending. The waiver cannot result in any decrease in affordability for individuals.

(3) Scope of Coverage - 1332(b)(1)(C) provision: The proposed waiver must provide coverage to at least a comparable number of residents as would be provided coverage absent the waiver.

(4) Federal Deficit Neutrality - 1332(b)(l)(D) provision: The proposed waiver cannot result in increased spending, administrative, or other expenses to the federal government.

The Department sought NovaRest's expert analysis to evaluate the potential success of a 1332 waiver program, such as the ability (1) to fund high cost claims; (2) to increase the number of individuals within the individual market; and (3) to increase the number of insurers writing policies in this market. On February 6, 2020, NovaRest issued a report entitled "Health Insurance Individual Market Study and 1332 Waiver Analysis."[5] According to this report, in 2021 the number of individuals receiving premium tax subsidies is expected to remain relatively stable at approximately 30,000 insureds regardless of whether New Hampshire implements a risk sharing mechanism or a reinsurance plan. However, for individual insureds who do not receive premium tax subsidies from the federal government, if New Hampshire does not implement a reinsurance or risk sharing mechanism for 2021, the number of insureds in this segment of the individual health insurance market decrease by an additional 6%.

According to the NovaRest report, from 2017 to 2020 individual premium rates have increased by approximately 35%. For example, in 2017, Gorman Actuarial reported that the average individual market premium was $406 per month while in 2020, NovaRest reported an average individual market premium of $548 per month. NovaRest estimates that in 2021 the average individual health insurance premium, absent any risk sharing or reinsurance mechanism, will be $573. Notably, that figure is 41% more than the 2017 rate.

In contrast, NovaRest estimates that the 2021 average premium, if a risk sharing mechanism is implemented, will be $480. This premium amount is 18% more than the 2017 rate but much less than what the premium will be without a reinsurance mechanism. As a result, NovaRest projects that the non-subsidized membership in the 2021 individual market will increase 6% compared to the baseline if a 1332 waiver program is not implemented. In addition, for 2021, the proposed reinsurance program is estimated to cover 74% of paid claims between $60,000 and $400,000. According to NovaRest, a 1332 waiver program in New Hampshire

[5] https://www.nh.gov/insurance/reports/documents /nh-section-1332-waiver-actuar ial-report-feb-2020.pdf

would operate much like the temporary ACA Transitional Reinsurance program that was in place between 2014 and 2016. The 1332 waiver reinsurance mechanism allows enrollees to remain in the individual market with their current plan and issuer. However, a portion of their claims are reimbursed back to their issuers by the reinsurance program without negative consequences to enrollees. Enrollees are unaware that their claims are being paid via the reinsurance pool. Finally, NovaRest's actuarial analysis reflects that the implementation of a 1332 waiver program satisfies the four requirements necessary for approval by the federal government, as outlined above. Overall, given these results, NovaRest concludes that the implementation of a 1332 waiver program will promote the stability of the individual health insurance market in New Hampshire.

C. Legal Analysis and Conclusions of Law

Pursuant to RSA 404-G:12 (I), if supported by recommendations of actuarial experts, the Department may request the Board of Directors of the Health Plan ("the Board") to develop a Plan of Operation to support the affordability and accessibility of health insurance in New Hampshire's individual health insurance market. The Board's proposal may include a recommendation that the state apply for a 1332 waiver and, if approved by the Department, the Department and the Board shall proceed consistent with RSA 420-N:6-a. See RSA 404-G:12 (II). Moreover, once established by actuarial experts that a 1332 waiver program is consistent with RSA 404-G:1,[6] RSA 420-N:6-a[7] requires the Department to submit a 1332 waiver application to the federal government, as soon as practicable, in order to protect New Hampshire citizens participating in the individual health insurance market.

NovaRest's actuarial report demonstrates that a reinsurance mechanism would improve the affordability of insurance in the individual market and recommends that New Hampshire should apply for a 1332 waiver with the federal government. To the contrary, based upon actuarial analysis, considering the current individual market conditions, if a 1332 waiver plan is not implemented, the individual health insurance market in New Hampshire will deteriorate with higher premium rates and less participation by New Hampshire citizens.

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[6] RSA 404-G: I Purpose of Provisions- The purpose of this chapter is to:
I .Protect the citizens of this state who participate in the individual health insurance market by providing a mechanism to equitably distribute the excessive risk sometimes associated with this market and to enable insurers to better protect against the costs of covering high risk individuals .

[7] 420-N:6-a Waiver. - If such action is supported by the recommendations of actuarial experts retained by the department as being consistent with the purposes of RSA 404-G:1, I, the commissioner shall, at the earliest practicable date, submit an application on behalf of the state to the United States Secretary of the Treasury, and if required, to the United States Secretary of Health and Human Services , to waive certain provisions of the Act, as provided in section 1332 of the Act, or any other applicable waiver provision in order to create a risk sharing or reinsurance mechanism for the individual market under RSA 404-G which is eligible to draw down federal pass-through funding to support such mechanism. The commissioner shall publish and accept public comment on the 1332 waiver application and the plan of operation for the individual market mechanism prior to approving such plans. Upon approval of the joint health care reform oversight committee, the commissioner shall implement any federally approved waiver, including but not limited to overseeing the implementation of a revised plan of operations under RSA 404-G:12.

Considering the foregoing, as soon as possible, but no later than 30 days from today's date, the Board shall develop and submit to the Department for approval a Reinsurance Risk Mechanism Plan of Operations that includes the 1332 waiver program within the individual health insurance market that provides substantially as set forth below.

Reinsurance Risk Mechanism Plan of Operation

1. *Purpose & Description of Risk to be Shared* - The Board shall prepare a Plan of Operation for approval by the Commissioner, and following such approval, operate a reinsurance mechanism to offset claims incurred and paid by insurers of individual health insurance in New Hampshire using a financial subsidy furnished by Health Plan members and grant funds furnished by the federal government. Individual health insurance, as defined in RSA 404-G:2 VII. and VIII., that is eligible for this reinsurance program includes policies, contracts, or certificates (other than a converted policy) issued in New Hampshire by a licensed insurer covering a New Hampshire resident insured and dependents, to provide, deliver, arrange for, pay for or reimburse the costs of health care services consistent with ACA requirements. Individual health insurance not subject to the ACA' s single risk pool requirements shall not be eligible for reinsurance. This ineligible coverage includes, but is not limited to, transitional coverage and grand-fathered coverage.

2. *Assessment Amount and Mechanism* - Assessments shall commence January 1, 2021. The Health Plan will assess its members based upon assessable lives per month, also referred to as "per member per month" (PMPM) basis. For calendar year 2021, the monthly assessment rate shall be $2.43 PMPM. This is equal to 60 basis points of the 2nd lowest cost silver plan monthly rate for a 40 year old insured in the previous year, 2020, which was $404.60 PMPM. Thereafter, the assessment rate for any subsequent calendar year shall be set equal to 60 basis points of the 2nd lowest cost silver plan monthly rate, assuming no reinsurance mechanism, for a 40 year old insured in the prior year. Assessments shall accrue monthly and be collected quarterly.

3. *State Share* - Funds available for the State Share shall be entirely from funds raised via assessments of Health Plan members. Total assessment funds less funds needed for administration by the Health Plan shall constitute the State Share. The assessment rate and available funds will not vary with reinsurance claims. State funds remaining after provision for administration will be paid out to eligible Health Plan members by adjusting the reinsurance parameters on a retrospective basis.

4. *Pass Through Funding Savings* - These funds are determined by the federal government, which are calculated by using the difference between the 2nd lowest cost

silver plan rate filed assuming the reinsurance mechanism is in place and the 2nd lowest cost silver plan rate filed assuming the reinsurance mechanism is not in place, as these rates are filed by issuers. The Health Plan shall obtain this information from the Department and file this information in the manner and format prescribed.

5. *Available Reinsurance Fund s*- Available reinsurance funds shall be the total of the State Share and the Pass Through Funding Savings.

6. *Distribution of Available Reinsurance Funds* - The Health Plan shall distribute all available reinsurance funds. The distribution shall be a percentage of allowed claims. For plan year 2021, allowed claims shall include all claims incurred in calendar year 2021 and paid through June 30, 2022, where the incurred and paid amount exceeds $60,000 but does not exceed $400,000 per covered life. The Health Plan shall calculate the coinsurance percent as the ratio of Available Reinsurance Funds to Total Allowed Claims. If this ratio exceeds 100%, the Health Plan shall increase the upper attachment point.

7. *Reporting of Allowed Claims and Adjudication* - The Health Plan shall require individual health insurance issuers to submit allowed claims for determining reinsurance fund distributions in a manner and format that the Health Plan prescribes. For calendar year 2021, the Health Plan shall also obtain EDGE Server data from CMS[8]. The Health Plan shall use the EDGE Server data reported to authenticate the allowed claims reported by the issuers. Issuers shall be provided an opportunity to reconcile their submission with the EDGE Server data.

8. *Timing of Payments* - The NH Health Plan shall cause payments to be made to issuers with due consideration to CMS's required Medical Loss Ratio (MLR) rebate calculations and submissions.

9. *Care Management* - The Health Plan shall encourage insurer incentives for care management and claim adjudication by taking measures to ensure that incentives for care management and claim adjudication are not undermined.

10. *Amendments and Recommendation* - The Health Plan shall propose amendments and other recommendations regarding this program as they deem fit on or before August 1 of the 2nd calendar year preceding the plan year in which these changes would take effect. For example, the Health Plan shall submit amendments and recommendations for changes in the Plan of Operation for plan year 2022 on or before August 1, 2020. Any proposed changes shall further the mission of making individual health insurance affordable and accessible consistent with RSA 404-G:1.

11. *Estimated Reinsurance Parameters* - Assuming no change in program designs are recommended or adopted, on or before February 1 of the calendar year preceding the plan year, the Health Plan shall publish estimated reinsurance parameters and estimated premium savings based on actuarial modeling to facilitate pricing of the required with and without rates that issuers must file.

[8] CMS, pursuant to its authority under the ACA, operates the Risk Adjustment program. CMS gathers EDGE Server data pursuant to this authority.

SO ORDERED.

Dated: Feb. 25, 2020

Alexander K. Feldvebel

Alexander K. Feldvebel, Acting Insurance Commissioner

Appendix B

Actuarial and Economic Report

NovaRest
ACTUARIAL CONSULTING

NOVAREST REPORT TO THE NEW HAMPSHIRE INSURANCE DEPARTMENT

HEALTH INSURANCE INDIVIDUAL MARKET STUDY AND 1332 WAIVER ANALYSIS

March 24, 2020

NovaRest
ACTUARIAL CONSULTING

Table of Contents

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I. EXECUTIVE SUMMARY

Intent of This Report

NovaRest Actuarial Consulting (NovaRest) partnered with the New Hampshire Department of Insurance (New Hampshire) and Public Consulting Group (PCG) to analyze the impact of a Section 1332 Waiver (1332 Waiver or Waiver). This actuarial report is a requirement for an actuarial certification to be included in New Hampshire's 1332 Waiver application. It addresses section 45 CFR 155.1308(f)(4)(i)-(iii) of the checklist for the 1332 Waiver, including actuarial analyses and actuarial certifications, economic analyses, and data and assumptions. Reliance on this report should include a review of the full report and the report should only be reproduced in its entirety.

New Hampshire's 1332 Reinsurance Waiver

It is New Hampshire's desire that its 1332 Waiver will reduce individual market premiums making insurance more affordable. New Hampshire intends to accomplish this using a reinsurance mechanism to help fund high cost claims. The result, therefore, should be more individuals staying in the individual market, and more issuers being willing to write policies in New Hampshire counties. Both of these results will help maintain stability in the individual health insurance market in New Hampshire.

More details on the methodology and assumptions used are contained below in Section III.

Reinsurance Mechanism

Under New Hampshire's 1332 Waiver, New Hampshire would implement a reinsurance mechanism similar to the temporary ACA Transitional Reinsurance program that operated between 2014 and 2016. For 2021, the proposed reinsurance program would cover 74% of paid claims between $60,000 and $400,000. The reinsurance is estimated to reduce premiums approximately 16.3% before assessment in 2021 compared to the projected baseline premium (without the waiver). This premium reduction impact is reduced to approximately 15.8% due to the assessment, which will also impact the individual market. Due to the reduced premium, NovaRest projects that membership in the 2021 individual market will increase 2.4% compared to the baseline without the waiver.

The reinsurance mechanism would be what has been referred to as "invisible" reinsurance. The approach of an "invisible" reinsurance allows enrollees to remain in the individual market with their current plan and issuer, but a portion of their claims are reimbursed back to the issuer by the reinsurance program. The enrollee is not aware that their claim is being paid via the reinsurance pool; meaning there is no effect on the enrollee as the task of ceding claims to the reinsurance pool is completed on the back end of the process and is without consequence to the enrollee.

The premium reduction is funded by both state funds raised through assessments and federal pass-through funds under the 1332 Waiver. If claims subject to reinsurance are more than the federal pass-through and assessments less and administrative costs, then the State will adjust the reinsurance coinsurance so that all of the calculated State funds are used, but there will be no additional funding from the State. For example, enrollee movement from the group market due to the HRA would cause the State to revise the coinsurance. If claims subject to reinsurance are more than federal pass-through and assessments less administrative costs, the State would also adjust the reinsurance coinsurance to pay out all calculated State funds (less administrative costs).

The reinsurance payable under the 1332 Waiver is estimated to be approximately $46.3 million in 2021. It will increase over the next ten years due to medical inflation. Based on NovaRest projections, the reinsurance paid in future years is estimated in Table 1. These estimates assume that reinsurance parameters are adjusted annually to produce a sustainable level of reinsurance. Since claims in the range of $60,000 to $400,000 increase at a higher rate than health care trends, an adjustment to the reinsurance parameters is necessary. Also, claims will likely increase at a higher rate than National Health Expenditure NHE trend estimates in New Hampshire requiring an adjustment to reinsurance factors.

Meeting the 1332 Waiver Guardrails

CMS has specified four "guardrails" that must be met before a 1332 Waiver can be approved.

As this report shows, the proposed Waiver will meet the required guardrail conditions:

- The Waiver does not make alterations to the required scope of benefits offered in the insurance market in New Hampshire and will result in an increase in the number of individuals with coverage that meets the ACA's Essential Health Benefits requirements.
- The Waiver will reduce premiums and increase affordability.
- The Waiver will cover more individuals in New Hampshire than would be covered absent the Waiver.
- The Waiver will not result in increased spending, administrative, or other expenses to the federal government.

Based on NovaRest's analyses, the New Hampshire proposed reinsurance program satisfies all four guardrails.

Funding

A portion of the funding for the reinsurance would come from the federal government through a federal pass-through amount due to the reduction in advanced premium tax credits (APTCs). The reduction in premiums for the second lowest Silver plan directly reduces the APTC for the individuals eligible for APTCs. APTCs are adjusted to final premium tax credits (PTCs) based on income information collected by the IRS at the end of the year. Actual federal savings (and

resulting federal pass-through amounts) are calculated from the reduction in PTCs less reductions in federal exchange fee revenues. Estimated federal pass-through funding amounts are developed from NovaRest's program modeling for the 1332 Waiver application. Actual federal funding amounts are based on calculations by the federal government based on review of the projected rate impact of the waiver (from the application), the actual rate filings and the government's projected enrollment.

In order to secure the required state funding, New Hampshire will assess all insurance writers and insurance administrators on a per member per month (PMPM) basis, in accordance with its existing assessment authority. The assessment will be set to equal 60 basis points times the prior year's age 40 2nd lowest cost Silver rate (without the waiver) times the assessment membership base (member months), or an estimated $14.3 million for 2021. Issuers will submit rate filings with and without the premium decrease resulting from the 1332 Waiver program, and the assessment will be calculated using the without Waiver rate. The estimated assessment funds include a margin for assessment base fluctuations and administrative expenses. State funds remaining after provision for administration will be paid out to the issuers by adjusting the reinsurance parameters on a retrospective basis.

If the state assessment less administration costs is not sufficient to cover the expected state funding, such as if movement of enrollees from the group markets into the individual market due to the recent HRA regulation, reinsurance parameters would be adjusted so that available funds less administrative cost will be distributed through the program. This method of setting the assessment will be re-evaluated each year based on modeling of the assessment adequacy. Reinsurance parameters will also be evaluated based on annual projections of claims for the following policy year. Tables 1a and 1b present projected assessment total reinsurance, federal funding, and state funding for years 2021 through 2030.

Table 1a
Projected Federal Pass-Through, New Hampshire Subsidy and Total Reinsurance

	2021	2022	2023	2024	2025
Assessment	$14,288,400	$15,031,397	$15,737,872	$16,477,552	$17,251,997
Federal Funding	$32,922,477	$34,474,011	$36,102,609	$37,807,773	$39,632,038
State Funding	$13,377,598	$14,002,167	$14,651,948	$15,332,249	$16,058,705
Total Reinsurance	$46,300,074	$48,476,178	$50,754,558	$53,140,022	$55,690,743

Table 1b Projected Federal Pass-Through, New Hampshire Subsidy and Total Reinsurance					
	2026	2027	2028	2029	2030
Assessment	$18,080,093	$18,984,098	$19,857,366	$20,770,805	$21,726,262
Federal Funding	$41,624,557	$43,543,318	$45,554,513	$47,658,228	$49,858,716
State Funding	$16,850,724	$17,621,825	$18,424,227	$19,263,534	$20,141,447
Total Reinsurance	$58,475,280	$61,165,143	$63,978,740	$66,921,762	$70,000,163

In Summary

New Hampshire's 1332 Waiver would reduce premiums and enhance stability in the New Hampshire individual market.

The reinsurance would be funded by a combination of federal reduction in APTCs and a State assessment. New Hampshire will assess all insurance writers and insurance administrators on a per member per month basis, in accordance with its existing assessment authority.

II. Background

Section 1332 Waivers

Section 1332 of the Affordable Care Act (ACA) permits a state to apply for a State Innovation Waiver to pursue innovative strategies for providing its residents with access to high quality, affordable health insurance while retaining the basic protections of the ACA.[1]

Guardrails

Section 1332 of the Affordable Care Act (ACA) authorizes states to waive certain requirements of the ACA, under an approved waiver program. The section allows states to pursue innovative strategies for providing their residents with access to high quality, affordable health insurance. States can request a waiver related to benefits, subsidies, the marketplaces, and the individual and employer mandates. In 2012, the Department of Health and Human Services (HHS) issued regulations for Section 1332 Waivers.[2] In 2015, the Department of Treasury and HHS released guidance on how they would interpret the law's guardrail requirements.[3] On October 24, 2018, the Department of Treasury and HHS released additional guidance providing more flexibility in

[1] "Section 1332:State Innovation Waivers." The Center for Consumer Information & Insurance Oversight. https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers-.html
[2] https://www.govinfo.gov/content/pkg/FR-2012-02-27/pdf/2012-4395.pdf
[3] https://www.govinfo.gov/content/pkg/FR-2015-12-16/pdf/2015-31563.pdf

meeting the Waiver guardrails[4] and this 2018 guidance supersedes the 2015 guidance. According to the National Conference of State Legislatures, "As of late October 2018 at least 35 states have considered legislation to initiate the 1332 Waiver application process."[5] As of November 2019, thirteen States have received approved waivers: Alaska, Colorado, Delaware, Hawaii, Maine, Maryland, Minnesota, Montana, New Jersey, North Dakota, Oregon, Rhode Island, and Wisconsin.[6] Georgia has a pending waiver, and California, Iowa and Oklahoma filed Waivers but subsequently withdrew their applications. There are a variety of waiver approaches other states have examined.

According to CMS guidelines, New Hampshire must demonstrate that the waiver meets the four guardrails to be approved. The four guardrails are:

Comprehensive Coverage – 1332(b)(1)(A). The proposed waiver cannot make alterations to the required scope of benefits offered in the New Hampshire insurance market and cannot result in a decrease in the number of individuals with coverage that meet the ACA's Essential Health Benefits requirements.

Affordability – 1332(b)(1)(B). The proposed waiver cannot decrease existing coverage or cost-sharing protections against excessive out-of-pocket spending. The waiver cannot result in any decrease in affordability for individuals.

Scope of Coverage – 1332(b)(1)(C). The proposed waiver must provide coverage to at least a comparable number of residents as would be provided coverage absent the waiver.

Federal Deficit Neutrality – 1332(b)(1)(D). The proposed waiver cannot result in increased spending, administrative, or other expenses to the federal government.

When examining the options available to stabilize the individual health insurance market in New Hampshire each of these guardrails must be met.

If approved, a state can receive a "pass-through" of federal funds that would have otherwise been applied to premium tax credits had the state not received the waiver. The pass-through amount will depend on the structure of the waiver, specifically the net savings to the federal government.

Actuarial Certification

A 1332 Waiver also requires an actuarial certification. The requirements of the actuarial certification have also changed since 2012. The requirements are listed in Appendix C.

[4] https://s3.amazonaws.com/public-inspection.federalregister.gov/2018-23182.pdf
[5] http://www.ncsl.org/research/health/state-roles-using-1332-health-waivers.aspx
[6] Tracking Section 1332 State Innovation Waivers. Kaiser Family Foundation. 11/6/2019. https://www.kff.org/health-reform/fact-sheet/tracking-section-1332-state-innovation-waivers/

Current Environment

Current State of the Affordable Care Act (ACA)

As federal healthcare reform efforts continue to face significant challenges, changes to the ACA have put a strain on state individual health insurance markets including that in New Hampshire. Regulations have removed the individual mandate penalty and defunded the federal cost-sharing reduction payments (CSR). Most recently, new regulations grant states the ability to expand short-term limited duration insurance (STLDI) and association health plans (AHPs).[7] Additionally, there are several outstanding court cases that could destabilize the market. Nationally, ACA market conditions have resulted in issuers leaving the market and New Hampshire is making efforts to prevent that in the future, as currently three issuers offer individual market ACA plans following the loss of one issuer at the end of 2017.[8]

Additionally, New Hampshire's Medicaid Expansion population participated in the New Hampshire individual ACA market until 2019 when it moved to a Medicaid managed care program,[9] which could affect the stability of the market. The Medicaid Expansion population purchasing in the individual ACA market until 2019 prohibited New Hampshire pursuing a 1332 Waiver in past years.

According to Kaiser Family Foundation, nationally the unsubsidized premium for the lowest-cost gold, silver, and bronze plans decreased about 3% between 2019 and 2020.[10] New Hampshire premiums increased significantly from 2016 to 2018 and have since decreased in 2019 and 2020.[11]

New Hampshire Characteristics

According to Census.gov, New Hampshire's total population increased by 3.0% from April 1, 2010 to July 1, 2018, compared to 6.0% for the entire United States over the same period.[12] As of July 1, 2018, the New Hampshire population is estimated to be 1,356,458.[13] Table 2 provides a breakdown of the population demographics.[14]

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[7] https://www.federalregister.gov/documents/2017/10/17/2017-22677/promoting-healthcare-choice-and-competition-across-the-united-states

[8] Message to NH Health Care Providers on Minuteman Health, From Insurance Commissioner Sevigny. August 3, 2017. https://www.nh.gov/insurance/legal/documents/nhid_comm_nhmsandnhha.pdf

[9] Louise Norris. "New Hampshire and the ACA's Medicaid expansion." August 2, 2019. https://www.healthinsurance.org/new-hampshire-medicaid/.

[10] "How premiums are Changing in 2020." Kaiser Family Foundation. November 7, 2019. https://www.kff.org/health-costs/issue-brief/how-aca-marketplace-premiums-are-changing-by-county-in-2020/

[11] Based on an analysis of New Hampshire historical premium rates across metal levels.

[12] "Quickfacts: New Hampshire; United States". United States Census Bureau. https://www.census.gov/quickfacts/fact/table/NH,US/PST045218

[13] Ibid.

[14] American Community Survey. "Age and Sex". United States Census Bureau. https://www.data.census.gov/.

Table 2 Population by Age	
Under 20 years	300,496
20 to 24 years	85,214
25 to 29 years	85,482
30 to 34 years	82,340
35 to 39 years	79,354
40 to 44 years	75,611
45 to 49 years	89,056
50 to 54 years	100,662
55 to 59 years	111,581
60 to 64 years	101,506
65 years and over	245,156
Total	1,356,458

The 2018 median household income in New Hampshire was $74,991, which is higher than the $61,937 median household income for the entire United States.[15] The income distribution for New Hampshire's population, in 2018 inflation adjusted dollars, is shown in the table below:

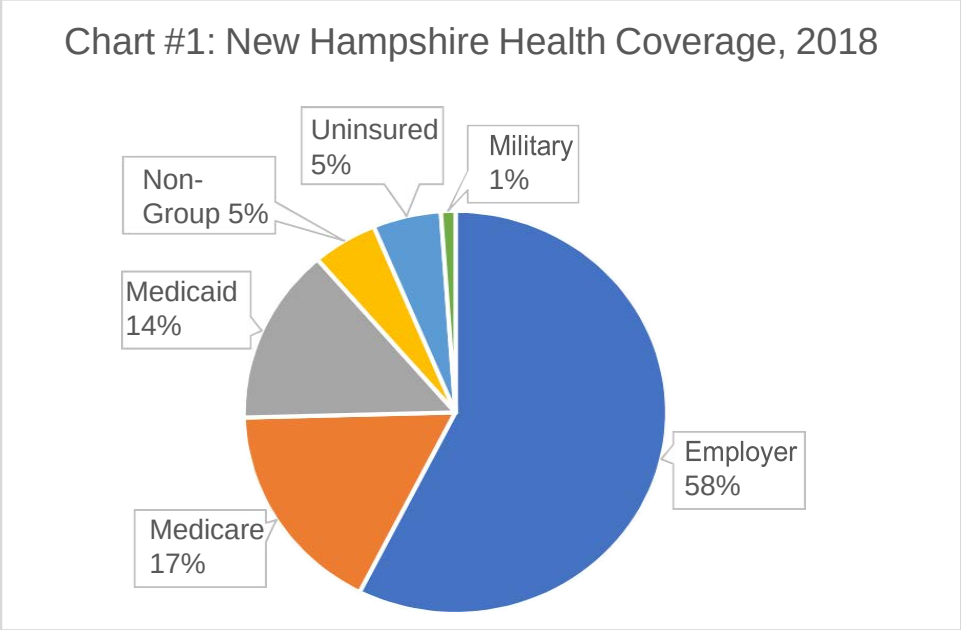
Table 3 Population by Income		
	Estimate	Percent
Total Households	531,212	100%
Less than $10,000	22,311	4.2%
$10,000 to $14,999	16,999	3.2%
$15,000 to $24,999	40,903	7.7%
$25,000 to $34,999	42,497	8.0%
$35,000 to $49,999	56,308	10.6%
$50,000 to $74,999	86,588	16.3%
$75,000 to $99,999	73,307	13.8%
$100,000 to $149,999	99,337	18.7%
$150,000 to $199,999	44,622	8.4%
$200,000 or more	48,340	9.1%
Median household income (dollars)	74,991	
Mean household income (dollars)	97,994	

[15] American Community Survey. "Income In The Past 12 Months (In 2018 Inflation-Adjusted Dollars)". United States Census Bureau. https://www.data.census.gov/.

Per the most recent U.S. Census Bureau estimates, the number of persons in poverty in New Hampshire is 7.6%, which is lower than the estimated 11.8% for the entire United States.[16]

New Hampshire operates a partnership exchange with the federal government, so enrollments are completed via HealthCare.gov. The ACA provided federal funding to states that expanded their Medicaid programs. This expansion provided coverage to many who could not afford health insurance premiums. New Hampshire opted to expand Medicaid to 138% FPL utilizing federal funding as of mid-year 2014.[17] New Hampshire obtained a Section 1115 Waiver, which allowed the State to purchase individual market QHPs for the Medicaid expansion population under a program called the Premium Assistance Program (PAP) from 2016-2018. Beginning in 2019, New Hampshire transitioned to a Medicare managed care model. There were approximately 40,000 PAP enrollees in 2018.[18]

A 2018 breakdown of the health insurance coverage in New Hampshire is shown below:[19]



[16] "Quickfacts: New Hampshire; United States". United States Census Bureau. https://www.census.gov/quickfacts/fact/table/NH,US/PST045218
[17] Louise Norris. "New Hampshire and the ACA's Medicaid expansion." August 2, 2019. https://www.healthinsurance.org/new-hampshire-medicaid/.
[18] Louise Norris. "New Hampshire and the ACA's Medicaid expansion." August 2, 2019. https://www.healthinsurance.org/new-hampshire-medicaid/.
[19] "Health Insurance Coverage of the Total Population." Henry J Kaiser Family Foundation. https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&selectedRows=%7B%22states%22:%7B%22north-dakota%22:%7B%7D%7D%7D&sortModel=%7B%22colId%22:%22Uninsured%22,%22sort%22:%22desc%22%7 D
. "Other Public" includes those covered under the military of Veterans Administration.

The approved 2019 average rate increases for the individual market, including off-exchange are included in Table 4 below.[20]

Table 4 New Hampshire 2019 Final Average Individual Market Rate Increases by Company	
Company	2019 Rate Increase
Celtic Insurance Company	-15.23%
Harvard Pilgrim Health Care of NE	-7.40%
Matthew Thornton Health Plan (Anthem BCBS)	-8.10%

The approved 2020 average rate increases for the individual market, including off exchange, are included in Table 5 below.[21]

Table 5 New Hampshire 2020 Final Average Individual Market Rate Increases by Company	
Company	2020 Rate Increase
Celtic Insurance Company	4.53%
Harvard Pilgrim Health Care of NE	-4.32%
Matthew Thornton Health Plan (Anthem BCBS)	-2.39%

Under the ACA, if a family income falls between 100% and 400% of the Federal Poverty Level (FPL), they may be eligible for cost sharing reductions and premium subsidies.[22] Cost sharing reductions (CSR) lower the amount of cost sharing that an individual pays out of pocket. The CSR's are available to those between 100% to 250% of the FPL, with families with lower incomes paying less out-of-pocket. APTCs reduce the premium that a family pays based on their income level and are available up to 400% of FPL.

The three New Hampshire issuers provided NovaRest with a summary of membership and premiums as of May/June 2019.[23] Based on the data received, the ACA individual insurance market membership, average premium, and total premium are shown in the following Table 6. Since the premium is the average based on the age mix in the category, the premiums are not totally

[20] New Hampshire. Rate Review Submissions. https://ratereview.healthcare.gov/. Note: Rate increases are provided at the product level. Product rate increases are weighted by projected membership in the URRT to determine the average carrier increases.
[21] Ibid.
[22] "2018 Federal Poverty Level". Obamacare.net. https://obamacare.net/2018-federal-poverty-level/
[23] Harvard Pilgrim and Matthew Thornton provided data as of May 2019, Celtic provided as of June 2019.

comparable, but give a sense of what individuals are paying in each market segment. New Hampshire uses the federal standard uniform age curve.

Table 6 Current (2019) New Hampshire Individual Market	
Membership Active on Census Date	May/June 2019[24]
APTC On Exchange	29,608
Non-APTC (> 400%) On Exchange	10,427
On-Exchange	40,035
Off-Exchange	5,398
Total ACA	45,433
Average Premium PMPM	
APTC Aggregate Premium Rate	$563.28
APTC Maximum Premium Paid	$157.19
APTC Premium Rate	$406.09
Non-APTC (> 400%)	$472.61
On-Exchange	$539.67
Off-Exchange	$519.00
Total ACA	$537.21
Total Annual Premium	
APTC Aggregate Premium	$200,131,650
APTC Maximum Premium	$55,849,571
APTC Premium	$144,282,078
Non-APTC (> 400%)	$59,134,991
On-Exchange	$259,266,640
Off-Exchange	$33,618,594
Total ACA	$292,885,234

New Hampshire currently has only three issuers as noted above, after one issuer ceased operations at the end of 2017. With the removal of the individual mandate penalty, the new rules around STLDI and AHPs, and the loss of the funding of CSRs, and moving the Medicaid Expansion population from the individual ACA market into Medicaid managed care, pressures continue to create uncertainty with respect to future sustainability of the ACA market, nationally as well as in New Hampshire. New Hampshire has continued to allow for transition plans in the individual

[24] Harvard Pilgrim and Matthew Thornton provided data as of May 2019, Celtic provided as of June 2019.

market. We assumed that these transition plans will end and many will enter the ACA market in 2021. New Hampshire is pursuing a Section 1332 Waiver to ensure continued stability in its individual health insurance market.

III. New Hampshire's Reinsurance 1332 Waiver

Reinsurance Design

Under its 1332 Waiver, New Hampshire proposes to implement a reinsurance mechanism that is projected to reduce premiums approximately 16% (after assessment) in 2021, compared to the projected baseline premium without the waiver.

The reduction in premiums in New Hampshire results in the reduction in Advanced Premium Tax Credits (APTC). The APTCs funded by the federal government are the difference between the second lowest Silver premium in a region and the maximum amount that a family pays in premium based on its income and family size. As the Silver premiums are reduced, the APTC is reduced due to the reduction in premiums. The reduction in APTC is slightly offset by exchange user fees, which the federal government will not be able to collect. The fourth guardrail - Federal Deficit Neutrality, requires that any savings from APTC be offset by any loss of income.

The proposed reinsurance program would be funded by the reduction in federal PTC and per member per month assessments against all insurance writers and insurance administrators including the individual market plans, in accordance with New Hampshire's existing assessment authority. The assessment rate will be set as 60 basis points of the prior year's age 40 2nd lowest cost silver plan without the premium reduction for the reinsurance program. Therefore, for 2021, the State would use the 2020 2nd lowest cost silver plan premium at age 40 ($404.60 PMPM), resulting in an assessment rate of $2.43 PMPM. For future years the assessment will be based on the age 40 2nd lowest silver plan premium not reduced for the reinsurance program, meaning issuers will submit two rate filings, one with the 1332 reinsurance program and one without the 1332 reinsurance program. The assessment will be based on the one without waiver premium rates.

With an assessment base of approximately 490K lives (provided by New Hampshire based on current other assessments), the total 2021 assessment funds are expected to be approximately $14.3M which would include amounts for administration costs . For purposes of estimating the amount available for reinsurance claims, this amount is reduced by 2% as a measure of conservatism and further reduced by $500,000 to provide for administration. This method of estimating the State funds available for payments will be re-evaluated from time to time. The entire assessment amount less administrative costs would be paid out to carriers by adjusting the reinsurance parameters. Similarly, the state will not pay out more than the assessment less administrative costs.

The reinsurance program would reduce premiums, making insurance more affordable. The result therefore, should be more individuals staying in the market, which will help maintain stability in the individual health insurance market. The hope is that a more stable individual insurance market will attract more insurers to participate thereby increasing competition.

NovaRest Analysis Process and Assumptions

Data

Issuer Data Call

NovaRest performed two separate data calls regarding the individual ACA market issuers in New Hampshire, which include: Celtic, Harvard Pilgrim, and Matthew Thornton (Anthem). The first data call requested 2017 annual claims by member (with Personal Identifying Information (PII) removed) for the ACA non-Medicaid Expansion individual ACA market. Experience of the Medicaid expansion members in the individual ACA plans was removed by the issuers prior to the data submission. As Minuteman Health is no longer participating in the New Hampshire market, we imputed their experience using the New Hampshire all-payer claims database (NH CHIS).

A second data call provided premium and membership data as of May/June of 2019 for ACA business by metal level and exchange status. We also received data on the active transitional and grandfathered business in 2018. Only Matthew Thornton (Anthem) reported grandfathered or transitional business. The Medicaid Expansion population did not participate in the individual market in 2019 and did not need to be removed from 2019 data.

We also collected rate filing information for all carriers from plan year 2017 to 2020.

The data call also provided premium and membership for the following FPL ranges. Those from 0% of the FPL to 138% of the FPL are covered by Medicaid. Members are eligible for APTC up to 400% FPL. Members at the 100% CSR level who are eligible for APTC (of which there were 22 according to the data call) were evenly distributed between the 138% to 400% FPL ranges.

Market Projections and Assumptions

Membership Projections

Individuals that were eligible for 94% CSR, 87% CSR, 73% CSR and APTC non-CSR were determined to be the ones most likely to retain coverage, although many circumstances can arise that result in turnover in this market segment, such as becoming employed by an employer that offers health insurance or moving out of state. Since NovaRest cannot predict employment or what percentage of the population might move out of state, we treated these members as a stable block.

For all other individuals NovaRest used the elasticity by metal level presented at a Society of Actuaries (SOA) training session.[25] The elasticity estimates the percentage of membership that

[25] Murawski, Engel, Liner. Session 76 L, Understanding Stakeholder Behavior: Hidden Forces in the U.S. Healthcare System. June 12-14, 2017. https://www.soa.org/globalassets/assets/files/e-business/pd/events/2017/health-meeting/pd-2017-06-health-session-076.pdf. Accessed December 18, 2019.

will reduce coverage (buy-down) based on the percent of rate increase. We assume individuals who buy-down will only reduce by one metal level at a time, i.e. Gold to Silver, Silver to Bronze, Bronze and Catastrophic to uninsured. We assume individuals will maintain their exchange status, so that those who purchase coverage on exchange, when buying-down, would continue to purchase on exchange, except the Silver level where on-exchange premiums are loaded for the federal defunding of CSRs. In this case, a non-subsidized member enrolled at the Gold coverage level on exchange is assumed to buy-down to the Silver level but purchase off-exchange where the premiums are not loaded.

Similarly, we assumed a rate decrease might incentivize uninsured to purchase insurance or members to purchase additional coverage (buy-up). We also assume they would buy-up one metal level at a time with uninsured moving into the Bronze metal tier (on and off exchange equally). Enrollees would continue to maintain their exchange status except for Silver on exchange. The buy-up rates use the same elasticities as buying-down, calibrated so the uninsured moving to Bronze is consistent with the rate determined in the January 2017 Council of Economic Advisors Issue Brief.[26] This provides buy-up rates that are significantly less than buy-down rates as we believe enrollees are much more sensitive to price increases than decreases.

Individuals with Catastrophic coverage may age out or, based on the rate increase, decide to drop coverage and become uninsured. For the loss of membership due to aging, NovaRest used a steady state and decided that new entrants would replace individuals aging out. For the portion of the individuals deciding to drop coverage NovaRest used a Catastrophic specific elasticity.

The recent HRA regulation may have an impact if employers decide to implement HRA arrangements in which their health plan enrollees may enter the individual market. We reviewed the projections of such migration contained in the regulation, but we believe that growth rates derived from those projections are likely higher than what the New Hampshire market may experience. After discussion with New Hampshire regulators and issuers, we believe that such migration will be small in the next few years. To the extent that there is migration from employer sponsored coverage into the individual market, we believe that such enrollees will likely not be eligible for federal subsidies. Thus, federal pass-through amounts would not be impacted. New Hampshire will modify the reinsurance parameters for future years to make up for actual or expected growth in the market and associated increased expected reinsurance eligible claims, such that the total reinsurance pay-out will not exceed the federal pass-through funding plus the state funding from the set assessments.

[26] Understanding Recent Developments in the Individual Health Insurance Market. Council of Economic Advisers Issue Brief. January 2017.

Premium and Claims Trend

To trend APTC and non-APTC premium rates from 2019 to 2020, NovaRest used the New Hampshire specific actual average rate increases by metal tier.[27] For 2021-2030, National Health Expenditure (NHE) trends were used so the same trend was applied to all metal tiers.[28] We assumed the second lowest cost Silver plan would trend at the same rate as the other plans at the Silver level. The exact trends used are provided in Appendix A.

For paid claims from 2017-2020, we found issuer projected trends from rate filings were higher than NHE trends. However, carriers' experience included the PAP population which likely impacted issuer projected trends. Therefore, for 2017-2020 we used the highest annual NHE trend (5.6%) for all years. For 2021-2030, we trended the paid claims using the NHE trends consistent with the premiums. The assessment from 2022-2030 is also trended using the NHE trends. Because we are using NHE and not trend or projected premium increases, we did not include any HIT adjustment.

APTC and PTC Projections

From the issuer data call, NovaRest received the aggregate premium rate for individuals and families that are eligible for APTCs and the maximum that a family will actually pay.

The aggregate premium rate is the premium that the individuals would pay, if they did not receive the APTC, which is the second lowest Silver rate in each region. For 2020, the second lowest Silver premium rate is $404.60 PMPM. New Hampshire only has one rating area. The tobacco rate charged to smokers was not considered since it is not used in the APTC determination.

We have assumed a Federal Poverty Level (FPL) increase of 2% a year, which we have used to trend the maximum premium that a family will pay. The family FPL in 2019 is $12,490 for the first person plus $4,420 for each additional person.[29] A family of 4 is $12,490 plus 3 times $4,420 or $25,750. The single person FPL rate has been increasing by 1% to 3% a year and the additional person has been increasing by 2% to 4% a year. [30]

An individual's APTC is the difference between the second lowest cost Silver plan in the region for the individual's age and the maximum premium for an individual. For a family it is the sum of all of the second lowest cost Silver plans in the region for the individual's age for each individual and the maximum family premium.

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[27] Using KFF Interactive Files and HIXCompare
[28] NHE Projections 2018-2027. Centers for Medicare and Medicaid Services. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.
[29] "Prior HHS Poverty Guidelines And Federal Register References". Office of the Assistant Secretary for Planning and Evaluation. https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references
[30] Ibid.

For the waiver scenario, the reinsurance program is expected to reduce the second lowest Silver premium, which reduces the APTC. The reinsurance lowers the premiums for all plans, but the second lowest Silver plan is the one that impacts the APTC. NovaRest assumed that the premium reduction was the same percentage for all plans due to the single risk pool requirement.[31] The difference in the premiums for the second lowest Silver plans with and without the reinsurance is the difference in the APTC between the two scenarios. We estimated PTC reductions assuming that PTCs are 98% of APTCs. We derived this adjustment from published information on APTC vs. PTC for 2018. This is the amount that CMS will save in PTC and that can be applied to the reinsurance funding.

The amount that the federal government can contribute and remain budget neutral is the savings from the reduced PTCs less the loss of the exchange user fees. Exchange user fees for the individual market are 3.0% of premium paid on exchange plans in 2020.[32] Thus, when the premium is reduced, this income to the federal government is also reduced. The amount of federal budget savings is the reduction in PTC less the exchange user fees. For example, if PTC has a 15% reduction in premiums the net amount of savings to the federal government is 15% less the 3.0%, which is 12%.

Non-ACA Business

Based on discussions with New Hampshire insurance regulators, we assume all remaining transitional business will enter the market in 2021 and will enter at the Bronze tier equally on and off exchange. The 2018 transitional membership and average premium were provided in the data call. Premiums were trended using the NHE trends to 2021. We used the Bronze elasticity to determine the transitional members who would become uninsured prior to 2021 and to determine which transitional members would join the ACA market in 2021 by comparing the average 2021 transitional premium rate to the average 2021 Bronze premium rate.

We assume all enrollees still enrolled in grandfathered plans would keep their grandfathered plans and would not transition into the ACA individual market.

Assessment

As described above, the state subsidy is based on the second lowest Silver rate for the prior year without consideration of reduction in premium resulting from the reinsurance program, meaning the assessment for plan year 2021 is expected to be $2.43 PMPM. We assume the second lowest cost Silver premium will increase annually at the NHE trend rate, and therefore the assessment would increase at this rate as well.

[31] Rate increases are rarely the same for all plans due to changes such as differences in morbidity that vary between plans and geographic factor changes. It is not possible to predict these types of factors with an appropriate amount of accuracy.
[32] "HHS Notice of Benefit and Payment Parameters for 2020." The Centers for Medicare & Medicaid Services.

Reinsurance

We developed reinsurance parameters such that the total estimated reinsurance amount, and resulting estimated average premium reduction would result in the target state responsibility amounts and estimated federal passthrough funding. To develop the reinsurance amount from current ACA plans, we trended the claims for each enrolled individual (provided by the issuers) and applied reinsurance parameters to each trended claim.

For the current transitional plans, using the data provided by the one issuer with transitional plans, we estimated the total members with claims above the attachment point and the associated total claims, and trended the claims amount to 2021. We then applied the cap and coinsurance parameters to estimate the 2021 reinsurance amount for transitional enrollees.

2020 and 2021 Projections

Using the actual 2019-2020 rate increases, our 2020 market projections are provided below:

Table 7 2020 Projection	
Membership Active on Census Date	
APTC On Exchange	29,608
Non-APTC (> 400%) On Exchange	10,484
On-Exchange	40,092
Off-Exchange	5,515
Total ACA	45,607
Average Premium PMPM	
APTC Aggregate Premium Rate	$585.81
APTC Maximum Premium Paid	$160.34
APTC Premium Rate	$425.48
Non-APTC (> 400%)	$459.10
On-Exchange	$552.68
Off-Exchange	$513.56
Total ACA	$547.95
Total Annual Premium	
APTC Aggregate Premium	$208,136,916
APTC Maximum Premium	$56,966,563
APTC Premium	$151,170,353
Non-APTC (> 400%)	$57,759,237
On-Exchange	$265,896,153
Off-Exchange	$33,986,917
Total ACA	$299,883,070

Our projected 2021 market is presented below, with and without the proposed reinsurance waiver.

Table 8 2021 Projection			
Membership Active on Census Date	Without Waiver	With Reinsurance Waiver, After Assessment	% Change
APTC On Exchange	29,608	29,608	0%
Non-APTC (> 400%) On Exchange	9,865	10,613	8%
On-Exchange	39,473	40,221	2%
Off-Exchange	7,886	8,253	5%
Total ACA	47,359	48,474	2%
Average Premium PMPM			
APTC Aggregate Premium Rate	$616.27	$518.23	-16%
APTC Maximum Premium Paid	$163.54	$163.54	0%
APTC Premium Rate	$452.73	$354.69	-22%
Non-APTC (> 400%)	$485.18	$406.20	-16%
On-Exchange	$583.51	$488.67	-16%
Off-Exchange	$517.93	$435.19	-16%
Total ACA	$572.59	$479.56	-16%
Total Annual Premium			
APTC Aggregate Premium	$218,960,035	$184,124,782	-16%
APTC Maximum Premium	$58,105,894	$58,105,894	0%
APTC Premium	$160,854,141	$126,018,888	-22%
Non-APTC (> 400%)	$57,433,268	$51,732,806	-10%
On-Exchange	$276,393,303	$235,857,589	-15%
Off-Exchange	$49,014,148	$43,099,583	-12%
Total ACA	$325,407,450	$278,957,171	-14%

The total ACA premium is lower than the projected 16% reduction after assessment due to shifts in membership.

NovaRest estimates that if the New Hampshire 1332 Waiver is not implemented that there will be approximately 800 additional uninsured in 2021. With the Waiver, we expect over 300 uninsured to enter the market (i.e. 1100 less uninsured with the waiver than in the baseline).

IV. Meeting the Section 1332 Waiver Guardrails

This report demonstrates that the four 1332 Waiver guardrails will be met by New Hampshire's proposed 1332 Waiver structure.

Comprehensive Coverage – The proposed Waiver does not make alterations to the required scope of benefits offered in the insurance market in New Hampshire. It will result in a projected increase in the number of individuals with coverage that meets the ACA's EHB requirements, as seen in Table 8.

Affordability – 1332(b)(1)(B)

The Waiver will reduce premiums and increase affordability. We estimate the Waiver will lower premiums by approximately 16.3% in 2021, although it will be funded by an assessment against all members for all insurance writers and insurance administrators including ACA individual market plans meaning the actual premium decrease will be slightly lower, or about 15.8%. The premium decrease can be seen in Table 8 above.

Scope of Coverage – 1332(b)(1)(C)

The proposed Waiver is projected to cover more individuals in New Hampshire than would be covered absent the Waiver. Lower premiums will result in individuals retaining coverage rather than dropping coverage due to unaffordable premium rates. As can be seen in Table 8, we expect approximately 1100 additional covered members in 2021.

Federal Deficit Neutrality – 1332(b)(1)(D)

The proposed Waiver will not result in increased spending, administrative, or other expenses to the federal government. There will be no increase in federal expense. The federal funding will be calculated based on actual PTC subsidized enrollment and will be reduced by any reductions in exchange user fees. We project that the Waiver will lower premiums by approximately 15% after assessment, which will reduce the APTC that would be paid by the federal government. Since the exchange user fees are a percentage of premium, the reduced premium will reduce the exchange user fees collected by the federal government. The intention is for the lower PTCs less the reduced exchange user fees be passed to New Hampshire and used to fund the reinsurance program under the Waiver.

The reduced APTC saves the federal government money. To partially offset this savings are some potential losses to income for the federal government in terms of lower exchange fees.

The shared responsibility or individual mandate penalty would be reduced if individuals remain insured rather than becoming uninsured and subject to the penalty. In December 2017, Republican lawmakers passed H.R.1, the Tax Cuts and Jobs Act, which set the individual mandate penalty to $0.[33] This is effective for 2021 plan year. Therefore, there is no impact on the federal deficit for individuals remaining insured.

The Exchange User Fee is a federally mandated fee used to fund the federal and state exchanges. Because New Hampshire did not establish a state-based exchange, the exchange is facilitated by the federal government. The fee is calculated as a percent of on-exchange premiums. Although the fee is calculated on on-exchange business, it is included in the premium for all non-grandfathered on-and-off exchange ACA business. The current fee rate in the individual market is 3.0%.[34]

Tables 9a and 9b show the development of the projected PTC savings, state funding, and total reinsurance for years 2020 through 2030. The projections provided under the Reinsurance Waiver scenario also include the impact of the assessment that will affect all markets including the individual market.

[33] Norris, Louise. "With the GOP tax bill and the president's 2017 executive order, will the IRS still enforce the individual mandate penalty?" HealthInsurance.org. January 22, 2018. https://www.healthinsurance.org/faqs/does-the-presidents-executive-order-mean-the-irs-wont-enforce-the- individual-mandate-penalty/

[34] "HHS Notice of Benefit and Payment Parameters for 2020." The Centers for Medicare & Medicaid Services. April 18, 2019. https://www.cms.gov/newsroom/press-releases/cms-issues-final-rule-2020-annual-notice-benefit-and-payment-parameters

Table 9a Budget Neutrality Projection, 2020-2030						
Base	2020	2021	2022	2023	2024	2025
APTC Agg Prem	$208,136,916	$218,960,035	$229,251,157	$240,025,961	$251,307,181	$263,369,926
APTC Max Prem Paid	$56,966,563	$58,105,894	$59,268,012	$60,453,372	$61,662,440	$62,895,688
Total APTC	$151,170,353	$160,854,141	$169,983,145	$179,572,589	$189,644,742	$200,474,238
Total PTC	$148,146,946	$157,637,058	$166,583,482	$175,981,137	$185,851,847	$196,464,753
Reinsurance Waiver, After Assessment						
APTC Agg Prem	$208,136,916	$184,124,782	$192,782,964	$201,843,763	$211,330,420	$221,473,284
APTC Max Prem Paid	$56,966,563	$58,105,894	$59,268,012	$60,453,372	$61,662,440	$62,895,688
Total APTC	$151,170,353	$126,018,888	$133,514,952	$141,390,391	$149,667,980	$158,577,596
Total PTC	$148,146,946	$123,498,510	$130,844,653	$138,562,583	$146,674,621	$155,406,044
PTC Savings	$0	$34,138,548	$35,738,829	$37,418,554	$39,177,226	$41,058,709
Exchange fee decrease	$0	$1,216,071	$1,264,819	$1,315,945	$1,369,454	$1,426,671
Net Federal Funding	$0	$32,922,477	$34,474,011	$36,102,609	$37,807,773	$39,632,038
State Funding	$0	$13,377,598	$14,002,167	$14,651,948	$15,332,249	$16,058,705
Total Reinsurance		$46,300,074	$48,476,178	$50,754,558	$53,140,022	$55,690,743

Table 9b Budget Neutrality Projection, 2020-2030					
Base	2026	2027	2028	2029	2030
APTC Agg Prem	$276,538,422	$289,259,190	$302,565,113	$316,483,108	$331,041,331
APTC Max Prem Paid	$64,153,602	$65,436,674	$66,745,408	$68,080,316	$69,441,922
Total APTC	$212,384,820	$223,822,516	$235,819,705	$248,402,792	$261,599,409
Total PTC	$208,137,124	$219,346,065	$231,103,311	$243,434,736	$256,367,420
Reinsurance Waiver, After Assessment					
APTC Agg Prem	$232,544,864	$243,246,297	$254,435,627	$266,139,666	$278,382,091
APTC Max Prem Paid	$64,153,602	$65,436,674	$66,745,408	$68,080,316	$69,441,922
Total APTC	$168,391,262	$177,809,623	$187,690,219	$198,059,350	$208,940,168
Total PTC	$165,023,436	$174,253,431	$183,936,415	$194,098,163	$204,761,365
PTC Savings	$43,113,687	$45,092,635	$47,166,896	$49,336,573	$51,606,055
Exchange fee decrease	$1,489,131	$1,549,316	$1,612,382	$1,678,345	$1,747,339
Net Federal Funding	$41,624,557	$43,543,318	$45,554,513	$47,658,228	$49,858,716
State Funding	$16,850,724	$17,621,825	$18,424,227	$19,263,534	$20,141,447
Total Reinsurance	$58,475,280	$61,165,143	$63,978,740	$66,921,762	$70,000,163

V. Ten Year Projections

To develop the projections from 2020-2030, we used the process and assumptions described above.

The tables below show the membership and premiums for 2020-2030 for both the baseline without the waiver and with the waiver.

Table 10a 2020-2030 Base Line Without Waiver						
Membership	2020	2021	2022	2023	2024	2025
94% CSR (138% to 150% FPL)	4,396	4,396	4,396	4,396	4,396	4,396
87% CSR (150% to 200% FPL)	6,989	6,989	6,989	6,989	6,989	6,989
73% CSR (200% to 250% FPL)	4,125	4,125	4,125	4,125	4,125	4,125
APTC Non-CSR (250% to 400% FPL)	14,097	14,097	14,097	14,097	14,097	14,097
Total APTC	29,608	29,608	29,608	29,608	29,608	29,608
Total Non-APTC	10,484	9,865	9,343	8,854	8,394	7,951
Total On-Exchange	40,092	39,473	38,951	38,462	38,002	37,559
Off Exchange	5,515	7,886	7,564	7,258	6,967	6,685
Total ACA	45,607	47,359	46,515	45,720	44,969	44,244
Average Premium PMPM						
APTC Agg Prem	$585.81	$616.27	$645.24	$675.57	$707.32	$741.27
APTC Max Prem	$160.34	$163.54	$166.81	$170.15	$173.55	$177.02
APTC	$425.48	$452.73	$478.43	$505.42	$533.77	$564.25
Non-APTC	$459.10	$485.18	$509.82	$535.50	$562.27	$590.78
Total On-Exchange	$552.68	$583.51	$612.76	$643.32	$675.28	$709.41
Off Exchange	$513.56	$517.93	$543.81	$570.81	$598.99	$629.04
Total ACA	$547.95	$572.59	$601.55	$631.81	$663.46	$697.27
Total Annual Premium						
Total APTC Agg Prem	$208,136,916	$218,960,035	$229,251,157	$240,025,961	$251,307,181	$263,369,926
Total APTC Max Prem	$56,966,563	$58,105,894	$59,268,012	$60,453,372	$61,662,440	$62,895,688
Total APTC	$151,170,353	$160,854,141	$169,983,145	$179,572,589	$189,644,742	$200,474,238
Total Non-APTC	$57,759,237	$57,433,268	$57,161,194	$56,894,964	$56,633,408	$56,367,174
Total On Exchange	$265,896,153	$276,393,303	$286,412,351	$296,920,925	$307,940,589	$319,737,100
Off Exchange	$33,986,917	$49,014,148	$49,359,421	$49,715,138	$50,080,603	$50,461,227
Total ACA	$299,883,070	$325,407,450	$335,771,772	$346,636,064	$358,021,193	$370,198,327
Exchange Fees	$7,976,885	$8,291,799	$8,592,371	$8,907,628	$9,238,218	$9,592,113

Table 10b 2020-2030 Base Line Without Waiver					
Membership	2026	2027	2028	2029	2030
94% CSR (138% to 150% FPL)	4,396	4,396	4,396	4,396	4,396
87% CSR (150% to 200% FPL)	6,989	6,989	6,989	6,989	6,989
73% CSR (200% to 250% FPL)	4,125	4,125	4,125	4,125	4,125
APTC Non-CSR (250% to 400% FPL)	14,097	14,097	14,097	14,097	14,097
Total APTC	29,608	29,608	29,608	29,608	29,608
Total Non-APTC	7,517	7,141	6,786	6,449	6,130
Total On-Exchange	37,125	36,749	36,394	36,057	35,738
Off Exchange	6,405	6,160	5,926	5,702	5,488
Total ACA	43,530	42,909	42,320	41,760	41,226
Average Premium PMPM					
APTC Agg Prem	$778.33	$814.14	$851.59	$890.76	$931.73
APTC Max Prem	$180.56	$184.18	$187.86	$191.62	$195.45
APTC	$597.77	$629.96	$663.73	$699.14	$736.29
Non-APTC	$621.80	$651.65	$682.79	$715.27	$749.17
Total On-Exchange	$746.64	$782.56	$820.11	$859.37	$900.42
Off Exchange	$661.76	$693.28	$726.18	$760.52	$796.38
Total ACA	$734.15	$769.74	$806.96	$845.87	$886.57
Total Annual Premium					
Total APTC Agg Prem	$276,538,422	$289,259,190	$302,565,113	$316,483,108	$331,041,331
Total APTC Max Prem	$64,153,602	$65,436,674	$66,745,408	$68,080,316	$69,441,922
Total APTC	$212,384,820	$223,822,516	$235,819,705	$248,402,792	$261,599,409
Total Non-APTC	$56,086,993	$55,842,195	$55,598,625	$55,355,770	$55,113,192
Total On Exchange	$332,625,415	$345,101,385	$358,163,738	$371,838,878	$386,154,523
Off Exchange	$50,862,943	$51,248,293	$51,640,880	$52,040,315	$52,446,249
Total ACA	$383,488,358	$396,349,679	$409,804,618	$423,879,193	$438,600,772
Exchange Fees	$9,978,762	$10,353,042	$10,744,912	$11,155,166	$11,584,636

Table 11a 2020-2030 With Reinsurance Waiver, After Assessment						
Membership	2020	2021	2022	2023	2024	2025
94% CSR (138% to 150% FPL)	4,396	4,396	4,396	4,396	4,396	4,396
87% CSR (150% to 200% FPL)	6,989	6,989	6,989	6,989	6,989	6,989
73% CSR (200% to 250% FPL)	4,125	4,125	4,125	4,125	4,125	4,125
APTC Non-CSR (250% to 400% FPL)	14,097	14,097	14,097	14,097	14,097	14,097
Total APTC	29,608	29,608	29,608	29,608	29,608	29,608
Total Non-APTC	10,484	10,613	10,044	9,511	9,010	8,530
Total On-Exchange	40,092	40,221	39,652	39,119	38,618	38,138
Off Exchange	5,515	8,253	7,914	7,593	7,289	6,993
Total ACA	45,607	48,474	47,566	46,712	45,907	45,131
Average Premium PMPM						
APTC Agg Prem	$585.81	$518.23	$542.60	$568.10	$594.80	$623.35
APTC Max Prem	$160.34	$163.54	$166.81	$170.15	$173.55	$177.02
APTC	$425.48	$354.69	$375.79	$397.95	$421.25	$446.33
Non-APTC	$459.10	$406.20	$427.04	$448.73	$471.34	$495.42
Total On Exchange	$552.68	$488.67	$513.33	$539.08	$566.00	$594.74
Off Exchange	$513.56	$435.19	$457.10	$479.94	$503.76	$529.15
Total ACA	$547.95	$479.56	$503.97	$529.46	$556.11	$584.57
Total Annual Premium						
Total APTC Agg Prem	$208,136,916	$184,124,782	$192,782,964	$201,843,763	$211,330,420	$221,473,284
Total APTC Max Prem	$56,966,563	$58,105,894	$59,268,012	$60,453,372	$61,662,440	$62,895,688
Total APTC	$151,170,353	$126,018,888	$133,514,952	$141,390,391	$149,667,980	$158,577,596
Total Non-APTC	$57,759,237	$51,732,806	$51,468,765	$51,212,338	$50,961,719	$50,708,120
Total On-Exchange	$265,896,153	$235,857,589	$244,251,728	$253,056,101	$262,292,139	$272,181,404
Off Exchange	$33,986,917	$43,099,583	$43,410,699	$43,731,815	$44,062,136	$44,406,565
Total ACA	$299,883,070	$278,957,171	$287,662,428	$296,787,916	$306,354,274	$316,587,969
Exchange Fee	$7,976,885	$7,075,728	$7,327,552	$7,591,683	$7,868,764	$8,165,442

Table 11b 2020-2030 With Reinsurance Waiver, After Assessment					
Membership	2026	2027	2028	2029	2030
94% CSR (138% to 150% FPL)	4,396	4,396	4,396	4,396	4,396
87% CSR (150% to 200% FPL)	6,989	6,989	6,989	6,989	6,989
73% CSR (200% to 250% FPL)	4,125	4,125	4,125	4,125	4,125
APTC Non-CSR (250% to 400% FPL)	14,097	14,097	14,097	14,097	14,097
Total APTC	29,608	29,608	29,608	29,608	29,608
Total Non-APTC	8,059	7,652	7,268	6,905	6,561
Total On-Exchange	37,667	37,260	36,876	36,513	36,169
Off Exchange	6,701	6,445	6,201	5,967	5,743
Total ACA	44,368	43,705	43,077	42,480	41,912
Average Premium PMPM					
APTC Agg Prem	$654.51	$684.63	$716.12	$749.06	$783.52
APTC Max Prem	$180.56	$184.18	$187.86	$191.62	$195.45
APTC	$473.95	$500.45	$528.26	$557.45	$588.07
Non-APTC	$521.60	$546.81	$573.08	$600.48	$629.07
Total On Exchange	$626.07	$656.33	$687.93	$720.97	$755.51
Off Exchange	$556.78	$583.41	$611.18	$640.16	$670.43
Total ACA	$615.61	$645.57	$676.88	$709.62	$743.85
Total Annual Premium					
Total APTC Agg Prem	$232,544,864	$243,246,297	$254,435,627	$266,139,666	$278,382,091
Total APTC Max Prem	$64,153,602	$65,436,674	$66,745,408	$68,080,316	$69,441,922
Total APTC	$168,391,262	$177,809,623	$187,690,219	$198,059,350	$208,940,168
Total Non-APTC	$50,442,855	$50,211,211	$49,982,030	$49,754,386	$49,527,799
Total On-Exchange	$282,987,719	$293,457,508	$304,417,657	$315,894,052	$327,909,890
Off Exchange	$44,770,503	$45,119,576	$45,475,404	$45,837,572	$46,205,732
Total ACA	$327,758,222	$338,577,085	$349,893,061	$361,731,624	$374,115,622
Exchange Fees	$8,489,632	$8,803,725	$9,132,530	$9,476,822	$9,837,297

VI. Limitations

There were a number of limitations in the data received and the assumptions used in developing the projections. Even with these limitations, NovaRest believes that the projections included in this report are reasonable and appropriate for decision-making purposes. NovaRest performed sensitivity testing to verify that varying the assumptions used would not significantly change the results. Actual federal funding through reduced PTC will be based on government projected enrollment and filed premiums rather than on NovaRest's or other projections, so the actual federal pass-through funding may vary from that developed in our modeling and included in our projections. Also, actual issuer-developed rates for 2021 may vary from those assumed.

Additional limitations and considerations include:

1. The data that NovaRest used were snap shots as of May 2019 for Matthew Thornton (Anthem) and Harvard Pilgrim and as of June 2019 for Celtic. With the turnover in the individual market this may overstate 2019 due to later 2019 migration from the market.
2. NovaRest had little information on individuals eligible for 100% CSR (there are 22 based on the data from the issuers). From the data provided NovaRest knows that they are all eligible for APTCs, but not their actual poverty level. NovaRest allocated the 100% CSR to the CSR levels for the non-100% CSR individuals.
3. NovaRest assumed that grandfathered plan enrollees would continue to purchase grandfathered coverage, and we have not assumed migration of such enrollees into the ACA market. As of 2018, only Matthew Thornton (Anthem) reported grandfathered business with approximately 2,700 members.
4. NovaRest assumed transitional plan members will remain in the transitional market until 2021, when they would enter the individual ACA market at the Bronze coverage level. We have trended average transitional premiums using NHE trend and compared the projected 2021 transitional premium against the SOA elasticity for the bronze tier to determine migration into the ACA market. We assume half will move to on-exchange and half to off-exchange. As of 2018, only Matthew Thornton (Anthem) reported transitional business with approximately 3,000 members.
5. NovaRest has estimated federal pass-through funding by estimating federal savings achieved through the reduction in estimated PTCs offset by estimated loss of federal revenue. Actual issuer premiums may deviate from that resulting from our projections. Additionally, actual federal calculation of savings may vary from our projections.

VII. Actuarial Certification

Reliance
In the analysis described in this report, we relied on information provided by New Hampshire, information published by the Federal government, and information provided by insurers offering coverage in the Individual market in New Hampshire.

We relied upon this information without independent investigation or audit. If information is inaccurate or incomplete, our findings and conclusions may need to be revised. We have reviewed the data for consistency and reasonableness. Where data was inconsistent or unreasonable, we requested clarification.

Subsequent Events
There are no known subsequent events which impact the analyses described in this report or the results presented.

ASOPS
In performing our analyses, NovaRest used sound actuarial judgement and principles, and complied with all current Actuarial Standards of Practice (ASOPs). In particular, we have complied with ASOP 23 Data Quality, and ASOP 41 Actuarial Communication.

Actuarial Certification
Donna Novak, President and Al Bingham, Principal of NovaRest Actuarial Consulting are the actuaries responsible for this report. We are both Members of the Society of Actuaries and the American Academy of Actuaries. We both meet the Qualifications Standards to render this opinion.

We are providing this report solely for the use of supporting New Hampshire's 1332 Waiver application. The intended users of this report are New Hampshire and those federal agencies to which the application is submitted. Distribution of this report to any other parties does not constitute advice from or by us to those parties. The reliance of other parties on any aspect of our work is not authorized by us and is done at the other party's own risk.

We believe the current New Hampshire Waiver proposal complies with the following requirements:

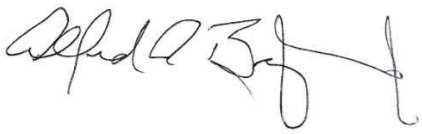
- The coverage provided under this 1332 Waiver is at least as comprehensive as the coverage available absent the 1332 Waiver.
- The coverage provided under this 1332 Waiver is at least as affordable as the coverage available absent the 1332 Waiver.
- The 1332 Waiver will provide coverage to at least a comparable number of residents as would be available absent the 1332 Waiver.
- The 1332 Waiver will not increase the federal deficit.

The actuarial methodologies utilized in order to arrive at our opinion were those that were considered generally accepted within the industry and are consistent with all applicable ASOPs.

If you have any questions, do not hesitate to call Donna at 520-908-7246 or Al at 770-365-6594.

Sincerely,

Donna C. Novak, FCA, ASA, MAAA, MBA



Alfred A Bingham, Jr, FSA, MAAA

Appendix A – Trend Assumptions

National Health Expenditure Projection Rates

The NHE Projection data splits out spending for Private Insurance into Employer-Sponsored Insurance (ESI) and Direct Purchase.[35] Direct Purchase includes coverage purchased through the Marketplace along with other plans such as Medicare supplemental coverage and individually purchased plans. This category seems to be the best fit for projecting individual spending among the NHE data. It has been used for other 1332 Waiver applications such as Wisconsin and Oregon (which were approved by CMS). The current NHE Projection uses 2017 for the claim distribution as the latest year with actual data. We noticed carrier projected trends were higher than NHE trends from 2017-2020, although we recognize this data included the New Hampshire Medicaid Expansion population in the experience which may skew results. Therefore, we decided to trend the claim distribution from 2017-2020 using an annual 5.6% trend, which was the highest annual NHE trend over this period. We then reverted to the NHE trends for 2021 and beyond. The NHE trends, compared with the trends used are provided in Table 12.

Table 12

Year	National Health Expenditure Trends (NHE Table 17 Health Spending by Source of Insurance Coverage Spending Direct Purchase)	Trends Used in Analysis
2018	5.6%	5.6%
2019	5.3%	5.6%
2020	3.2%	5.6%
2021	5.2%	5.2%
2022	4.7%	4.7%
2023	4.7%	4.7%
2024	4.7%	4.7%
2025	4.8%	4.8%
2026	5.0%	5.0%
2027+	4.6%	4.6%

Our model currently uses 2019 actual premiums and membership. For 2019 to 2020, premiums PMPM are trending using actual issuer average premium increases from the rate filings, which are shown by metal tier in Table13.

[35] Projected National Health Expenditure Data. Table 17. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html 2/26/19.

Table 13	
2019-2020 Average Metal Rate Increases	
Gold	1%
Silver	4%
Bronze	-7%
Catastrophic	1%

For 2020 and beyond, premium and claims PMPM amounts are projected forward using the NHE trends.

Appendix B – Definitions and Abbreviations

Allowed Claims - The maximum amount a plan will pay for a covered health care service.

Advance Premium Tax Credit "APTC" or Premium Tax Credit "PTC" – A tax credit taken by enrollee to lower monthly health insurance payment. The enrollee will estimate yearly income when they apply for coverage in the Health Insurance marketplace. The APTC will be based on the estimate of the income entered.

Centers for Medicare & Medicaid Services "CMS" - The Centers for Medicare & Medicaid Services, CMS, is part of the Department of Health and Human Services (HHS). CMS oversees many federal healthcare programs, including those that involve health information technology such as the meaningful use incentive program for electronic health records (EHR).

Cost Sharing Reduction "CSR" - A discount that lowers the amount an enrollee will have to pay for deductibles, copayments, and coinsurance. In the Health Insurance Marketplace, cost-sharing reductions are often called "extra savings."

Essential Health Benefits "EHB" - A set of 10 categories of services health insurance plans must cover under the Affordable Care Act. These include doctors' services, inpatient and outpatient hospital care, prescription drug coverage, pregnancy and childbirth, mental health services, and more.

Federal Poverty Level "FPL" - A measure of income issued every year by the Department of Health and Human Services (HHS). Federal poverty levels are used to determine eligibility for certain programs and benefits, including savings on Marketplace health insurance, and Medicaid and CHIP coverage.

Health Insurance Marketplace "Marketplace" or "exchange" http://www.healthcare.gov - A shopping and enrollment service for medical insurance created by the Affordable Care Act in 2010. In most states, the federal government runs the Marketplace (sometimes known as the "exchange") for individuals and families.

Metal Level, Metal Plans, or Metal Categories - Plans in the Health Insurance Marketplace are presented in 4 "metal" categories: Bronze, Silver, Gold, and Platinum.

Patient Protection and Affordable Care Act "ACA" or "Affordable Care Act" - United States federal statute enacted by the 111th United States Congress and signed into law by President Barack Obama on March 23, 2010.

Per Member Per Month "PMPM" - Per Member Per Month, or the average cost of services per individual per month.

Premium - A health insurance premium is a monthly fee paid to an insurance company or health plan to provide health coverage.

Appendix C – Actuarial Certifications

The Actuarial Certification must include:

1. Actuarial analyses and actuarial certifications. Actuarial analyses and actuarial certifications to support New Hampshire's estimates that the proposed waiver will comply with the comprehensive coverage requirement, the affordability requirement, and the scope of coverage requirement.
2. Economic analyses. Economic analyses to support New Hampshire's estimates that the proposed waiver will comply with the comprehensive coverage requirement, the affordability requirement, the scope of coverage requirement and the Federal deficit requirement, including:
    i. A detailed 10-year budget plan that is deficit neutral to the Federal government, as prescribed by section 1332 (a) (1) (B) (ii) of the Affordable Care Act, and includes all costs under the waiver, including administrative costs and other costs to the Federal government, if applicable; and
    ii. A detailed analysis regarding the estimated impact of the waiver on health insurance coverage in New Hampshire.
3. Data and assumptions. The data and assumptions used to demonstrate that New Hampshire's proposed waiver is in compliance with the comprehensive coverage requirement, the affordability requirement, the scope of coverage requirement and the Federal deficit requirement, including:
    i. Information on the age, income, health expenses and current health insurance status of the relevant State population; the number of employers by number of employees and whether the employer offers insurance; cross tabulations of these variables; and an explanation of data sources and quality; and
    ii. An explanation of the key assumptions used to develop the estimates of the effect of the waiver on coverage and the Federal budget, such as individual and employer participation rates, behavioral changes, premium and price effects, and other relevant factors.
4. Implementation timeline. A detailed draft timeline for New Hampshire's implementation of the proposed waiver.
5. Additional information. Additional information supporting New Hampshire's proposed waiver, including:
    i. An explanation as to whether the waiver increases or decreases the administrative burden on individuals, insurers, and employers, and if so, how and why;
    ii. An explanation of how the waiver will affect the implementation of the provisions of the Affordable Care Act, which New Hampshire is not requesting to waive in the State or at the Federal level;
    iii. An explanation of how the waiver will affect residents who need to obtain health care services out-of-State, as well as the State in which such residents may seek such services;

   i. If applicable, an explanation as to how New Hampshire will provide the Federal government with all information necessary to administer the waiver at the Federal level; and
   ii. An explanation of how New Hampshire's proposal will address potential individual, employer, insurer, or provider compliance, waste, fraud and abuse within New Hampshire or in other States.
6. Reporting targets. Quarterly, annually, and cumulative targets for the comprehensive coverage requirement, the affordability requirement, the scope of coverage requirement, and the Federal deficit requirement.
7. Other information. Other information consistent with guidance provided by the Secretary of the Treasury and the Secretary of Health and Human Services.

Additional supporting information.

(1) During the Federal review process, the Secretary may request additional supporting information from New Hampshire via the Secretary of Health and Human Services as needed to address public comments or to address issues that arise in reviewing the application.
(2) Requests for additional information, and responses to such requests, will be made available to the public in the same manner as information described in § 33.116 (b).

Appendix D – Qualifications

About the Model Team

NovaRest was hired by the New Hampshire Insurance Services to perform a study of the New Hampshire individual health insurance market. The goal was to model the individual health insurance market and to study options to enhance that stability of the current marketplace. Ultimately, the study pointed to the creation of a reinsurance plan and the request for a Section 1332 Waiver. Public Consulting Group (PCG) was hired to write the Section 1332 Wavier application. NovaRest coordinated the application efforts with PCG. NovaRest has been helping state insurance regulators meet their regulatory responsibilities since 2002. The 1332 project included three accredited actuaries, an actuarial student, and two research assistants. The core team members have worked on healthcare actuarial and economic analyses and section 1332 waiver projects. In addition to our unique section 1332 experience, we have performed studies to analyze the cost drivers of health insurance and have analyzed the impact of proposed legislation. NovaRest employs some of the most experienced senior actuaries in the industry. The NovaRest actuaries are experts in the Affordable Care Act (ACA), modeling and project management. In addition, NovaRest has experience working on Section 1332 Waiver and reinsurance projects.

Appendix C

Notice of Public Comment Period, Waiver Informational Presentations

NOTICE
PUBLIC HEARING: UPDATED INFORMATION

PROPOSED SECTION 1332 WAIVER APPLICATION
TO ESTABLISH A STATE REINSURANCE PROGRAM

Pursuant to the provisions of RSA 400-A:17 and federal public comment requirements, the New Hampshire Insurance Department will hold two public hearings for members of the public and interested stakeholders to offer their comments on the draft Section 1332 Waiver application to establish a reinsurance program and the draft Plan of Operations for the program.

Due to state and federal guidance relative to social distancing in response to the novel coronavirus 2019 (COVID-19), the New Hampshire Insurance Department is moving the in-person public hearings to an online webinar format. Webinar registration is available on the Insurance Department's website at https://www.nh.gov/insurance/lah/nh-section-1332-waiver.htm. The public hearings shall be held on:

Tuesday, March 31, 2020, 1:00 – 3:00 pm

Thursday, April 2, 2020, 1:00 – 3:00 pm

During the hearings, the Insurance Department will present information about the proposed reinsurance program and Section 1332 Waiver. Those participating in the webinars will have the opportunity to ask questions and offer comments about the waiver and the Plan of Operations. The hearing on March 31 will be recorded and posted on the Insurance Department's website. Those who view the hearing online at a later day may submit written comments or questions using the contact information included below.

The proposed reinsurance program would reimburse insurers based on their liability for high-cost claims. The program complies with all federal statutory requirements for Section 1332 Waivers related to comprehensiveness and affordability of coverage, access to coverage and federal spending and is expected to lower premium costs in New Hampshire's individual market by approximately 16 percent on average and increase enrollment in the individual

market's unsubsidized population by approximately 8 percent. The program is being proposed pursuant to RSA 404-G:12 and RSA 420-N:6-a. Via the Section 1332 Waiver, federal funding may be made available to support the program. If approved, the program will also be funded through a state insurance assessment.

The draft waiver application and the draft Plan of Operations was posted to the Insurance Department's website at https://www.nh.gov/insurance/lah/nh-section-1332-waiver.htm on March 16. A paper copy is available in the Insurance Department's lobby. Members of the public and interested stakeholders may submit written comments on the draft through April 15 to section1332waiver@ins.nh.gov or via mail to New Hampshire Insurance Department, C/O Eireann Sibley, 21 S Fruit St, Ste 14, Concord, NH, 03301. All comments shall be made available upon request.

People with disabilities who require special accommodations, auxiliary aids or service, or alternative communication formats in order to participate in the process should contact Eireann Sibley at (603) 271- 3781 or **eireann.sibley@ins.nh.gov**, or call TDD at 1 (800) 735-2964 no later than March 24, 2020 to ensure any necessary accommodations can be provided.

To sign up for updates on New Hampshire's Section 1332 Waiver application and regarding the two public hearings, register on the Department's website (https://www.nh.gov/insurance/lah/nh-section-1332-waiver.htm).

NOTICE
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Tuesday, March 31, 2020, 1:00 – 3:00 pm
White Mountain Community College
North Conway Academic Center
2541 White Mountain Highway
North Conway
Register for the event here.
Inclement weather meeting date is scheduled for Thursday, April 9th, 1:00 – 3:00 p.m.
Find directions here.

Thursday, April 2, 2020, 1:00 – 3:00 pm
Brown Building Auditorium
129 Pleasant Street
Concord
Register for the event here.
Inclement weather meeting date is scheduled for Tuesday, April 7th, 1:00 – 3:00 p.m.
Find directions here.

The hearing in North Conway will be recorded and posted on the Insurance Department's website for those who are not able to attend in person. Those who view the hearing online may submit written comments or questions using the contact information included below. During the hearings, the Insurance Department will present information about the proposed reinsurance program and Section 1332 Waiver and will accept public comments on the waiver and the Plan of Operations.

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To sign up for updates on New Hampshire's Section 1332 Waiver application and regarding the two public hearings, register on the Department's website (https://www.nh.gov/insurance/lah/nh-section-1332-waiver.htm).

NH Insurance Department Announces Public Hearing Dates for Section 1332 Waiver Plan

CONCORD, NH – Earlier this month, Governor Sununu announced that the New Hampshire Insurance Department intends to file a Section 1332 State Relief and Empowerment Waiver application with the federal government to promote stability in the state's individual health insurance market. The Department expects that the creation of a state-based reinsurance program could reduce 2021 premiums for the individual health insurance market by approximately 15%, over what they would have been otherwise.

Obtaining public input is an important part of the process for developing the waiver application. The Insurance Department will hold two public hearings on the proposed reinsurance program and application for federal funding:

- White Mountain Community College – North Conway Academic Center, 2541 White Mountain Highway, North Conway, NH on Tuesday, March 31st, 1:00 – 3:00 p.m.
    - Register for the event here.
    - Inclement weather meeting date is scheduled for Thursday, April 9th, 1:00 – 3:00 p.m.
    - Find directions here.

- Fred H. Brown Building Auditorium, 129 Pleasant St, Concord, NH on Thursday, April 2nd, 1:00 – 3:00 p.m.
    - Register for the event here.
    - Inclement weather meeting date is scheduled for Tuesday, April 7th, 1:00 – 3:00 p.m.
    - Find directions here.

Copies of the draft waiver application will be posted on the Department's website in advance of the public hearings so that residents will have the opportunity to review and comment on the plan. The Department will accept oral comment at the public hearings and written comment for 30 days from the date the notice is posted.

People with disabilities who require special accommodations, auxiliary aids or service, or alternative communication formats in order to participate in the process should contact Eireann Sibley at (603) 271- 3781 or eireann.sibley@ins.nh.gov, or call TDD at 1 (800) 735-2964 no later than March 24, 2020 to ensure any necessary accommodations can be provided.

To sign up for updates on New Hampshire's Section 1332 Waiver application, register here.

The New Hampshire Insurance Department Can Help

The New Hampshire Insurance Department's mission is to promote and protect the public good by ensuring the existence of a safe and competitive insurance marketplace through the development and enforcement of the insurance laws of the State of New Hampshire. Contact us with any questions or concerns you may have regarding your insurance coverage at 1-800- 852-3416 or (603) 271-2261, or by email at consumerservices@ins.nh.gov. For more information, visit www.nh.gov/insurance.

Media Contact:
Eireann Aspell Sibley
Communications Director
Office: 603-271-3781
eireann.sibley@ins.nh.gov

Connect with us

News Release

For Immediate Release
January 10, 2020

Contact:
Governor Sununu Press Office
(603) 271-2121
Sununu.Press@nh.gov

Governor Sununu and NH Insurance Department Announce Plan to Reduce Premium Rates, Improve Individual Health Insurance Market

Concord, NH – Today, Governor Chris Sununu is announcing that the New Hampshire Insurance Department intends to file a Section 1332 State Relief and Empowerment Waiver application with the federal government to promote stability in the state's individual health insurance market with an expectation that plan year 2021 premiums will be reduced by approximately 15% over what they would have been otherwise.

"Preserving and stabilizing New Hampshire's individual health insurance market has been a key priority for our administration. Our previous efforts have kept our state's three current insurance companies in the market and have lowered premiums for two consecutive years," said Governor Chris Sununu. "However, continued dysfunction and lack of reform in Washington is likely to produce increased prices next year that could put healthcare out of reach for too many Granite Staters. Thanks to good financial management and the reforms my administration made to our state's Medicaid Expansion program, this waiver, unlike previous proposals, makes sense and could reduce prices for individuals by 15%. This is a win for New Hampshire and I want to thank the team at the Department of Insurance for their efforts."

As required by HB 4, which passed last September, the Insurance Department is seeking a waiver to create a state-based reinsurance program. The waiver would allow New Hampshire to receive what is known as federal "pass-through" funding - the equivalent of what the federal government is estimated to save in premium subsidy payments to New Hampshire residents as a result of the program.

An initial analysis prepared for the Insurance Department estimates the plan will save the federal government $31.1 million in Advance Premium Tax Credits for 2021. In combination with the state share of $13.5 million, initial estimates indicate that the program could provide $44.6 million in reinsurance dollars to individual market companies to cover high cost claims. This would enable these companies to lower their premium rates and limit their exposure to high cost claims.

Payments will be allocated to the companies providing coverage in the individual market based on the number and magnitude of high cost claims that they incur. The waiver application will include a provision to allow the state to adjust the program on a year-to-year basis as market conditions may require, or to terminate the program at the end of any plan year.

In 2017, with legislative authorization, the Insurance Department conducted its first effort to establish a reinsurance mechanism for the individual market. At that time, the Medicaid Expansion (Premium Assistance Program) population was about to enter the individual market. The federal government would not agree to give New Hampshire pass-through funding representing the Medicaid program savings that would result from the reinsurance plan. This significantly decreased the pass-through savings relative to the state share and reduced the benefit to the market in terms of premium reduction to the point that the effort was abandoned. Now that the Medicaid Expansion population is being served through managed care organizations and not through the individual market, the anticipated pass-through savings relative to the state share is much larger, resulting in much higher savings for the individual market as compared to the 2017 proposal and much lower state share costs.

The individual health insurance market, which insures 44,000 people through the state's federally facilitated Exchange (HealthCare.gov) and 10,000 people outside the Exchange, has faced significant uncertainty and increased costs over several years. Individuals who do not receive federal premium subsidies have experienced steep increases and many have left the individual market. The individual market is inherently more vulnerable than group markets to what is known as "adverse selection"—the accumulation of a disproportionate number of members with high heath care costs.

"The individual market in New Hampshire has been under stress for years," said Acting Insurance Commissioner Alex Feldvebel. "I hope that by implementing a well-crafted reinsurance program, we can strengthen the individual market—both in terms of company participation and in terms of covered lives and general consumer confidence. We have seen the negative impacts of high premium costs on people's financial well-being and health, and the Governor and Legislature have directed the Department to take action."

About a dozen states were granted or are in the process of applying for Section 1332 Waivers to support their individual markets. In 2018, the Trump Administration announced additional Section 1332 Waiver options for states to promote pursuit of the waivers. Most states began their 1332 Waivers in 2019 and have estimated double-digit premium savings.

In order to receive the federal funding, the Department seeks to waive a very limited portion of the federal health care law in order to allow New Hampshire to receive the pass-through savings. The waiver request is related to the structure of the risk pool, and will not affect consumer protections or essential health benefits. The state share funding will be raised through an assessment of health insurance companies that is authorized by a state law that has been in place since 1998. This law has been used to fund individual market subsidy mechanisms in the past.

Obtaining public input is an important part of the plan for stabilizing the market. The Insurance Department will hold two public hearings this spring on the proposed risk-sharing plan and application for federal funding. The dates and locations for the hearings will be announced once the venues are confirmed.

[REMAINDER OF ITEMS TO BE ADDED]

Appendix D

Sign-in Sheet: **[March 31, 2020]** Public Hearing

[TO BE ADDED]

Appendix E

Sign-in Sheet: **[April 2, 2020]** Public Hearing

[TO BE ADDED]

Appendix F

Written Public Comments Received

[TO BE ADDED]