



Weekly Checkup

The New State Reinsurance Waivers

CHRISTOPHER HOLT | AUGUST 31, 2018

Section 1332 of the Affordable Care Act (ACA) allows states to deviate from the law's strict requirements so long as they meet certain criteria, described in detail in [this primer](#) by AAF's Tara O'Neill Hayes. As Hayes explains, the restrictions imposed on these waivers have limited the flexibility they provide states seeking to address their unique health care challenges. (Hayes has [also weighed in](#) on efforts to reform Section 1332 to address some of these limitations.)

Prior to 2017, only one 1332 waiver had been approved. In the last year, however, [seven states](#) have seen their waiver applications approved, with four of those approvals coming in roughly the last month. Notably, all seven waivers seek to establish a reinsurance program for the state's individual marketplace in the hopes of stemming the rapid increase in premiums that have been a defining characteristic of the ACA's exchanges.

While the waivers for Alaska, Minnesota, Oregon, Maine, Wisconsin, New Jersey, and Maryland differ to some degree in their details, they all aim to lower overall premiums in the marketplace by relieving insurers of some of the costs associated with the most expensive enrollees. Insurers, knowing that the state and federal governments will shoulder the burden of especially high-cost patients, are able to lower premiums across the board. As a result, insurance is more affordable for consumers, and the federal government spends less on premium tax credits. Each of these waivers depends on reducing federal spending, as the programs are funded through a combination of state funds and a share of the federal savings from the lower tax credits.

Only three of these waivers were approved before the current plan year, so it's still early to determine the effectiveness of the reinsurance programs. Still, the results to date are promising. Minnesota saw a [15 percent](#) decline in premiums for the lowest-cost silver plan in 2018 after implementing its waiver. Alaska saw the state's lone insurer dropped its rates [22 percent](#) for 2018 after implementation of the waiver. In Oregon the waiver was approved in [mid-October](#) after rates were already set, so it's unclear what the impact will be.

There have been calls for a national reinsurance program over the last year. A [study](#) by the Center for Health and Economy found that the combined effect of reinstating cost-sharing reduction payments to insurers and implementing a reinsurance program could reduce the federal deficit by \$17 billion over 10 years. The 1332 waivers currently being implemented merit close attention, as they should provide valuable insight into the effectiveness of such a solution.

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