

Montana: State Innovation Waiver under section 1332 of the PPACA

August 16, 2019

The U.S. Department of Health and Human Services and the U.S. Department of the Treasury (collectively, the Departments) approved Montana's application for a State Innovation Waiver under section 1332 of the Patient Protection and Affordable Care Act (PPACA) (the waiver). Montana's application seeks to implement a reinsurance program for plan years 2020 through 2024. As a result of the waiver approval, more consumers in Montana may have coverage, consumers are expected to see lower premiums, and the Insurance Department at the Office of the Montana State Auditor will receive Federal funds to cover a substantial portion of state costs for the reinsurance program.

Montana's State Innovation Waiver under section 1332 of the PPACA is approved subject to Montana's written, timely acceptance of the specific terms and conditions (STCs). This approval is effective from January 1, 2020 through December 31, 2024.

Summary of Montana's Application for a State Innovation Waiver under section 1332 of the PPACA

Montana's application for a State Innovation Waiver under section 1332 of the PPACA seeks to waive section 1312(c)(1) of the PPACA, the requirement to consider all enrollees in a market to be part of a single risk pool, to the extent it would otherwise require excluding total expected state reinsurance payments when establishing the market-wide index rate, in order to implement the reinsurance program for plan years 2020 through 2024. The reinsurance program will operate like a traditional, claims-based attachment point reinsurance program by reimbursing qualified health plan carriers for a percentage of an enrollee's claims costs exceeding a specified threshold (attachment point) and up to a specified ceiling (reinsurance cap). Specifically, for 2020, the Montana Commissioner of Securities and Insurance (CSI) and the Montana Reinsurance Association (Association) which was established to administer the reinsurance program, will set a coinsurance rate of 60%, with an attachment point of \$40,000 up to a cap of \$101,750.

As a result of the waiver approval, consumers are expected to see lower premiums, which should attract new consumers while also keeping consumers in the individual marketplace. The reinsurance program will receive pass-through funding to help offset a substantial portion of state costs for the state-established reinsurance program. The state projects that under the section 1332 waiver, premiums will be up to 8% lower in plan year 2020 than they would have been without the waiver. In addition, the state projects that the number of insured persons will increase by approximately 1% per year compared to the baseline without the waiver, as lower premiums will enable consumers to retain coverage rather than forgo coverage due to unaffordable rates. These projections were certified by independent actuaries and reviewed by the Departments.

Because the reinsurance program is expected to lower premiums on the second lowest cost silver plan premium, the plan used to establish the value of premium tax credits, the Federal government will spend less in premium tax credits under the waiver. As such, the Association will receive pass-through funding to support the reinsurance program based on the amount of premium tax credits that would have been provided to Montanans absent the waiver. Therefore, the pass-through funding amount may be reduced, if necessary, to ensure deficit neutrality.

The Departments have determined that Montana's application for a State Innovation Waiver under section 1332 of the PPACA meets the requirements in section 1332(b)(1) of the PPACA. Specifically, the waiver is projected:

- to provide coverage at least as comprehensive as the coverage defined in section 1302(b),
- to provide coverage as affordable as would otherwise be provided,
- to provide coverage to at least a comparable number of people as would otherwise be covered, and
- to not increase the Federal deficit.

Section 1332: State Innovation Waivers

Section 1332 of the PPACA permits a state to apply for a State Innovation Waiver to pursue innovative strategies for providing their residents with access to high quality, affordable health insurance. These waivers provide states with the opportunity to develop strategies that best suit their individual needs. Through innovative thinking, tailored to specific state circumstances, states can lower premiums for consumers, improve market stability, and increase consumer choice.

State Innovation Waivers allow states to implement innovative ways to provide access to quality health care that is at least as comprehensive and affordable as would be provided absent the waiver, provide coverage to a comparable number of residents of the state as would be provided coverage absent a waiver, and does not increase the Federal deficit.

State Innovation Waivers have been available since January 1, 2017. State Innovation Waivers are approved up to five-year periods, and can be renewed. The Departments welcome the opportunity to work with states on Section 1332 State Innovation Waivers. Read more about State Innovation Waivers and related guidance [here](#). States interested in applying for a section 1332 waiver can find application tools and resources, including an application checklist and application templates, on our website [here](#).

The approval letter and STCs for Montana can be found here: https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers-.html