

New Jersey: State Innovation Waiver under section 1332 of the PPACA

August 16, 2018

The U.S. Department of Health & Human Services and the U.S. Department of the Treasury (the Departments) approved New Jersey's application for a State Innovation Waiver under section 1332 of the Patient Protection and Affordable Care Act (PPACA) (the waiver). New Jersey's application seeks to implement a reinsurance program called the New Jersey Health Insurance Premium Security Plan from 2019 through 2023. As a result of the waiver approval, more consumers in New Jersey may have coverage, consumers will see lower premiums, and the state will receive Federal funds to cover a substantial portion of state costs for the reinsurance program.

New Jersey's State Innovation Waiver under section 1332 of the PPACA is approved subject to the state accepting the specific terms and conditions (STCs). This approval is effective for January 1, 2019 through December 31, 2023.

Summary of New Jersey's State Innovation Waiver under section 1332 of the PPACA Application

New Jersey'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 for 2019 through 2023. The New Jersey Health Insurance Premium Security Plan will be administered by the Individual Health Coverage Board (IHC), which is an independent state agency, in consultation with the New Jersey Department of Banking and Insurance, and will operate a traditional, claim's based, attachment-point reinsurance program by reimbursing qualifying non-group health insurers for a percentage of an enrollee's claims exceeding a specified threshold (attachment point) and up to a specified ceiling (reinsurance cap). Specifically, the New Jersey Health Insurance Premium Security Plan will be a state-established reinsurance program which reimburses insurers of high risk enrollees and provides 60 percent coinsurance attached to claims from \$40,000 and up to \$215,000.

As a result of the waiver approval, more consumers in New Jersey may have coverage, consumers will see lower premiums, and the state will receive pass-through funding to help offset a substantial portion of state costs for the state-established reinsurance program. New Jersey projects that under the 1332 waiver, premiums will be about 15% lower in 2019 than they would be without the waiver. In addition, New Jersey predicts that the number of persons enrolled in individual coverage will increase by about 2.7% due to the lower cost of healthcare through stabilization of the individual market. These projections were certified by independent actuaries and reviewed by the Departments.

Because reinsurance will lower premiums, the second lowest cost silver plan premium is reduced, resulting in the Federal government spending less in premium tax credits. As such, the state shall receive pass-through funding based on the amount of premium tax credits that would have been provided to New Jerseyans absent the waiver, but will not be provided under the waiver, reduced, if necessary, to ensure deficit neutrality. As required by Federal law, New Jersey's 1332 waiver will not increase the Federal deficit.

The Departments have determined that New Jersey's application for a State Innovation Waiver under section 1332 of the PPACA meets the requirements outlined in Section 1332(b)(1) of the PPACA and related [guidance](#). 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, and
- to not increase the 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. The Departments are promoting these waivers to give states 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, provides 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 are available beginning January 1, 2017. State Innovation Waivers are approved for 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 [here](#). States interested in Section 1332 waivers for state-operated reinsurance programs can find a checklist to help states complete their application [here](#).

The letter to New Jersey can be found by clicking the following link:
https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers-.html