

Rhode Island: State Innovation Waiver under section 1332 of the PPACA

August 26, 2019

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

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

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

Rhode Island'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 rate, in order to implement the state reinsurance program for plan years 2020 through 2024. The reinsurance program will operate like a traditional, claims-based attachment point reinsurance program by reimbursing qualifying non-group health insurers for a percentage of an enrollee's claims costs exceeding a specified threshold (attachment point) and up to a specified ceiling (reinsurance cap). Specifically, in 2020, the program will reimburse claims at a targeted 50 percent coinsurance rate for claims between the attachment point of \$40,000 and a \$97,000 cap. Rhode Island's state-based exchange, HealthSource RI (HSRI), is authorized by state law (S2934¹) to adjust reinsurance payment parameters annually. This is the same law that permits the HSRI to apply for and implement the waiver.

As a result of the waiver approval, consumers are expected to see lower premiums, which should attract new consumers while also keeping current consumers in the individual marketplace. Rhode Island projects that under the section 1332 waiver, statewide premiums will be about 5.9% lower in 2020 than they would be without the waiver. In addition, Rhode Island predicts that individual market enrollment will increase by about 0.9% due to the lower premiums resulting from stabilization of the individual market. These projections were certified by independent actuaries and reviewed by the Departments.

Rhode Island will receive pass-through funding to help offset state costs for the state-established reinsurance program. Because the Rhode Island reinsurance program is expected to lower premiums on the second lowest cost silver plan, 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, Rhode Island will receive pass-through funding to support the reinsurance program based on the amount of premium tax

¹ See R.I. Gen. Laws 42-157.1

credits that would have been provided to Rhode Islanders absent the waiver. The pass-through funding amount may be reduced, if necessary, to ensure deficit neutrality.

The Departments have determined that Rhode Island'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 for 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 Rhode Island can be found here:

https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers-.html