



Legislative Fiscal Bureau

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May 31, 2022

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Insurance: Commissioner's Request to Increase Maximum Aggregate Payment for the 2021 Plan Year under the Wisconsin Healthcare Stability Plan -- Agenda Item II

The Office of the Commissioner of Insurance (OCI) requests authority to increase the maximum aggregate reinsurance payments for the 2021 Plan Year under the Wisconsin Healthcare Stability Plan by \$5,000,000, from \$200,000,000 to \$205,000,000.

BACKGROUND AND DESCRIPTION OF THE REQUEST

The Wisconsin Healthcare Stability Plan (WHSP) is a state-operated reinsurance program, supported with state and federal funding, that is intended to reduce premiums paid by individuals who purchase health insurance in the individual market. The program is administered by the Office of the Commissioner of Insurance (OCI). Reinsurance payments reimburse insurers for a portion of the total annual claims for individuals with high costs. For the 2021 plan year, for instance, the program will reimburse insurers for 48% of the total annual claims paid by the insurer that fall between \$40,000 and \$175,000, for the covered services of any individual enrolled by the insurer in the individual insurance market. Because a portion of a participating insurer's medical claims costs are paid from the program, rather than premium revenue, the monthly premiums charged by the insurer will be lower. OCI is required to set annual payment parameters for the program such that total annual reinsurance payments will be up to a statutory maximum, which for the 2021 plan year was \$200 million.

Reinsurance payments are made from two appropriations. First, a federal funds appropriation enables OCI to expend all moneys that the agency receives that are generated by federal savings resulting from reduced costs of federal premium tax credits. The federal Department of Health and Human Services (DHHS) notifies the state of this amount, referred to as the "pass-through funding," at the beginning of each plan year. Second, a sum-sufficient GPR appropriation funds the difference between available federal pass-through funding and the total reinsurance payments. Reinsurance payments are made in August of the year following the end of the plan year for which the claims were paid. Consequently, the 2021 plan year payments will be made in state fiscal year 2022-23.

The 2021-23 budget act included \$34,233,200 GPR in 2022-23 for 2021 plan year reinsurance payments. This estimate was based on the difference between estimated total payments of \$200,000,000, and federal pass-through funding of \$165,766,800, the amount that DHHS had indicated would be available to the state.

Subsequent to the passage of the budget, DHHS notified OCI that the state's pass-through funding for 2021 would be increased to \$229,175,400. This increase is attributable to provisions of the federal American Rescue Plan Act of 2021, which increased the value of premium tax credits and, in turn, the per enrollee federal savings associated with reinsurance. In addition, a special enrollment period running from February 15 through August 15, 2021 resulted in an increase in enrollment in exchange plans, which further increased the total federal savings attributable to reinsurance. Since the revised pass-through funding exceeds the total amount of expected reinsurance payments, the state will incur no GPR cost for reinsurance payments in 2022-23. Any 2021 federal pass-through funding not used 2021 reinsurance payments will be available to reduce the state's GPR cost for 2022 plan year reinsurance payments, paid in state fiscal year 2023-24.

OCI established the 2021 reinsurance parameters with the goal of spending a total of \$200,000,000 for reinsurance payments and, by statute, total payments are limited to that amount. Due in part to higher exchange enrollment and a higher volume of high-cost individual claims, the total amount of claims for reinsurance payments submitted by insurers for 2021 was \$202,587,711.24. Under provisions of the program, reinsurance payments are prorated if total claims exceeds the statutory cap; for 2021 the proration percentage would be 98.7%. However, OCI is authorized to submit a request to the Joint Committee on Finance to exceed the cap and the Committee approves the Commissioner's request. OCI has requested that the cap be increased by \$5,000,000 to \$205,000,000 to pay the full amount of the reported claims, plus any subsequent adjustments reported before the end of the year.

Since the federal pass-through funding for 2021 is in excess of the total reinsurance claims, approval of OCI's request to increase the cap could be funded using only the federal funds, and no GPR would be needed in 2022-23. Approval of the request would, however, reduce the amount of federal pass-through funding that could be applied to paying 2022 claims, in state fiscal year 2023-24. The statutory cap for 2022 is \$230.0 million and DHHS has indicated that the state's pass-through funding will be \$181.9 million, leaving \$48.1 million to be paid by the state in 2023-24 (assuming that the total claims equal \$230 million). Without an increase to the 2021 payment cap, \$29.2 million in 2021 pass-through funding could be used to reduce the GPR cost in that year to an estimated \$18.9 million. If the Commissioner's request to increase the 2021 cap is approved, the amount of pass-through funding would be reduced, increasing the estimated 2023-24 GPR cost to approximately \$21.5 million (provided that there are minimal adjustments to the current claims).

ALTERNATIVES

1. Approve the request from the Office of the Commissioner of Insurance to increase the cap on 2021 reinsurance payments by \$5,000,000, from \$200,000,000 to \$205,000,000.
2. Deny the request.

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