STATE OF LOUISIANA

COMPREHENSIVE DESCRIPTION:

STATE INNOVATION WAIVER APPLICATION

LOUISIANA DEPARTMENT OF INSURANCE

JIM DONELON, COMMISSIONER

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I. Summary

A. Waiver Request

James J. Donelon, Commissioner of Insurance, on behalf of the State of Louisiana, will submit an 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.

Louisiana's 1332 waiver application will, if approved, be effective for the 2019 plan year, and will seek the maximum approval of five years under section 1332. Louisiana's 1332 waiver will seek approval to waive section 1312(c)(1) of the ACA for the purpose of establishing a state-based, and state-administered reinsurance program. Louisiana's 1332 waiver will not seek to waive any other sections of the ACA.

Louisiana's 1332 waiver, if approved, would establish a reinsurance program that would significantly lower premiums in the individual market and reduce the payment of advanced premium tax credits ("APTC") by the federal government.

B. Background & Goal of Reinsurance Program

As detailed in Section III, Louisiana's individual market for health insurance has declined drastically since the 2014 plan year. Louisiana has seen the number of health insurance issuers and health maintenance organizations ("issuers") offering coverage in its individual market shrink, while insurance rates in the individual market have continued to rise by double digits. As the number of issuers doing business in Louisiana's market has declined and rates increased, the number of individuals enrolled in the individual market has begun a rapid decline. In addition, the diversity of plans offered in the individual market has been reduced, and the concentration of market share by the few remaining issuers is cause for concern to state insurance regulators that believe that competition is one of the necessary components of consumer sovereignty. Louisiana's individual market is on the verge of a death-spiral, and therefore decisive action by regulators is necessary to prevent Louisiana's individual market from becoming a residual market for high-risk enrollees.

After studying the state's market, population, and morbidity, Louisiana believes that the most effective and economical mechanism to reduce rates, increase enrollment, and improve the morbidity of the risk pool is a state-based reinsurance program. The Louisiana reinsurance program would be modeled largely on the Transitional Reinsurance Program that operated from 2014 through 2016 under section 1341 of the ACA, utilizing an attachment-point model of reinsurance, and financed by a per-covered-life fee upon the entire market (all fully insured and all self-insured lives).

Louisiana believes that a viable, affordable individual market for health insurance is an essential part of a healthy, vibrant economy. Recent studies have estimated that as much as half of all small employers do not offer employer-sponsored health insurance to their employees, leaving thousands of Louisiana working families with only the individual market as their source for health insurance coverage. In addition, many small "mom and pop" businesses and solo practitioners of various professions need the individual market to provide health insurance coverage. Recent estimates show that nearly one quarter of all Exchange enrollees are self-employed individuals. Stabilizing the individual market, reducing rates, and increasing enrollment through risk-spreading among the entire market for health insurance is a legitimate public policy.

Louisiana's 1332 waiver will propose a reinsurance program that lowers rates in the individual market by 15% for the 2019 plan year, improves morbidity in the risk pool by as much as 2.7%, and increases enrollment in the Exchange market by as much as 7.5%. (These estimates are relative to actuarial projections of a 2019 plan year without a reinsurance program in effect, but including the loss of enrollment due to the repeal of the individual mandate penalty.)

C. Compliance with ACA Section 1332

1. Guardrails

As detailed more fully in Section II, Louisiana's 1332 waiver application, if granted and implemented, would abide by the four guardrails imposed under section 1332 of the ACA. Louisiana's 1332 waiver proposal does not seek to alter or affect the comprehensiveness of coverage in Louisiana's market for health insurance. Additionally, the 1332 waiver proposal will not result in health insurance being less affordable than it has already become; rather, it will reduce rates in the individual market. Regarding the scope of coverage guardrail, Louisiana's 1332 waiver will increase enrollment in the individual market and thereby improve the morbidity of the risk pool. Finally, Louisiana's 1332 waiver will not result in increased spending, administrative or other expenses to the federal government. Louisiana's 1332 waiver will request pass-through funding in the amount of reductions in APTC payments made by Treasury, which the federal government would have already been statutorily obligated to make.

2. Pass-Through Funding

Louisiana's 1332 waiver proposal requests that Treasury would pass through to Louisiana's reinsurance program the cost savings from the reduction of federal outlays of APTC resulting from the downward push on rates in the individual market due to the reinsurance program. Section 1332(a)(3) of the ACA authorizes pass-through funding in 1332 waiver applications.

3. Public Notice & Comment

Louisiana is releasing this comprehensive description of its 1332 waiver proposal for public comment, in addition to the lengthy discussion and testimony that has occurred and continues to occur in the legislative process. Additionally, Louisiana will hold two public hearings in separate places within a 30 day period, commencing on Monday, April 9, and ending on Wednesday, May 9, 2018. During that same period, Louisiana will accept comments from the public regarding the 1332 waiver proposal. Louisiana has four federally-recognized Tribes, and will make good-faith efforts to meet and consult with those Tribes during the public comment period, and prior to the submission of the 1332 waiver application.

Louisiana's Department of Insurance has created a webpage, easily accessible from its homepage at www.ldi.la.gov, which contains this comprehensive description, a draft of (when applicable) the final 1332 waiver proposal, enabling legislation for the 1332 waiver application and for the establishment of a reinsurance program, a mechanism for electronically submitting comment, notice of public hearings, and other information intended to give the public the ability to understand Louisiana's 1332 waiver application.

II. Compliance with Section 1332 Guardrails

The ACA contains provisions to encourage states to innovate regarding health insurance coverage, and to avoid situations where a one-size-fits-all approach of federal regulation may have negative effects in specific states. The provision at the center of this 1332 waiver proposal is section 1332 of the ACA, which allows states to modify or waive certain provisions of the ACA. However, there are certain "guardrails" in that authorization which limit how 1332 waivers can be used by states. The guardrails are outlined in section 1332 of the ACA and are described in more detail in regulations promulgated on February 27, 2012. The guardrails are intended to ensure that comprehensive, affordable healthcare coverage continues to be provided in a state to at least as many individuals as would be absent a waiver.

Although some flexibility is given to states in pursing waivers under section 1332 of the ACA, there are specific market reforms from Title I of the ACA that cannot be waived by a state. Those market reforms include:

- Guarantee issue (the requirement that issuers doing business in a state must accept all offers of coverage, with few exceptions)
- Prohibition on pre-existing conditions exclusions
- Prohibition on lifetime and annual limits for policies
- Prohibition on health underwriting or adjusting premium due to health status
- The maximum age rating ratio of 3:1
- Requirement that coverage be provided to adult dependents up to age 26

Additionally, the section 1332 waiver cannot alter provisions of law or operations of the state's Medicaid program.

Section 1332 Guardrails

Comprehensive Coverage

The first of the four guardrails require that any 1332 waiver must ensure that coverage provided in the market after the implementation of the waiver is "at least as comprehensive" as it would be without the implementation of a 1332 waiver. A 1332 waiver may not decrease the number of individuals with coverage that is compliant with the ACA's essential health benefits requirement, for example.

Louisiana’s 1332 waiver does not in any way seek to alter the requirements of coverage under state benefit mandates or under the ACA’s required coverages, including the essential health benefits requirement under section 2707 of the Public Health Service Act. Furthermore, Louisiana’s 1332 waiver proposal, if implemented, would increase the number of individuals enrolled in ACA-compliant coverage.

Affordable Coverage

A 1332 waiver must provide “coverage and cost-sharing protections against excessive out-of-pocket spending that are as affordable” as would be absent the implementation of the 1332 waiver. Affordability is measured by comparing an individual’s net out-of-pocket spending, including premium contributions, cost-sharing, and spending on non-covered services.

Louisiana’s 1332 waiver would not require or encourage issuers to alter cost-sharing designs or network coverage. In addition, by establishing a reinsurance program to lower rates, Louisiana’s 1332 waiver would reduce premium contributions made by individuals, and reduce the over-all cost of health insurance in the individual market. If approved, this 1332 waiver will make coverage more affordable in the individual market.

Scope of Coverage

Section 1332 requires that states must provide coverage to “at least a comparable number of residents” as would have been covered without the waiver, in each year of the program.

Louisiana’s 1332 waiver is expected to increase the number of enrollees in the individual market due to the reduction in rates resulting from the reinsurance program. Actuarial analyses and projections estimate that the number of Exchange enrollees would increase by about 7.5% over baseline assumptions for the 2019 plan year. That estimated increase includes the assumption that some current enrollees in the individual market will exit the market due to the repeal of the individual mandate penalty.

Deficit Neutrality

Section 1332 requires that a waiver must not increase the federal deficit in each year of the waiver, and over a 10-year budget period. All changes in federal revenues and outlays resulting from an approved 1332 waiver must be considered.

Louisiana’s 1332 waiver, if implemented, would not increase either the federal deficit or federal revenues or outlays. The reinsurance program proposed in Louisiana’s 1332 waiver would seek pass-through funding that is equal to, but not greater than, the amount of money in APTC that Treasury would pay without a reinsurance program under a 1332 waiver. In other words, federal expenditures would not change as a result of the waiver, and therefore, there could be no effect on the federal deficit with the implementation of the proposed waiver.

Other Considerations Under Section 1332 Guardrails

In additional sub-regulatory guidance issued jointly by HHS and Treasury, the departments gave notice of how they intend to review 1332 waiver applications against the four guardrails. The review goalposts set by the departments are:

- The departments will consider the impact of the proposed program on all state residents, as well as its effects across different groups of residents, including Medicaid and CHIP.
    - Louisiana's 1332 waiver will have no effect on either the state's Medicaid Program or its Medicaid population or the state's CHIP program and CHIP program population. Louisiana's 1332 waiver will include the proposal to finance the state-based reinsurance financing with the levying of a fee assessment on all covered lives in the market, both fully insured and self-insured lives. However, the amount of the fee assessment will be minimal.

      Louisiana's 1332 waiver and reinsurance program will require approximately $25 million in state financing through the levying of a fee on covered lives. When CMS and Treasury operated the Transitional Reinsurance Program, that program levied a similar fee on covered lives. CMS has reported to Louisiana the total number of covered lives identified and assessed by the Transitional Reinsurance Program from 2014-2016. Using the lowest number of covered lives for that period, 1,530,014, the $25 million assessment to finance a reinsurance program would equal $16.34 annually, or $1.36 per member per month. That annual cost is markedly lower than the annual fee imposed on all covered lives under the Transitional Reinsurance Program operated by CMS and Treasury. The annual fees imposed by CMS and Treasury were $63 (2014), $44 (2015), and $27 (2016).

- When assessing whether the affordability guardrail has been met, federal officials will consider both the average impact of the program and how it affects individuals considered to be part of vulnerable class (individuals of low income, older individuals, and individuals with large health care spending burdens). The guidance appears to prohibit a waiver that makes coverage less comprehensive or less affordable for any of these vulnerable classes of individuals.
    - Louisiana's 1332 waiver will establish a reinsurance program that lowers rates in the individual market at all metal levels and for all ages, incomes, and health care status, as the Transitional Reinsurance Program did.
      Actuarial analyses conducted for the waiver proposal project that the distribution of individuals by age in the Exchange market will be largely unchanged. Similarly, the distribution of enrollees by federal poverty level percentage is nearly unchanged. The reinsurance program established under a 1332 waiver will improve the morbidity of the risk pool, but not because the reinsurance program discourages enrollment by persons with high claims costs. On the contrary, lower rates will encourage healthier individuals to enroll.

- HHS has indicated that it will not make changes to the IT platform utilized by the federally facilitated marketplace (FFM) to accommodate different rules for different states.
    - Louisiana's 1332 waiver proposal and reinsurance program would not require any IT adjustments to the FFM.

- The guardrails must be met for each year of the waiver.
    - Louisiana's 1332 waiver proposal is designed to meet all four guardrails in every year that the waiver is in effect.

- Any budgetary effects produced by changes to the state's Medicaid program from a Section 1115 waiver will not be considered when evaluating deficit neutrality of a 1332 waiver.
    - Louisiana is not pursuing a Section 1115 waiver, nor are any considerations or assumptions about an 1115 waiver utilized for actuarial analyses of Louisiana's 1332 waiver.

III. Recent History and Current Status of Louisiana's Health Insurance Market

Louisiana's individual market has been significantly affected by the ACA. Prior to the ACA Market Reforms taking effect, Louisiana had an individual market that was larger than it is today in enrollment, had significantly more issuers doing business, and had relatively low, stable annual rate increases. For high-risk enrollees without employer-sponsored or other types of healthcare coverage, the state had established a High Risk Pool, which had approximately 2,000 enrollees, and the average premium for the High Risk Pool was approximately 120% of the market average.

Issuers doing business in the individual market were able to realize underwriting gains in the years prior to 2014, in addition to servicing a healthy group market. In the first three years of the ACA's Market Reforms, however, issuers doing business in the individual market began realizing large underwriting losses. The size of these losses caused 12 of the 16 issuers to exit the market (two of the remaining issuers are owned by the same parent, and one issuer has only 2 grandfathered lives remaining.) In fact, the amount of underwriting losses by individual market issuers wiped out nearly a decade of underwriting gains. As a result, issuers have fled the market (one, the Louisiana Health Cooperative, was placed into receivership), and practically speaking, Louisiana's individual market now has only two issuers competing for business. The two remaining issuers saw dramatic reductions to their Risk Based Capital during the period of 2014-2016.

Individual Market Underwriting Losses (in Millions)

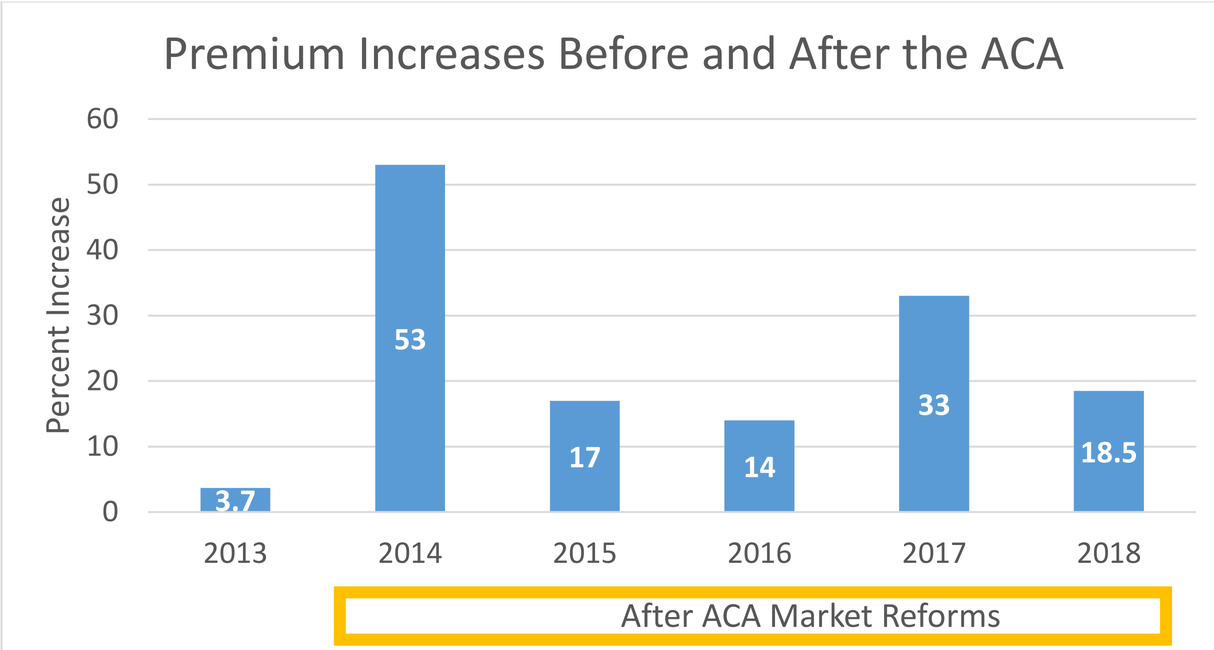
	2011	2012	2013	2014	2015	2016
Gain/Loss	$24.3	$13.8	$11.7	$27.6	$84.3	$24.3

The decline in the number of issuers in the individual market, as noted below, was mirrored by a decline in enrollment in the individual market. The high point of enrollment in 2016 preceded the largest average rate increase, which took effect in the 2017 plan year. Louisiana's individual market (excluding grandfathered enrollment), has now declined to a size that is below the pre-ACA Market Reform enrollment. One of the primary drivers of the loss in enrollment is the dramatic rate increases required by issuers to achieve an actuarially sound rating mechanism.

Individual Market Losses: Issuers & Enrollment

	2013	2014	2015	2016	2017	2018
Number of Issuers	16	11	10	9	7	4
Enrollment	175,218	101,778	186,277	214,148	143,597	109,855

The average rate increases year-over-year, detailed in the graph below, demonstrate the dire state of the individual market's pricing. The largest rate increase, besides the 2014 plan year when the ACA Market Reforms took effect, was in the 2017 plan year. A significant contributing factor to the dramatic rate increase for the 2017 plan year was the end of the Transitional Reinsurance Program, which had worked effectively to hold rates down in the individual market from 2014-2016. (Louisiana initiated an Effective Rate Review Program in 2014, and has had to rely on other data for prior years for average annual rate increases.)



Louisiana's Exchange enrollment has continued a decline. The latest CMS-provided data on Exchange enrollment for Louisiana shows 109,855 enrollees, with 93,726 (85%) receiving APTC. Without some effort at market stabilization that reduces rates and maintains a downward pressure on rates in the coming years, Louisiana's individual market faces the risk of entering a death-spiral with fewer, sicker enrollees—in effect, the individual market risks becoming a residual market for health insurance. Louisiana believes that a reinsurance program is the most cost-effective mechanism to push rates downward, encourage enrollees to maintain coverage, and to attract more enrollees into the market for the 2019 plan year. Without an effort at market stabilization, actuarial estimates predict that Exchange enrollment will decline further in 2019, perhaps as low as 105,000, which would further exacerbate the morbidity in the individual market's single risk pool.

IV. Description of 1332 Waiver Proposal

Louisiana will submit a 1332 waiver application that seeks to implement a state-based reinsurance program to stabilize the individual market. Louisiana's 1332 waiver application will seek approval to waiver ACA section 1312(c)(1); Louisiana will not seek approval to waive any other provisions of law. The waiver application submitted by Louisiana, if approved, would take effect for the 2019 plan year, and approval would remain in effect for five years.

Louisiana's Proposed Reinsurance Program

There are two pieces of legislation pending in the Louisiana Legislature that would authorize the state's 1332 waiver application, and authorize the subsequent establishment of a state-based reinsurance program. The two pieces of legislation are House Bill 246 ("HB 246") and House Bill 274 ("HB 274").

HB 246 is a concise piece of legislation that merely authorizes the commissioner to apply for a 1332 waiver for the purpose of establishing a reinsurance program. The legislation contains language conditioning the establishment of a reinsurance program with approval by the federal government, as required by federal regulation. HB 246 is limited to those two purposes.

Reinsurance Program Structure

HB 472 creates the Louisiana Health Reinsurance Association (LHRA), an association to be comprised of all issuers, third-party administrators, and multiple employer welfare arrangements transacting business in Louisiana. The creation of the association is modeled largely on the Louisiana Life and Health Insurance Guaranty Association. The LHRA will be governed by a board of directors comprised of seven members:

1) An appointee of the commissioner; and six members elected by LHRA members from the following groups:
2) A representative chosen by LHRA members that provided major medical insurance in the individual market for at least two of the preceding years;
3) A representative chosen by LHRA members that provided major medical insurance in the group market for at least two of the preceding years;
4) A representative chosen by LHRA members who are third-party administrators and multiple employer welfare arrangements, but who do not possess a health insurance issuer license or health maintenance organization license;
5) A representative chosen by LHRA members who are health maintenance organizations and who provide major medical insurance in both the individual and group markets;
6) A representative chosen by LHRA members who are domestic nonprofit mutual issuers exclusively engaged in the business of providing health, hospital service, medical, or surgical benefits in Louisiana; and
7) A representative who is a licensed insurance producer with an accident and health line of authority and who is primarily engaged in the sale, solicitation, and negotiation of major medical insurance, who shall be nominated by five associations representing insurance agents and producers.

The board of directors is charged with overseeing the operation of the proposed reinsurance program. However, the LHRA will be under the supervision and authority of the commissioner, and subject to Louisiana's Open Meetings Law and Public Records Law. The LHRA board of directors is authorized in HB 472 to do the following:

1) Collect data from LHRA members to determine the number of covered lives in Louisiana's entire fully-insured market and self-insured market for major medical health insurance;
2) Formally advise the commissioner of the necessary amount of any fee assessment levied to finance the reinsurance program and advise the commissioner of the recommended attachment point, coinsurance rate, and cap for the reinsurance program;
3) To file suit against LHRA members that fail to remit required fee assessments;
4) To receive pass-through funding through a 1332 waiver or any other means of finance available, to finance the reinsurance program;

5) Carry out other administrative and operational functions incidental to the operation of the reinsurance program.

Reinsurance Program Financing & Target Reduction in Rates

HB 472 authorizes the commissioner (pursuant to La. Const. Art. VII, Section 2.1(B)) to levy a fee assessment upon all LHRA members to finance the reinsurance program. The fee assessment shall be equally applied to all LHRA members based upon the number of member months (covered lives) for which the member offers or arranges major medical health insurance or similar self-insured coverage other than limited or excepted health benefits ("major medical" is defined in HB 472, but excludes Louisiana's Medicaid Program and Medicare and Medicare Advantage plans). The purpose of the fee assessment is to fully finance the reinsurance program.

The commissioner shall formally promulgate the amount of the fee assessment by rule under Louisiana's Administrative Procedure Act, and shall adopt the appropriate attachment point, coinsurance rate, and cap on reinsurance payments per enrollee covered by individual market issuers for each plan year. Louisiana's 1332 waiver application will target a 15% rate reduction for the 2019 plan year; the 15% rate reduction will be the primary basis for the calculation of the fee assessment.

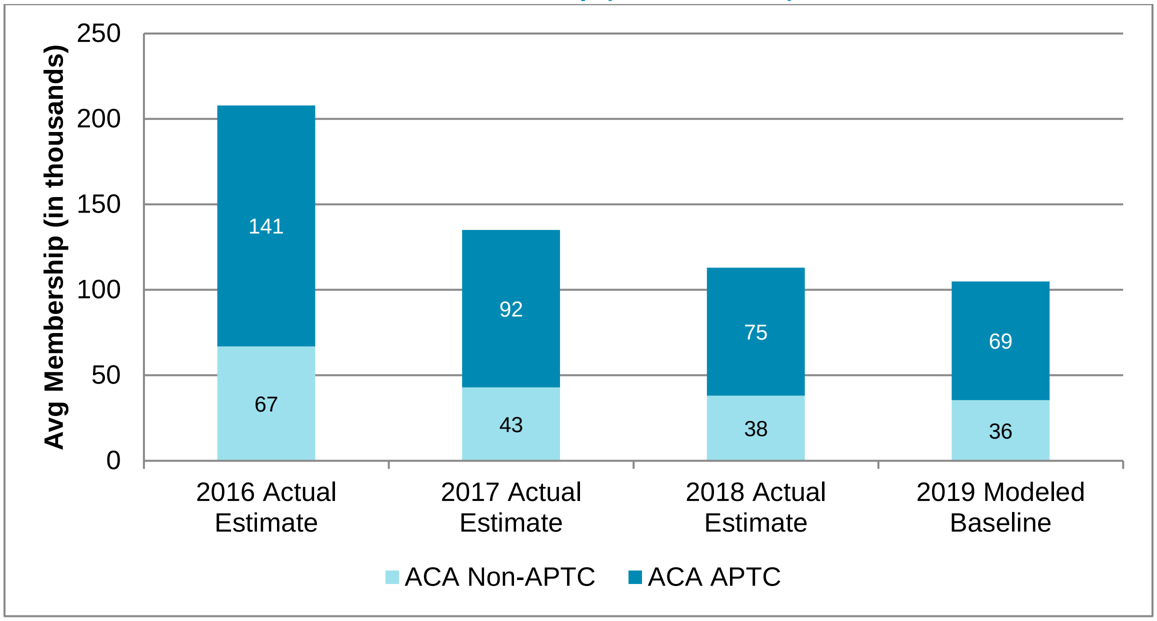
Actuarial modeling conducted by Louisiana predicts that Louisiana will need to secure $24.8 million in financing to secure the appropriate $103.5 million in federal pass-through funding, in order to achieve a 15% rate reduction for the 2019 plan year. The total reinsurance pool for the 2019 plan year would be $125 million. The $24.8 million in state-secured financing would be the amount of money, in addition to any nominal amount required to finance the administrative costs of the LHRA, for which LHRA members would be subject to a fee assessment promulgated by the commissioner.

CMS provided Louisiana with the total number of covered lives that were subject to the Transitional Reinsurance fee in Louisiana for the three years of operation of the Transitional Reinsurance Program. Utilizing the lowest number of covered lives subject to the Transitional Reinsurance Program fee (1,530,014), the per member/per month fee assessment for 2019 would be approximately $1.36, an amount far smaller than any of the annual reinsurance fees levied to operate the Transitional Reinsurance Program from 2014-2016.

V. ACTUARIAL ANALYSES

Preliminary Actuarial Modeling Results

Table 1 –Individual ACA Market Membership (2016 to 2019)



The 2019 Modeled Baseline shown in Table 1 reflects projected enrollment levels in 2019, split between those individuals receiving advance premium tax credits (APTC) and those individuals who do not receive APTC. As shown, absent a 1332 waiver and corresponding reinsurance program total enrollment volumes in Louisiana's individual Exchange market are expected to decrease by approximately 8,000 individuals, or about 7%, between 2018 and 2019. Two key assumptions being incorporated into the 2019 projection are that the individual mandate penalty will be reduced to $0 and that issuer pricing in 2019 will incorporate the following three items: premium/claims trend, increased morbidity in the individual market due to the reduction of the individual mandate penalty to $0, and the moratorium on the ACA Insurer Fee. The primary driver of the reduction in enrollment being projected is the reduction of the individual mandate penalty to $0.

Additional key assumptions which are being made in the 2019 Modeled Baseline projection shown above include the following: Cost sharing reduction (CSR) subsidies will continue to be unfunded by the federal government and issuers will continue to load premiums for their silver plans by an amount equal to the lost CSR payments, issuer plan and network offerings will be similar to those available to consumers in 2018, issuer pricing assumptions will be similar to those used in 2019, there will be no significant issuer entries or exits, and there will be no additional significant legislative changes at either the state or federal level[1].

[1] Given the rules related to association health plans and short-term limited duration policies have not been finalized, the potential impact that these policies could have on Louisiana's 2019 individual market has not been reflected in the modeling that was performed.

TABLE 2 - 2019 INDIVIDUAL ACA MARKET MEMBERSHIP

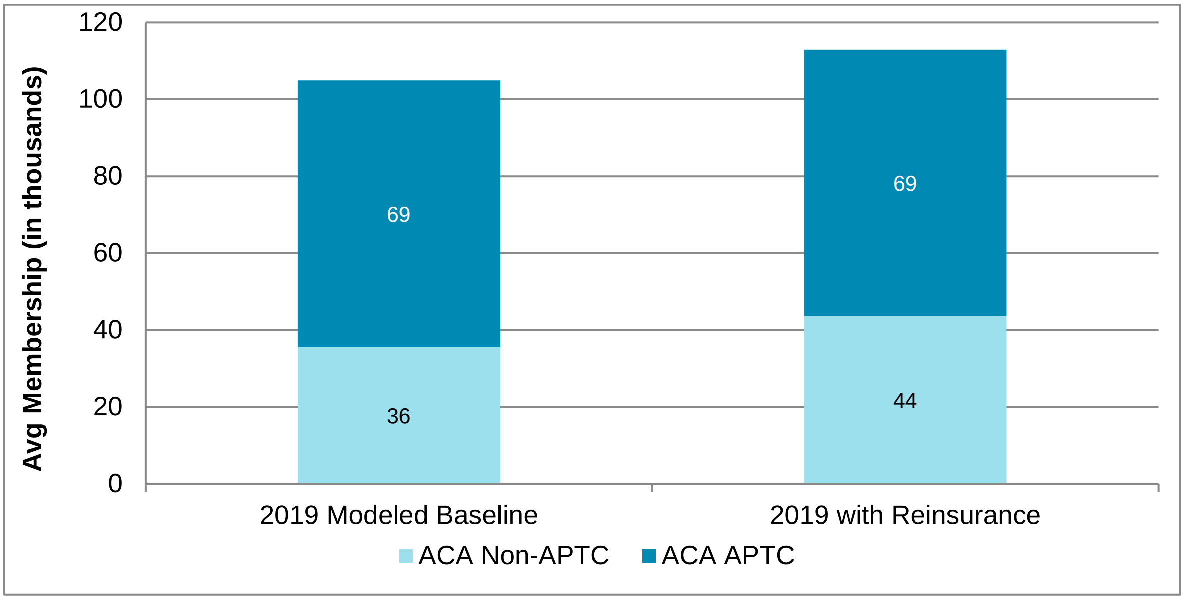


Table 2 above demonstrates how enrollment in Louisiana's individual Exchange market would be expected to change assuming a reinsurance program funding 15% of projected issuer expenses (i.e., paid claims and certain non-benefit expenses), and resulting in a total reduction to premium rates equal to 17.3%, were to be implemented starting in 2019. As shown, the impact of the reinsurance program on enrollees receiving APTC in 2019 is expected to be minimal as the net premium rates paid by those enrollees (i.e. net of APTC) are, on average, mostly insulated from changes in gross premium rates. On the other hand, the volume of enrollees who do not receive APTC is expected to increase. This increase in enrollment is driven primarily by a combination of the following: (1) individuals expected to remain in the individual market who would otherwise exit due to the reduction of the individual mandate penalty to $0, (2) uninsured individuals expected to enter the individual market as a result of lower rates, and (3) some individuals who currently hold grandfathered policies expected to make the decision to purchase Exchange policies instead.

We note that, in the reinsurance scenario shown, it is being assumed that issuers will reduce their 2019 premium rates from the levels assumed under the 2019 Modeled Baseline by the percentage of issuer costs expected to be funded by the reinsurance program (i.e. 15.0%), plus an additional amount equal to 2.7% to reflect an expected improvement in the average morbidity[2] of the individual ACA market, for a total change in premium rates equal to -17.3%[3]. Relative to 2018 premium rates, 2019 premium rates with the reinsurance program in place would be expected to be approximately 11.0% lower.

[2] On average, the additional individuals who enroll under the reinsurance scenario would be expected to have lower health risks than those individuals included in the 2019 Modeled Baseline.
[3] Relative to the 2019 Modeled Baseline premium rates; 1- [(1 - 15.0%) x (1 – 2.7%)] = 17.3%

Table 3 – Net Cost of Reinsurance Program to the State of Louisiana

(in millions)	2019 Modeled Baseline	2019 with Reinsurance	
Reinsurance Pool Cost	-	$125.0	A
Federal APTC Spending	$504.7	$401.2	
Gross Pass-Through Savings	-	$103.5	B
Federal Revenue From Exchange User Fees	$24.7	$21.3	
Change in Exchange User Fees	-	-$3.4	C
Net Cost to the State of Louisiana	-	$24.8	= A – (B+C)

As shown in Table 3 above, the total projected cost (i.e., "Reinsurance Pool Cost") of a reinsurance program that would reimburse approximately 15% of issuer expenses in Louisiana's individual Exchange market in 2019 is approximately $125.0 million[4]. However, through the submission and approval of a 1332 waiver, much of the funding needed for the reinsurance program would be expected to be received in the form of federal pass-through payments, resulting in a net cost to Louisiana which is significantly lower than $125.0 million.

Since the proposed reinsurance program is expected to result in a significant decrease in gross premium rates (i.e., premium rates prior to the application of APTC) for all individuals enrolled in individual Exchange plans, federal spending on APTC would be expected to decrease by a significant amount as well. Overall, we are projecting that federal APTC spending will decrease by approximately $103.5 million between the 2019 Modeled Baseline and Reinsurance scenarios.

The federal APTC savings would be expected to be somewhat offset by a reduction in federal revenue generated from Exchange User Fees. This is because, as individual Exchange premium rates are lowered through the reinsurance program, federal revenue generated by the 3.5% premium assessment on coverage issued through the federally-facilitated marketplace would be expected to decrease as well. The reduction in Exchange User Fees between the 2019 Modeled Baseline and Reinsurance scenarios is expected to equal approximately $3.4 million, resulting in net federal pass-through payments to Louisiana equal to approximately $100.1 million (i.e., $103.5M – 3.4M).

[4] Excludes costs associated with the implementation and ongoing administration of the reinsurance program

Based on the above, the net liability to Louisiana in order to fund a reinsurance program that reimburses approximately 15% of issuer expenses in Louisiana's individual Exchange market in 2019 is expected to be approximately $24.8 million (i.e., $125.0M – $100.1M).[5]

VI. Implementation Plan with Timeline

Louisiana's 1332 waiver application is admittedly subject to severe time constraints in order to effectuate the implementation of a reinsurance program for the 2019 plan year. Louisiana will seek to achieve the following time line in order to effectuate a reinsurance program for the 2019 plan year:

03/01/18:	HB 246 and HB 274 filed.
04/09/18:	Public Comment Period begins (30 days total)
04/13/18:	First Public Hearing held.
04/19/18:	Second Public Hearing held.
04/__/18:	Tribal Consultations occur.
05/01/18:	Legislation (HB 246 & HB 472) enacted.
05/01/18:	Commissioner promulgates LHRA fee assessment, with notice of possible instrument of revocation if 1332 Waiver is not approved
05/09/18:	Public Comment Period ends.
05/10/18:	Louisiana's 1332 waiver application is submitted to the federal government.
05/__18:	Federal government determines waiver application is complete
07/10/18:	CMS approves Louisiana's 1332 waiver.
07/10/18:	LHRA is organized under the supervision of the commissioner.
12/31/18:	LHRA members pay first quarterly fee assessment.
01/01/19:	Louisiana's reinsurance program under a 1332 waiver commences operation, compliant with both state and federal law and regulations.
04/01/19:	Federal government funds pass-through payments to LHRA

VII. Other Requirements

Administrative Burden

Louisiana's 1332 waiver will cause minimal administrative burden and expense to the state and federal governments. The waiver will cause no additional administrative burden to employers and individual consumers because the reinsurance program proposed by Louisiana in its 1332 waiver does not relate to the administrative functions or requirements typically undertaken by employers or individuals. LHRA members will see a minimal administrative burden in submitting limited data on the total number of member months (covered lives) of each LHRA member. LHRA members will see a minimal cost for the financing of the reinsurance program under Louisiana's

[5] Excludes costs associated with the implementation and ongoing administration of the reinsurance program

1332 waiver; however, the cost imposed by a fee assessment will be substantially lower than the fee levied by the federal government for the Transitional Reinsurance Program from 2014-2016.

The LHRA and the state of Louisiana will have the resources to conduct the administrative tasks required by Louisiana for a reinsurance program under a 1332 waiver:

- Administration of the reinsurance program;
- Collection and application for pass-through funding;
- Monitoring of compliance with state and federal law;
- Collection and analyses of data related to the 1332 waiver;
- Perform reviews and implementation of the waiver;
- Submit any annual, quarterly, or other required reports to the commissioner, CMS, and Treasury

The 1332 waiver will require the federal government to perform the following administrative tasks, which are insignificant in comparison to duties currently performed by the federal government:

- Review documented complaints, if any, related to the 1332 waiver;
- Review state reporting;
- Evaluate the state's 1332 waiver and reinsurance program;
- Calculate and facilitate the transfer of pass-through funds.

VIII. Comment Period and Tribal Consultation

Louisiana's public comment period for its 1332 waiver application began on Monday, April 9, 2018, and ends Wednesday, May 9, 2018. Comments can be sent to the Department of Insurance through an e-mail address at 1332waiver@ldi.la.gov or by mail to:

Louisiana Department of Insurance
Attn: State Innovation Waiver
P.O. Box 94214
Baton Rouge, LA 70804-9214

The two public hearings will be held:

Friday, April 13, 2018 at 10:00 am
Plaza Hearing Room
The Poydras Building
1702 N. Third Street
Baton Rouge, LA 70802

Thursday, April 19, 2018 at 1:00 pm
England Economic & Industrial Development District
Alexandria International Airport Conference Room
1611 Arnold Drive
Alexandria, LA 71303-5636

Louisiana will consult with its four federally-recognized Tribes throughout the 30 day comment period.