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OF COMMUNITY HEALTH PLANS

# ACHP Recommends Taking Action to Stabilize the Individual Market through Reinsurance

ACHP member health plans are committed to providing coverage and care in the communities they serve. As Congress examines reinsurance programs to stabilize the individual market, we strongly urge lawmakers to consider state and federal concepts with a proven track record of success. The timing of a reinsurance proposal is particularly important as community health plans prepare rates for 2019.

Offsetting high cost claims through reinsurance is a well-established mechanism that serves the dual purpose of both protecting health plans against unanticipated losses due to larger-than-usual claims and also shielding consumers from potential premium increases. Reinsurance has worked effectively for exchange coverage and other programs such as Medicare prescription drug coverage.

Our recommendations are as follows:

- Congress should provide sufficient stability funds to states with the flexibility to establish reinsurance or other mechanisms to absorb certain high-cost claims. ACHP supports extending funding for reinsurance for at least three years. Funding levels included in recent legislation (S. 1835 and H.R. 4666) vary widely. Successful state reinsurance programs, including those in Alaska, Minnesota and Oregon, have required more funding than some proposals in Congress currently provide. We urge Members to ensure states have the funding needed to successfully launch and sustain their programs.

  Reinsurance programs have proven successful in the following three states:

  - **Alaska:** Alaska passed legislation in 2016 creating the *Alaska Reinsurance Program (ARP)* and was the first state to receive a section 1332 approval for reinsurance. The legislature also appropriated $55 million to fund the program in 2017. Due to the ARP, Alaska's premiums increased just 7 percent rather than the expected 40 percent rise. (Source: Alaska Insurance Commissioner Testimony to Senate HELP 9/6/17).

  - **Minnesota:** Due to Minnesota's reinsurance program, premiums have been reduced for all consumers in Minnesota's individual market by an average of 20 percent. (Source: Minnesota Commerce Department).

  - **Oregon:** Based on the best estimate assumptions, in 2018, the waiver reduces premiums by 7.5 percent (net of a 0.3 percent assessment), increases non-group enrollment by 1.7 percent, and creates $32.9 million in federal savings (which incorporates APTC savings net of other federal revenue). (Source: Oregon 1332 Waiver Application).

- Congress should provide states with the certainty of the federal government's commitment to programs that help to stabilize the marketplaces by allowing streamlined, timely processes to access funding and secure approvals in order to lower premiums for their residents.