NovaRest
ACTUARIAL CONSULTING

Michigan Section 1332 State Innovation Waiver Application

Actuarial and Economic Analysis for a Cost-Based Individual Reinsurance Program

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Richard Cadwell, ASA, MAAA
Donna Novak, FCA, ASA, MAAA, MBA
Matt Elston FCA, FSA, MAAA

Table of Contents

I. Executive Summary

Intent of This Report

The NovaRest team was hired by the Michigan Department of Insurance and Financial Services (DIFS) to provide the actuarial and economic analysis related to Michigan's proposal for a waiver under §1332 of the Affordable Care Act. This actuarial and economic report meets the requirement for an actuarial certification to be included in Michigan's 1332 Waiver application. Specifically, it addresses section 45 CFR 155.1308(f)(4)(i)-(iii) of the Centers for Medicare and Medicaid Service (CMS) checklist for the 1332 waiver, including actuarial analyses and actuarial certifications, economic analyses, and data and assumptions. Additionally, the report details the assumptions and methodologies used to develop the actuarial and economic projections. Reliance on this report should include a review of the full report and should only be reproduced in its entirety.

Michigan's 1332 Reinsurance Waiver Program

It is Michigan's goal to utilize a 1332 Waiver to reduce premiums, making insurance more affordable, while protecting issuers from unpredictable high-cost claims starting in 2024. Michigan believes this could be accomplished using a reinsurance mechanism to help fund high-cost claims. The result, therefore, would be a market in which issuers continue to write policies in all 83 Michigan's counties and more individuals stay in the market. Both of these results would help maintain stability in the individual health insurance market in Michigan.

The projections in this report were developed using NovaRest's micro-simulation model referred to as the NovaRest Market Migration Model (NRMM). The NRMM uses economic assumptions and detailed individual membership data to project family buying decisions.

Reinsurance

This section focuses on projections for the base year of 2024, while the 10-year projections are detailed in Section IV Actuarial Economic: Ten Year Projections. The projections for this report have been updated to take into account that the Inflation Reduction Act of 2022 extended the increased subsidies available in the American Rescue Plan (ARP) through the year 2025. We have retained the premium reduction scenarios and altered the attachment points to account for the impact of the premium and cost sharing subsidies.

Under its 1332 Waiver, Michigan proposes to implement a reinsurance mechanism that would be similar to traditional reinsurance and the temporary ACA Transitional Reinsurance program that operated between 2014 and 2016. Michigan is considering reinsurance parameters that are estimated to reduce premiums by approximately 3% (Scenario 1), 5% (Scenario 2), and 10% (Scenario 3) compared to the baseline premium (without the waiver). Due to the reduced premiums, the membership in the 2024 individual market is projected to increase 0.9%, 1.4%, and 1.8%, respectively, compared to the baseline without the waiver. Details on the membership projections are included in Section IV Actuarial and Economic Analysis: Ten Year Projections.

The reinsurance mechanism would be what has been referred to as "invisible" reinsurance[1]. The approach of an "invisible" reinsurance mechanism allows enrollees to remain in the individual market with their current plan and issuer, but a portion of their claims are reimbursed by the reinsurance pool. The enrollee is not aware that their claim is being paid via the reinsurance pool. This means there is no effect on the enrollee, as the task of ceding claims to the reinsurance pool is completed on the back end of the process and is without consequence to the enrollee.

Michigan is reviewing three reinsurance scenarios, all beginning in 2024, which is the earliest a 1332 Waiver would be permitted as of the time of this report. The elements in each of these three reinsurance scenarios were assumed in the ten-year future projections, without change, even though Michigan may have the flexibility to change the parameters of the chosen program in the future.

Table I shows the reinsurance parameters for the two scenarios being considered.

Table I			
Reinsurance Parameters			
	Scenario 1	Scenario 2	Scenario 3
Estimated Premium Reduction	3.0%	5.0%	10.0%
Estimated Reinsurance Dollars	$71,041,880	$117,540,834	$232,339,957
Attachment Point	$249,000	$168,000	$83,000
Coinsurance	50%	50%	50%
Maximum Paid Claims Reinsured	$1,000,000	$1,000,000	$1,000,000

The reinsurance payable under the 1332 Waiver is estimated to be a combination of federal and state dollars, totaling approximately $71.0 million in 2024 under Scenario 1, $117.5 million in 2024 under Scenario 2, and $232.3 million in 2024 under Scenario 3. The reinsurance payable is expected to increase over the next ten years due to medical inflation. The actual amount that will be paid under the reinsurance will depend on submitted claims. Ten-year reinsurance projections, including a breakdown of federal and state dollars, are detailed in Tables I.2a, I.2b, I.3a, I.3b, I.4a, and I.4b.

Meeting the 1332 Waiver Guardrails

CMS has determined four "guardrails" that must be met before a 1332 Waiver can be approved.

Table I.1 summarizes the expected impact of the proposed Section 1332 Waiver on the required guardrails. Our analysis demonstrates the proposed Section 1332 Waiver is expected to meet the guardrails starting in 2024 and continuing each of the next ten years. Section IV Actuarial and Economic Analysis: Meeting the Section 1332 Waiver Guardrails provides more detailed analysis of the results.

[1] Jonathan Keisling. "Invisible High-Risk Pools." April 11, 2017. https://www.americanactionforum.org/insight/invisible-high-risk-pools/ . Accessed April 9, 2019.

Table I.1	
Guardrail Requirement	Impact of Proposed 1332 Waiver
Comprehensiveness of Coverage 1332(b)(1)(A): Coverage under the Section 1332 Waiver will be at least as comprehensive as would be provided absent the waiver.	The proposed Waiver does not make alterations to the required scope of benefits offered in the insurance market in Michigan. It will result in an increase in the number of individuals with coverage that meet the ACA's EHB requirements.
Affordability of Coverage 1332(b)(1)(B): The Section 1332 Waiver will provide coverage and cost sharing protections against excessive out-of-pocket spending that are at least as affordable as would be provided absent the waiver.	In each year the reinsurance is in effect, the cost of individual coverage will be lower than it would be absent the waiver by reducing premiums and increasing affordability.
Scope of Coverage 1332(b)(1)(C): Coverage under the Section 1332 Waiver will be provided to at least a comparable number of residents as would be provided absent the waiver.	The number of residents covered under the Michigan waiver are projected to be higher than would be absent the waiver.
Deficit Neutrality 1332(b)(1)(D): The Section 1332 Waiver will not increase the Federal deficit.	The Michigan waiver will not result in increased spending, administrative, or other expenses to the federal government since the federal pass-through funding will be the PTC savings less the reduced income from exchange user fees.

Funding

A portion of the funding for the reinsurance would come from the federal government due to the reduction in premium tax credits (PTC)[2] being passed to Michigan. The reduction in premiums for the second lowest cost Silver plan (SLCSP) in each region directly reduces the PTC for the individuals eligible for PTCs.

The state funding required by the reinsurance program could come from many sources. For example, an assessment levied against the group health insurance market is a possibility. We estimate a 0.20% of premium assessment on the group health insurance market for Scenario 1 and a 0.33% of premium assessment for Scenario 2, and a 0.65% of premium assessment for Scenario 3.

Other potential revenue sources could be examined more closely. Those sources could include some, or a combination of some, of the following: an increased gross premium tax on some or all lines of business; a provider tax on health care providers; adjustments to the Insurance Provider Assessment (IPA) tax; or from the state's General Fund surplus. Additionally, it is possible that revenue could be generated from transitioning Michigan from a federally-facilitated Marketplace to a State Based Exchange.

[2] We first calculate the impact on advanced premium tax credits (APTC) and the adjust by 95% to the impact on PTC since it is the impact on PTC that affects the federal deficit.

We note Michigan currently assesses health issuers under the IPA (Insurance Provider Assessment) which replaces lost Health Insurance Claims Assessment revenue, to cover Medicaid actuarial soundness costs, and for other specified purposes. Because the IPA currently assesses the individual market, if it is leveraged to fund Michigan's portion of a 1332 Waiver, an additional offset would be required.[3]

Tables I.2a and I.2b present the projected reinsurance payable, the projected Federal pass-through available, and the State of Michigan's financial responsibility for the balance of the reinsurance payable for Scenario 1 reinsurance program for calendar years 2024 through 2033. Tables I.3a and I.3b, I.4a and I.4b present the same information under the Scenario 2/Scenario 3 reinsurance program

Table I.2a
Projected Reinsurance, Federal Pass-Through, and Michigan Responsibility, Scenario 1: 3%

	2024	2025	2026	2027	2028
Federal Pass-Through	$49,406,495	$52,269,333	$52,335,696	$54,951,874	$56,984,659
Michigan Responsibility	$21,635,385	$22,892,976	$27,035,702	$28,388,094	$29,438,888
Reinsurance by Year	**$71,041,880**	**$75,162,309**	**$79,371,398**	**$83,339,968**	**$86,423,547**

Table I.2b
Projected Reinsurance, Federal Pass-Through, and Michigan Responsibility, Scenario 1: 3%

	2029	2030	2031	2032	2033
Federal Pass-Through	$59,320,550	$61,159,128	$63,054,699	$65,009,030	$67,023,941
Michigan Responsibility	$30,646,362	$31,596,759	$32,576,620	$33,586,860	$34,628,422
Reinsurance by Year	**$89,966,912**	**$92,755,887**	**$95,631,319**	**$98,595,890**	**$101,652,363**

Table I.3a
Projected Reinsurance, Federal Pass-Through, and Michigan Responsibility, Scenario 2: 5%

	2024	2025	2026	2027	2028
Federal Pass-Through	$81,726,184	$86,463,001	$86,565,781	$90,894,259	$94,257,504
Michigan Responsibility	$35,814,650	$37,895,201	$44,756,481	$46,994,116	$48,732,741
Reinsurance by Year	**$117,540,834**	**$124,358,203**	**$131,322,262**	**$137,888,375**	**$142,990,245**

Table I.3b
Projected Reinsurance, Federal Pass-Through, and Michigan Responsibility, Scenario 2: 5%

	2029	2030	2031	2032	2033
Federal Pass-Through	$98,122,244	$101,164,174	$104,300,403	$107,533,853	$110,867,535
Michigan Responsibility	$50,730,601	$52,303,109	$53,924,366	$55,595,884	$57,319,224
Reinsurance by Year	**$148,852,845**	**$153,467,283**	**$158,224,769**	**$163,129,737**	**$168,186,759**

[3] Current offsets include a reduction in the Exchange Fee collected and reduction in state premium tax collected.

Table I.4a Projected Reinsurance, Federal Pass-Through, and Michigan Responsibility, Scenario 3: 10%					
	2024	**2025**	**2026**	**2027**	**2028**
Federal Pass-Through	$161,325,359	$170,690,257	$170,802,318	$179,357,153	$186,004,226
Michigan Responsibility	$71,014,598	$75,125,418	$88,779,034	$93,203,267	$96,640,929
Reinsurance by Year	**$232,339,957**	**$245,815,674**	**$259,581,352**	**$272,560,420**	**$282,645,155**

Table I.4b Projected Reinsurance, Federal Pass-Through, and Michigan Responsibility, Scenario 3: 10%					
	2029	**2030**	**2031**	**2032**	**2033**
Federal Pass-Through	$193,642,557	$199,654,638	$205,853,138	$212,243,831	$218,832,673
Michigan Responsibility	$100,591,050	$103,700,210	$106,905,711	$110,210,542	$113,617,785
Reinsurance by Year	**$294,233,607**	**$303,354,848**	**$312,758,849**	**$322,454,373**	**$332,450,459**

As can be seen in Tables I.2, I.3, and I.4 the projected reinsurance payable, Federal pass-through, and Michigan responsibility for the balance of reinsurance payable not funded by the Federal pass-through increases each year. Scenario 3 results are not quite 2 times the values for Scenario 2 to get twice the premium discount (approximately 5% for Scenario 2 and approximately 10% for Scenario 3). The portion of reinsurance payable funded by the Federal pass-through is roughly 70% for all scenarios in 2024. Please note the federal pass-through drops to approximately 66% beginning in 2026 due to the expiration of the American Rescue Plan enhanced subsidies. In addition, the membership is projected to be higher under Scenario 2 as compared to Scenario 1 (and Scenario 3 as compared to Scenario 2) due to the lower premiums.

Premium decreases will also reduce premium tax revenue in Michigan. The current premium tax in Michigan is 0.5%.[4] We note the premium tax is not collected from HMOs, so we reduced the premium tax offset by 80%.[5] Additionally, Michigan collects an Insurance Provider Assessment of $2.40 PMPM,[6] which would increase Michigan revenue if enrollment increased. The following tables show the total of the impact on Michigan with the state funding of the reinsurance and the reduction in the premium tax.

[4] "Notice of Tax Rate Calculation on Gross Premiums Attributable to Qualified Health Plans for Tax Year 2021." https://www.michigan.gov/treasury/reference/taxpayer-notices/notice-of-tax-rate-calculation-on-gross-premiums--2021 . August 10, 2022.
[5] Per DIFS, 80% is the percentage of premium written by HMOs.
[6] Per DIFS, the IPA is assessed at $2.40 PMPM

Table I.5a Projected Reduction in State Premium Tax, and Michigan Responsibility for Reinsurance, Scenario 1: 3% Premium Reduction					
	2024	**2025**	**2026**	**2027**	**2028**
Reduction MI Prem Tax	$54,979	$58,071	$58,974	$61,777	$63,954
Increase IPA Tax	($89,286)	($84,106)	($85,791)	($81,952)	($79,275)
Michigan Responsibility	$21,635,385	$22,892,976	$27,035,702	$28,388,094	$29,438,888
Total Michigan Impact	$21,601,078	$22,866,941	$27,008,885	$28,367,918	$29,423,566

Table I.5b Projected Reduction in State Premium Tax, and Michigan Responsibility for Reinsurance, Scenario 1: 3% Premium Reduction					
	2029	**2030**	**2031**	**2032**	**2033**
Reduction MI Prem Tax	$66,456	$68,426	$70,457	$72,551	$74,711
Increase IPA Tax	($76,430)	($74,372)	($72,380)	($70,450)	($68,579)
Michigan Responsibility	$30,646,362	$31,596,759	$32,576,620	$33,586,860	$34,628,422
Total Michigan Impact	$30,636,388	$31,590,813	$32,574,697	$33,588,961	$34,634,554

Table I.6a Projected Reduction in State Premium Tax, and Michigan Responsibility for Reinsurance, Scenario 2: 5% Premium Reduction					
	2024	**2025**	**2026**	**2027**	**2028**
Reduction MI Prem Tax	$92,615	$97,752	$99,483	$104,144	$107,766
Increase IPA Tax	($141,676)	($133,427)	($135,938)	($129,826)	($125,565)
Michigan Responsibility	$35,814,650	$37,895,201	$44,756,481	$46,994,116	$48,732,741
Total Michigan Impact	$35,765,589	$37,859,525	$44,720,027	$46,968,434	$48,714,942

Table I.6b Projected Reduction in State Premium Tax, and Michigan Responsibility for Reinsurance, Scenario 2: 5% Premium Reduction					
	2029	**2030**	**2031**	**2032**	**2033**
Reduction MI Prem Tax	$111,925	$115,200	$118,577	$122,057	$125,646
Increase IPA Tax	($121,035)	($117,761)	($114,592)	($111,522)	($108,546)
Michigan Responsibility	$50,730,601	$52,303,109	$53,924,366	$55,595,884	$57,319,224
Total Michigan Impact	$50,721,490	$52,300,548	$53,928,351	$55,606,420	$57,336,324

Table I.7a Projected Reduction in State Premium Tax, and Michigan Responsibility for Reinsurance, Scenario 3: 10% Premium Reduction					
	2024	**2025**	**2026**	**2027**	**2028**
Reduction MI Prem Tax	$203,144	$213,571	$220,070	$229,613	$237,023
Increase IPA Tax	($177,603)	($166,741)	($167,005)	($158,983)	($153,402)
Michigan Responsibility	$71,014,598	$75,125,418	$88,779,034	$93,203,267	$96,640,929
Total Michigan Impact	$71,040,138	$75,172,247	$88,832,100	$93,273,896	$96,724,551

Table I.7b Projected Reduction in State Premium Tax, and Michigan Responsibility for Reinsurance, Scenario 3: 10% Premium Reduction					
	2029	**2030**	**2031**	**2032**	**2033**
Reduction MI Prem Tax	$245,520	$252,206	$259,091	$266,181	$273,483
Increase IPA Tax	($147,481)	($143,211)	($139,087)	($135,100)	($131,245)
Michigan Responsibility	$100,591,050	$103,700,210	$106,905,711	$110,210,542	$113,617,785
Total Michigan Impact	$100,689,089	$103,809,205	$107,025,715	$110,341,623	$113,760,024

Conclusion

Michigan's 1332 Waiver reinsurance program is projected to reduce premiums and provide lower-cost options for comprehensive coverage. As can been seen in the ten-year projections in Section IV, this is expected to result in more ACA membership and a continuing stable individual market. The program will also protect issuers from unpredictable, high-cost claims. and make the claims costs more predictable. This would result in issuers being more willing to continue participating in Michigan's individual insurance market.

Michigan would be required to fund the difference between the cost of the reinsurance and the federal reduction in PTCs. There will also be a cost to Michigan for administering the program, but the administrative cost is expected to be minimal compared to the reinsurance funding. See Appendix B for a description of Michigan's administrative responsibility.

II. Background

Section 1332 Waivers

Section 1332 of the Affordable Care Act (ACA) 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 while retaining the basic protections of the ACA.[7]

Guardrails

In 2012, the Department of Health and Human Services (HHS) issued regulations for Section 1332 Waivers.[8] In 2015, the Department of Treasury and HHS released guidance on how they would interpret the law's guardrail requirements.[9] On October 24, 2018, the Department of Treasury and HHS released additional guidance providing more flexibility in meeting the Waiver guardrails[10] and this 2018 guidance supersedes the 2015 guidance. Additional guidance was provided in part 1 of the 2022 Payment Notice final rule but was subsequently repealed.[11]

As this report shows, the proposed Waiver will meet the required guardrail conditions as described below:

Comprehensive Coverage – 1332(b)(1)(A). The proposed waiver will not make alterations to the required scope of benefits offered in the insurance market in Michigan and will not result in a decrease in the number of individuals with coverage that meet the ACA's Essential Health Benefits requirements.

Affordability – 1332(b)(1)(B). The proposed waiver will not decrease existing coverage or cost-sharing protections against excessive out-of-pocket spending. The waiver will not result in any decrease in affordability for individuals.

Scope of Coverage – 1332(b)(1)(C). The proposed waiver will provide coverage to at least a comparable number of residents as would be provided coverage absent the waiver in Michigan.

Federal Deficit Neutrality – 1332(b)(1)(D). The proposed waiver will not result in increased spending, administrative, or other expenses to the federal government.

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[7] "Section 1332: State Innovation Waivers." The Center for Consumer Information & Insurance Oversight. https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers-.html . Accessed December 20, 2018.

[8] "Application, Review, and Reporting Process for Waivers for State Innovation." Department of Health and Human Services. February 27, 2012. https://www.govinfo.gov/content/pkg/FR-2012-02-27/pdf/2012-4395.pdf . Accessed April 9, 2019.

[9] "Waivers for State Innovation." Department of Health and Human Services. December 16, 2015. https://www.govinfo.gov/content/pkg/FR-2015-12-16/pdf/2015-31563.pdf . Accessed April 9, 2019.

[10] "State Relief and Empowerment Waivers." Department of Health and Human Services. October 24, 2018. https://s3.amazonaws.com/public-inspection.federalregister.gov/2018-23182.pdf . Accessed April 9, 2019.

[11] "Patient Protection and Affordable Care Act; Updating Payment Parameters, Section 1332 Waiver Implementing Regulations, and Improving Health Insurance Markets for 2022 and Beyond." Department of Treasury. September 27, 2021. https://www.govinfo.gov/content/pkg/FR-2021-09-27/pdf/2021-20509.pdf . Accessed August 12, 2022.

When examining the options available to stabilize the individual health insurance market in Michigan each of these guardrails must be met.

Actuarial Certification

A 1332 Waiver also requires an actuarial certification that is conducted and signed by a member of the American Academy of Actuaries.

The requirements of the actuarial certification have changed since 2012. This report is intended to meet the following requirements:[12]

A. *Actuarial analyses and actuarial certifications.* Actuarial analyses and actuarial certifications to support Michigan's estimates that the proposed waiver will comply with the comprehensive coverage requirement, the affordability requirement, and the scope of coverage requirement.

B. *Economic analyses*. Economic analyses to support Michigan's estimates that the proposed waiver will comply with the comprehensive coverage requirement, the affordability requirement, the scope of coverage requirement and the federal deficit requirement, including:
   a. A detailed 10-year budget plan that is deficit neutral to the federal government, as prescribed by section 1332(a)(1) and section 1332(B)(ii) of the Affordable Care Act, and includes all costs under the waiver, including administrative costs and other costs to the federal government, if applicable; and
   b. A detailed analysis regarding the estimated impact of the waiver on health insurance coverage in Michigan.

C. *Data and assumptions.* The data and assumptions used to demonstrate that Michigan's proposed waiver is in compliance with the comprehensive coverage requirement, the affordability requirement, the scope of coverage requirement and the federal deficit requirement, including:
   a. Information on the age, income, health expenses and current health insurance status of the relevant State population; the number of employers by number of employees and whether the employer offers insurance; crosstabulations of these variables; and an explanation of data sources and quality; and
   b. An explanation of the key assumptions used to develop the estimates of the effect of the waiver on coverage and the federal budget, such as individual and employer participation rates, behavioral changes, premium and price effects, and other relevant factors.

[12] "Checklist for Section 1332 State Relief and Empowerment Waivers (also called section 1332 waivers or State Innovation Waivers) Applications." Centers for Medicare & Medicaid Services. Updated July 2019. https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Checklist-for-Section-1332-State-Relief-and_Empowerment-Waivers.pdf. Accessed August 12, 2022.

Current Environment

Current State of the Affordable Care Act (ACA)

As federal healthcare reform efforts continue to face significant challenges. Nationally, the cost of health care is still a major barrier to obtaining coverage and ACA market conditions have resulted in issuers leaving the market or reducing the counties in which they offer plans. Michigan desires to maintain a robust market despite these headwinds.

Under the ACA (not considering the impact of the American Rescue Plan (ARP) expanded subsidies which are schedule to expire prior to plan year 2026) if a family income falls between 100% and 400% of the federal poverty level (FPL), they may be eligible for cost sharing and premium subsidies.[13] Cost sharing reductions (CSR) lower the amount of cost sharing that an individual pays out of pocket. The CSRs are available to those between 100% to 250% of the federal poverty line and Native American Indians/Alaska Natives, with families with lower incomes paying less out-of-pocket. Advance premium tax credits (APTCs) reduce the premium that a family pays based on their income level and are available up to 400% of FPL.[14] With the ARP extension, subsidies are available to those above 400% FPL, by capping the amount of a family's household income used to pay premiums at 8.5%.[15]

Michigan Characteristics

According to Census.gov, Michigan's total population has been fairly stable with an increase of 2.0% from April 2010 to April 2020.[16] The population increase over the same period for the entire United States is 7.4%.[17] Table II.1 provides a breakdown of the population demographics.[18]

Table II.1
2020MI Population Estimates by Age

Total:	9,966,559
Under 18 years	2,122,237
18 to 24 years	921,432
25 to 34 years	1,318,149
35 to 44 years	1,181,458
45 to 54 years	1,224,519
55 to 64 years	1,385,858
65 years and over	1,812,906

[13] "2018 Federal Poverty Level". Obamacare.net. https://obamacare.net/2018-federal-poverty-level/ (link no longer is active) Accessed March 27, 2019.

[14] The APTC is reconciled when the individual pays their year-end taxes and the PTC is calculated. Either the final tax amount owed is increased if the PTC is less than that estimated in the APTC or is reduced if the PTC is larger than estimate in the APTC.

[15] "American Rescue Plan and the Marketplace." Centers for Medicare & Medicaid Services. March 12, 2021. https://www.cms.gov/newsroom/fact-sheets/american-rescue-plan-and-marketplace. Accessed August 23, 2022.

[16] "Quickfacts: Michigan; United States". United States Census Bureau.

https://www.census.gov/quickfacts/fact/table/MI,US/PST045221. Accessed August 10, 2022.

[17] Ibid.

[18] "2020 ACS 1-Year Experimental Data Tables." United States Census Bureau. https://www.census.gov/programs-surveys/acs/data/experimental-data/1-year.html. Accessed August 10, 2022.

Michigan's Gross Domestic Product (GDP) was $604 billion in 2022.[19] The median household income in Michigan for 2020 was $59,234.[20] The median household income for the entire United States was $64,994. The income and benefits distribution for the Michigan population, in 2020 inflation adjusted dollars, is shown in Table II.2.[21]

Table II.2
Population by Income & Benefits

	Estimate	Percent
Total:	4,012,557	
Less than $20,000	583,997	15%
$20,000 to $39,999	726,939	18%
$40,000 to $59,999	641,359	16%
$60,000 to $99,999	945,735	24%
$100,000 to $149,999	614,138	15%
$150,000 to $199,999	252,000	6%
$200,000 or more	248,389	6%

Per the most recent U.S. Census Bureau estimates, the number of persons in poverty in Michigan is 12.6%, which is higher than the estimated 11.4% for the entire United States.[22]

The Federal Poverty Level (FPL) is utilized to determine if a citizen is eligible for subsidies to off-set the cost of their monthly premiums. The FPL is also used to determine eligibility for Medicaid and Children's Health Insurance Program (CHIP). In 2022, 2.9 million individuals (29% of the most recent population) were under 200% FPL in Michigan.[23]

Michigan has a state-federal partnership exchange. Michigan oversees plan management, and Healthcare.gov is used for enrollment. Michigan expanded Medicaid under the ACA, and the exchange can enroll people in Medicaid or qualified health plans (QHPs), depending on their income.[24]

[19] "GDP and Personal Income." Bureau of Economic Analysis. US Department of Commerce. https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1. Accessed August 10, 2022.
[20] "Quickfacts: Michigan; United States". United States Census Bureau. https://www.census.gov/quickfacts/fact/table/MI,US/PST045221. Accessed August 10, 2022.
[21] "2020 ACS 1-Year Experimental Data Tables." United States Census Bureau. https://www.census.gov/programs-surveys/acs/data/experimental-data/1-year.html. Accessed August 10, 2022.
[22] "Quickfacts: Michigan; United States". United States Census Bureau. https://www.census.gov/quickfacts/fact/table/MI,US/PST045221. Accessed August 10, 2022.
[23] "Medicaid In Michigan", Kaiser Family Foundation, November 2018, http://files.kff.org/attachment/fact-sheet-medicaid-state-MI . Accessed February 20, 2019.
[24] "Total Monthly Medicaid/CHIP Enrollment and Pre-ACA Enrollment." KFF. Apr 2022. https://www.kff.org/health-reform/state-indicator/total-monthly-medicaid-and-chip-enrollment/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D Accessed August 10, 2022.

The approved 2022 average rate increases for the individual market, including off-exchange are included in Table II.3.[25]

Table II.3

Michigan 2022 Final Average Individual Market Rate Increases by Company

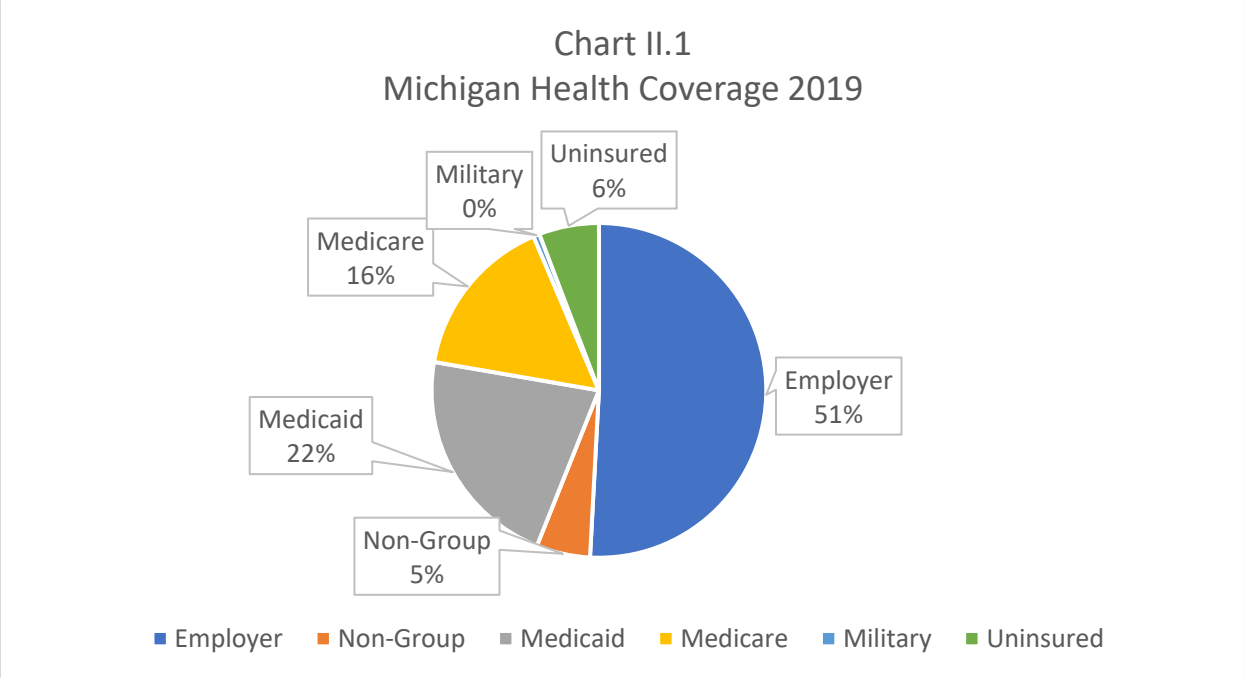
Company	2022 Rate Increase
Alliance Health and Life Insurance Company	8.37%
Blue Care Network of Michigan	6.00%
Blue Cross Blue Shield of Michigan	5.00%
Health Alliance Plan	6.44%
McLaren Health Plan Community	5.53%
Meridian Health Plan of Michigan, Inc.	-1.78%
Molina Healthcare of Michigan, Inc.	0.60%
Oscar Insurance Company	8.80%
Physician's Health Plan	-0.28%
Priority Health	3.86%
US Health and Life Insurance Company	New
UnitedHealthcare Community Plan, Inc.	New

Michigan issuers provided NovaRest with data for each individual as of March 31, 2022. Based on the data received, the individual insurance market membership, average premium and total premium are shown in Table II.4. Since the premium is the average based on the age mix in the category, the premiums are not totally comparable, but give a sense of what individuals are paying in each market segment. Note also that the "APTC premium rate" reflects the premium collected by the issuer including the APTC and member premium. It is shown as a comparison to the non-APTC premium rates. The APTC information provided by issuers reflect the enhanced subsidies under the American Rescue Plan (ARP), which can include members over 400% FPL.

[25] SERFF Filing Access. NAIC. https://filingaccess.serff.com/sfa/home/MI . Accessed August 10, 2022.

Table II.4 Current Michigan Individual Market	
Membership	**2022 (With ARP Subsidy)**
APTC	245,219
Non-APTC	36,872
Total On-Exchange	282,091
Off Exchange	75,751
Total ACA	357,842
Average Premium PMPM	
APTC premium rate	$541.73
Non-APTC	$440.45
Total On-Exchange	$528.49
Off Exchange	$446.17
Total ACA	$511.06
Total Premium	
APTC premium rate	$1,594,102,566
Non-APTC	$194,883,498
Total On-Exchange	$1,788,986,064
Off Exchange	$405,578,003
Total ACA	$2,194,564,067

A breakdown of the type of health insurance coverage in Michigan in 2019 is shown in Chart II.1.[26]



Although Michigan has a relatively stable individual health insurance market with numerous issuers as noted in Tables II.3, market pressures such as the impact of COVID-19, scheduled end of ARPA in 2025, and possible changes to Medicaid Eligibility Rules as a result of the end of the Public Health Emergency continue to create uncertainty with respect to future sustainability of the ACA market.. Michigan has an opportunity to consider a Section 1332 Waiver or other market reforms to ensure future stability in the individual health insurance market.

Michigan Employer Market

Many employers in Michigan offer health insurance for their employees and dependents. The employer negotiates the terms of the group policy with the health issuer. The employer can reduce or change the benefits and coverage, increase the employees share of the premium cost, switch health issuers, or stop providing coverage entirely. If an employer provides health coverage, the contract must include certain minimum benefits required by Michigan law[27]. The following tables are created utilizing Medical Expenditure Panel Survey (MEPS) data. Table II.5 tabulates the number of private -sector employees by firm size. Table II.6 displays the percentage of employers that offer insurance by firm size.

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[26] "Health Insurance Coverage of the Total Population." Henry J Kaiser Family Foundation. https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D. Accessed August 10, 2022.

[27] "Health Coverage Basics". DIFS. https:// www. michigan. gov/ difs/0,5269,7-303-12902_35510-263908--,00.html (link no longer is active) Accessed 4/14/2019

Table II.5: Number of private-sector employees by firm size and State: United States, 2021[28]						
State	**Total**	**Less than 10 employees**	**10-24 employees**	**25-99 employees**	**100-999 employees**	**1000 or more employees**
United States	129,677,058	14,008,489	11,377,872	17,359,376	23,922,565	63,008,756
Michigan	**4,026,412**	**400,272**	**354,303**	**520,746**	**801,603**	**1,949,488**

Table II.6 Percent of private-sector full-time employees at establishments that offer health insurance by firm size and State: United States, 2021[29]						
State	**Total**	**Less than 10 employees**	**10-24 employees**	**25-99 employees**	**100-999 employees**	**1000 or more employees**
United States	89.50%	37.30%	65.20%	88.40%	98.40%	99.80%
Michigan	**88.50%**	**28.30%**	**63.20%**	**85.70%**	**95.30%**	**100.00%**

[28] "Table Series II. Private-Sector Data by Firm Size and State: Table II.B.1." Agency for Healthcare Research and Quality. https://datatools.ahrq.gov/meps-ic#table-series . August 12, 2022.
[29] "Table Series II. Private-Sector Data by Firm Size and State: Table II.B.3.b." Agency for Healthcare Research and Quality. https://datatools.ahrq.gov/meps-ic#table-series . August 12, 2022.

III. Overview of Michigan's Reinsurance 1332 Waiver

Reinsurance Design

Under its 1332 Waiver, Michigan is reviewing three reinsurance scenarios which are estimated to reduce premiums by approximately 3% (Scenario 1), 5% (Scenario 2), and 10% (Scenario 3) compared to the baseline premium (without the waiver). The premium reduction is due to the claims paid by the reinsurance and the improved morbidity that is reflected in the NRMM micro-simulation model results. The reinsurance mechanism would be "invisible reinsurance", like traditional reinsurance or the temporary federal ACA reinsurance that was effective from 2014 to 2016.

The first proposed reinsurance program (Scenario 1) would cover 50% of paid claims between the attachment point of $249,000 and $1,000,000 to produce an estimated 3% premium reduction.

The second proposed reinsurance program (Scenario 2) would cover 50% of paid claims between the attachment point of $168,000 and $1,000,000 to produce an estimated 5% premium reduction.

The third proposed reinsurance program (Scenario 3) would cover 50% of paid claims between the attachment point of $83,000 and $1,000,000, to produce an estimated 10% premium reduction.

In addition to reducing premiums, the reinsurance would allow issuers to better predict their health care claims costs and protect against unpredictable high-cost claimants.

The reinsurance would be funded by pass-through funding associated with the reduction in federal Premium Tax Credits (PTC) and by state funds or assessments. Eligibility for PTCs is estimated in advance as the Advanced Premium Tax Credit (APTC), which is information provided to the issuers. We have reviewed a historic comparison between APTC and PTC to determine our assumption that the PTC is 95% of the APTC.[30]

The reduction in premiums in Michigan results in the reduction in estimated PTCs. The PTCs funded by the federal government are the difference between the SLCSP premium in a region and the maximum amount that a family pays in premium based on its income and family size. As the SLCSP premium is reduced, the PTC is reduced due to the reduction in premiums. The reduction in PTC is slightly offset by exchange user fees, which the federal government will not be able to collect. The fourth guardrail - Federal Deficit Neutrality, requires that any savings from PTC be offset by any loss of income, which will be discussed in Section IV.

Michigan would be responsible for the difference between the reinsurance cost and the federal savings. One option to pay for this responsibility would be to collect assessments from the group market. Since the individual market is only 15% of the total health insurance fully insured commercial market,[31] the assessments from the group market would be allocated to a much larger

[30] 0 Statistics of Income 2019 IRS Individual Income Tax Returns Complete Report, pg. 26. Internal Revenue Service. https://www.irs.gov/pub/irs-pdf/p1304.pdf . Accessed August 12, 2022.
[31] 2021 Supplemental Health Care Exhibit using covered lives for individual, small group, and large group in Michigan. Health, Life, and P&C combined.

base. NovaRest estimates a 0.20% of premium assessment on the major medical group health insurance market for Scenario 1 and a 0.33% of premium assessment for Scenario 2, and a 0.65% of premium assessment for Scenario 3.

An assessment could also take the form of an increased premium assessment on all lines of business or an assessment on health care providers. Michigan currently assesses health issuers under the IPA (Insurance Provider Assessment) which replaces lost Health Insurance Claims Assessment revenue, to cover Medicaid actuarial soundness costs, and for other specified purposes. Because the IPA currently assesses the individual market, if it is leveraged to fund Michigan's portion of a 1332 Waiver, an additional offset would be required.[32]

The reinsurance program would reduce premiums, making insurance more affordable, while protecting issuers from unpredictable high-cost claims. The result, therefore, should be more individuals staying in the market and more issuers being willing to continue writing policies in Michigan counties. Both scenarios will help the individual health insurance market in Michigan remain stable.

IV. Actuarial and Economic Analysis

The following actuarial and economic analysis meets the requirements under 45 CFR 155.1308(f)(4)(i) and the additional analysis requested by CMS's Checklist for a Section 1332 State Innovation Waiver Application.[33] As previously noted, NovaRest utilized our micro-simulation model to examine the impact of the proposed Section 1332 Waiver. The model is able to predict how the waiver will affect the insurance markets in Michigan and ensure the meeting of the guardrails.

Meeting the Section 1332 Waiver Guardrails

This section will demonstrate that the four 1332 Waiver guardrails will be met by Michigan's proposed 1332 Waiver structure.

Comprehensive Requirement 1332(b)(1)(A)

The waiver will have no material effect on the comprehensiveness of coverage for Michigan residents. Regardless of whether the waiver is granted, all Michigan ACA-compliant plans will be required to provide coverage of essential health benefits. Similarly, the scope of benefits provided by other types of coverage such as Medicaid, CHIP, and grandfathered plans will not be impacted. The waiver is expected to increase the number of individuals with health coverage. Individuals gaining health coverage under the waiver will have coverage for more comprehensive health benefits than they would absent the waiver.

[32] Current offsets include a reduction in the Exchange Fee collected and reduction in state premium tax collected.
[33] "Checklist for Section 1332 State Relief and Empowerment Waivers (also called section 1332 waivers or State Innovation Waivers) Applications." Centers for Medicare & Medicaid Services. Updated July 2019. https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Checklist-for-Section-1332-State-Relief-and_Empowerment-Waivers.pdf. Accessed August 12, 2022.

Affordability Requirement 1332(b)(1)(B)

In each year the reinsurance program is in effect, the cost of individual coverage will be lower than it would be absent the waiver. For this purpose, affordability refers to the ability of state residents to pay for health care and is measured by comparing their net out-of-pocket spending for health coverage and services to their incomes. Out-of-pocket expenses are assumed to include premium contributions and any plan level cost-sharing that is the responsibility of the individual.

Our estimates predict the proposed waiver will not have a material impact on the affordability of coverage for employer, Medicaid, Medicare, or any other public insurance plan. The waiver will reduce premium and increase affordability (See Table IV.1).

Table IV.1
2024 Difference from Base Line

	2024		
	Scenario 1;	**Scenario 2;**	**Scenario 3;**
On Exchange PMPM			
APTC Aggregate Premium Rate	-3.0%	-5.0%	-10.0%
APTC Maximum Premium Paid	0.0%	0.0%	0.0%
APTC PMPM	-4.0%	-6.6%	-13.0%
Non-APTC PMPM	-3.2%	-5.3%	-10.3%
Total On-Exchange PMPM	-3.1%	-5.2%	-10.1%
Off Exchange PMPM	-3.2%	-5.3%	-10.2%
Total ACA PMPM	-3.2%	-5.3%	-10.2%
PTC Savings	$50,846,736	$84,127,388	$166,292,454
Exchange Fee Reduction (2.75% for FFP)	$1,440,242	$2,401,204	$4,967,095
Net Federal Savings	$49,406,495	$81,726,184	$161,325,359

As can be seen in Table IV.1, the waiver program is not expected to change the amount of the premium which subsidy eligible individuals would pay (APTC Maximum Premium Paid), but it does decrease the premium for non-subsidy eligible individuals both on and off the exchange. The values in the line "APTC" reflect that the subsidy amounts will decrease by 4.0%, 6.6% and 13.0%, respectively, for Scenario 1, 2, and 3, which is the source of the federal pass-through funding.

Scope of Coverage Requirement 1332(b)(1)(C)

The proposed waiver is projected to cover more individuals in Michigan than would be covered absent the waiver. The lower costs of coverage will allow for more Michigan residents to purchase or maintain coverage in the individual market. Lower premiums will result in individuals retaining coverage rather than dropping coverage due to unaffordable premium rates. As indicated in Table IV.2, enrollment in the individual market is expected to increase by approximately 0.9% in 2024 under Scenario 1, 1.4% in 2024 under Scenario 2 and 1.8% in 2024 under Scenario 3, with similar increases in later years. The waiver will have no material impact on the availability of other types of coverage, such as Medicaid, CHIP, and employer-based insurance, so no impact is expected on the number of individuals with those types of coverage. The waiver will have a positive impact on vulnerable populations who buy coverage in the individual market since premiums will be lower (See Table IV.2).

Table IV.2
2024 Membership Difference from Base Line

Membership	**2024**		
	Scenario 1	**Scenario 2**	**Scenario 3**
On Exchange			
100% CSR	0.0%	0.0%	0.0%
94% CSR (133% to 150% FPL)	0.0%	0.0%	0.0%
87% CSR (150% to 200% FPL)	0.0%	0.0%	0.0%
73% CSR (200% to 250% FPL)	0.0%	0.0%	0.0%
APTC (above 250% FPL)	0.0%	0.0%	0.0%
Total APTC	0.0%	0.0%	0.0%
Total Non- APTC	4.0%	6.3%	8.2%
Total On-Exchange	0.4%	0.7%	0.9%
Off Exchange	2.7%	4.2%	5.2%
Total ACA	0.9%	1.4%	1.8%

Table IV.2 shows that the projected number of subsidy eligible people buying insurance under the waiver program does not change, since their premium after subsidy is based on their income, not on the total premium rate.

Federal Deficit Neutrality Requirement – 1332(b)(1)(D)

The proposed waiver will not result in increased spending, administrative, or other expenses to the federal government. There will be no increase in federal administrative expense. The federal funding will be calculated based on actual APTC subsidized enrollment and will be decreased by any reductions in exchange user fees. The waiver scenarios are expected to lower premiums by 3% to 10%, which will reduce the APTC that would be paid by the federal government. Since the exchange

user fees are a percentage of premium, the reduced premium will in turn reduce the exchange user fees collected by the federal government. The intention is for the lower APTCs less the reduced exchange user fees to be passed on to Michigan and used to fund the reinsurance program under the waiver.

Aggregate Premium

The NRMM also calculates the aggregate premium rate for individuals and families that are eligible for APTCs and the maximum a family will actually pay.

The aggregate premium rate is the premium that the individuals would pay, if they did not receive the APTC. This is the SLCSP premium rate in each region. Table IV.3 below shows the estimated premium in 2024 for a person age 40, assuming a 2% FPL trend, assuming no 1332 Waiver. The tobacco rate charged to smokers was not considered since it is not used in the APTC determination.

Table IV.3
2024 Second Lowest Cost Silver Plan (SLCSP) Premiums by Area, Age 40

Area	Age 40 Monthly Premium Rate
Rating Area 1	$319.10
Rating Area 2	$317.61
Rating Area 3	$437.87
Rating Area 4	$339.12
Rating Area 5	$335.12
Rating Area 6	$419.21
Rating Area 7	$408.33
Rating Area 8	$404.56
Rating Area 9	$431.11
Rating Area 10	$381.29
Rating Area 11	$375.36
Rating Area 12	$355.59
Rating Area 13	$424.87
Rating Area 14	$403.83
Rating Area 15	$420.54
Rating Area 16	$614.59

Calculation of an Individual's Maximum Payable Premium for the Advanced Premium Tax Credit

The family Federal Poverty Level (FPL) for 2022 is $13,590 for the first person plus $4,720 for each additional person.[34] A family of 4 would be $13,590 plus 3 times $4,720 or $27,750 total. The single person FPL rate has been increasing by 1% to 6% a year and the additional person cost has been increasing by 1% to 4% a year since 2017.[35] We used an assumption that the FPL will increase 2.42% annually.

Maximum premium paid by low income as a percent of income.[36]

- For 133% to 150% of FPL the percentage is between 0.00% and 0.00%.[37]
- For 150% to 200% it is between 0.00% and 2.00%.
- For 200% to 250% it is between 2.00% and 4.00%.
- For 250% to 300% it is between 4.00% and 6.00%.
- For 300% to 400% it is between 6.00% and 8.50%
- For 400% and higher it is 8.50%

Table IV.4 presents the maximum premium paid by APTC eligible families for 2022.

Table IV.4
2022 Maximum Premium Paid by APTC Eligible Families

			Annual Premium		Monthly Premium	
FPL Range	**FPL Mid-point**	**Percent of Income**	**Single at $13,590**	**Additional at $4,720**	**Single at $13,590**	**Additional at $4,720**
133% to 150%	142%	0.00%	$0.00	$0.00	$0.00	$0.00
150% to 200%	175%	1.00%	$237.83	$82.60	$19.82	$6.88
200% to 250%	225%	3.00%	$917.33	$318.60	$76.44	$26.55
250% to 300%	275%	5.00%	$1,868.63	$649.00	$155.72	$54.08
300% to 400%	350%	7.25%	$3,448.46	$1,197.70	$287.37	$99.81
Above 400%	No-midpoint[38]	8.50%	$4,620.60	$1,604.80	$385.05	$133.73

[34] "Prior Poverty Guidelines and Federal Register References". Office of the Assistant Secretary for Planning and Evaluation. https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines. Accessed August 10, 2022.
[35] Ibid.
[36] "Rev. Proc. 2021-36, IRS update of the Applicable Percentage." Internal Revenue Service. https://www.irs.gov/pub/irs-drop/rp-21-36.pdf. Accessed August 23, 2022.
[37] Note families between 0%-133% FPL are covered under Medicaid. https://www.michigan.gov/healthymiplan/who#:~:text=See%20if%20you%20qualify%20for%20the%20Healthy%20Michigan%20Plan.&text=Are%20age%2019%2D64%20years,enrolled%20in%20other%20Medicaid%20programs
[38] There is no cap based on income, we presented the 400% scenario for illustrative purposes. People would not receive a subsidy if 8.5% of their family income is higher than their premium.

If there is one person in a family, the single premium is used. If there is more than one family member, the family premium is increased by the additional amount for each additional family member. For example, as can be seen from Table IV.4, a family of 4 at the midpoint of the 200% to 250% of FPL income level, the annual family premium would be $917.33 plus 3 times $318.60 or $1,873.13 for the year, which would be a monthly premium of $156.09.

The CSR levels are the key to the FPLs used in the calculation.

133%-150% FPL = 94% Actuarial Value (CSR 94)
150%-200% FPL = 87% Actuarial Value (CSR 87)
200%-250% FPL = 73% Actuarial Value (CSR 73)

Calculation of the PTC

An individual's PTC is the difference between the SLCSP premium in the region for the individual's age and the maximum premium for an individual. For a family it is the sum of the family members' SLCSP premium by age in the region and the maximum family premium.. The issuers were able to provide APTC information by member. We have reviewed a historic comparison between APTC and PTC to determine our assumption that the PTC is 95% of the APTC.[39]

For the waiver scenario, the PTC is reduced because the SLCSP premium for each region is reduced due to the reinsurance. The reinsurance lowers the premiums for all plans, but the SLCSP is the one that impacts the PTC. NovaRest assumed that the premium reduction was the same percentage for all plans due to the single risk pool requirement.[40] The difference in the premiums for the SLCSP with and without the reinsurance is the difference in the PTC between the two scenarios. This is the amount that CMS will save in PTC and that can be applied to the reinsurance funding.

The amount that the federal government can contribute and remain budget neutral is the savings from the reduced PTCs less the loss of the exchange user fees. Exchange user fees for the individual market are 2.75% of premium paid on exchange plans in 2022 and 2023.[41] When the premium is reduced, this income to the federal government is also reduced. The amount of federal budget savings is the reduction in PTC less the exchange user fees. For example, if PTC has a 10% reduction in premiums, the net amount of savings to the federal government is 10% less the 2.75% or 7.25%.

[39] 0 Statistics of Income 2019 IRS Individual Income Tax Returns Complete Report, pg. 26. Internal Revenue Service. https://www.irs.gov/pub/irs-pdf/p1304.pdf . Accessed August 12, 2022.
[40] Rate increases are rarely the same for all plans due to changes such as changes in morbidity that vary between plans and geographic factor changes. It is not possible to predict these types of factors with an appropriate amount of accuracy.
[41] "HHS Notice of Benefit and Payment Parameters for 2023." The Centers for Medicare & Medicaid Services. https://www.federalregister.gov/documents/2022/05/06/2022-09438/patient-protection-and-affordable-care-act-hhs-notice-of-benefit-and-payment-parameters-for-2023 . Accessed August 10, 2022.

Calculation of the Federal Savings Available for Pass-Through Funding

The reduced PTC saves the federal government money. To offset this savings are some potential losses to income for the federal government.

The Patient-Centered Outcomes Research Institute (PCORI) fee payable to the federal government is based on enrollment. After September 20, 2021 and before October 1, 2022, the applicable dollar amount is $2.79.[42] As the amount is based on covered lives which would increase under a waiver scenario, the amount is so small we did not consider.

The Exchange User Fee is a federally mandated fee used to fund the federal and state exchanges. Because Michigan did not establish a state-based exchange, the exchange is facilitated by the federal government. The fee is calculated as a percent of on-exchange premiums. Although the fee is calculated on on-exchange business, it is included in the premium for all non-grandfathered on-and-off exchange ACA business. The current fee rate in the individual market is 2.75%.[43]

We note Michigan is considering a state exchange which may have a different Exchange fee.

Baseline – Budget Neutrality Projection

Table IV.5.a.i
Budget Neutrality Projection, 2024-2028
Baseline

Base	2024	2025	2026	2027	2028
APTC Agg Prem	$1,758,234,361	$1,860,211,954	$1,863,031,692	$1,956,183,276	$2,028,562,058
APTC Max Prem	$412,236,796	$422,202,873	$405,587,402	$415,392,726	$425,435,099
Total APTC	$1,345,997,564	$1,438,009,081	$1,457,444,290	$1,540,790,551	$1,603,126,959
Total PTC	$1,278,697,686	$1,366,108,627	$1,384,572,075	$1,463,751,023	$1,522,970,611

Table IV.5.a.ii
Budget Neutrality Projection, 2029-2033
Baseline

Base	2029	2030	2031	2032	2033
APTC Agg Prem	$2,111,733,102	$2,177,196,828	$2,244,689,930	$2,314,275,318	$2,386,017,852
APTC Max Prem	$435,720,252	$446,254,056	$457,042,520	$468,091,803	$479,408,208
Total APTC	$1,676,012,850	$1,730,942,772	$1,787,647,409	$1,846,183,515	$1,906,609,644
Total PTC	$1,592,212,207	$1,644,395,634	$1,698,265,039	$1,753,874,339	$1,811,279,162

[42] "Patient-Centered Outcomes Research Trust Fund Fee (IRC 4375, 4376 and 4377): Questions and Answers." Internal Revenue Service. https://www.irs.gov/affordable-care-act/patient-centered-outcomes-research-trust-fund-fee-questions-and-answers. Accessed April 10, 2022.
[43] "HHS Notice of Benefit and Payment Parameters for 2023." The Centers for Medicare & Medicaid Services. https://www.federalregister.gov/documents/2022/05/06/2022-09438/patient-protection-and-affordable-care-act-hhs-notice-of-benefit-and-payment-parameters-for-2023 . Accessed August 10, 2022.

Scenario 1 – Budget Neutrality Projection

Table IV.5.b.i Budget Neutrality Projection, 2024-2028 Scenario 1: 3% Premium Reduction. $249k attachment point, 50% coinsurance, $1 million maximum					
Scenario 1	**2024**	**2025**	**2026**	**2027**	**2028**
APTC Agg Prem	$1,704,711,480	$1,803,584,746	$1,806,318,648	$1,896,634,580	$1,966,810,060
APTC Max Prem	$412,236,796	$422,202,873	$405,587,402	$415,392,726	$425,435,099
Total APTC	$1,292,474,684	$1,381,381,873	$1,400,731,246	$1,481,241,855	$1,541,374,961
Total PTC	$1,227,850,950	$1,312,312,780	$1,330,694,683	$1,407,179,762	$1,464,306,213
PTC Savings	$50,846,736	$53,795,847	$53,877,392	$56,571,261	$58,664,398
FFE Fee Reduction	$1,440,242	$1,526,514	$1,541,695	$1,619,387	$1,679,739
Net Federal Savings	$49,406,495	$52,269,333	$52,335,696	$54,951,874	$56,984,659

Table IV.5.b.ii Budget Neutrality Projection, 2029-2033 Scenario 1: 3% Premium Reduction. $249k attachment point, 50% coinsurance, $1 million maximum					
Scenario 1	**2029**	**2030**	**2031**	**2032**	**2033**
APTC Agg Prem	$2,047,449,272	$2,110,920,200	$2,176,358,726	$2,243,825,846	$2,313,384,447
APTC Max Prem	$435,720,252	$446,254,056	$457,042,520	$468,091,803	$479,408,208
Total APTC	$1,611,729,020	$1,664,666,144	$1,719,316,205	$1,775,734,044	$1,833,976,239
Total PTC	$1,531,142,569	$1,581,432,837	$1,633,350,395	$1,686,947,341	$1,742,277,427
PTC Savings	$61,069,638	$62,962,797	$64,914,644	$66,926,998	$69,001,735
FFE Fee Reduction	$1,749,088	$1,803,669	$1,859,945	$1,917,968	$1,977,794
Net Federal Savings	$59,320,550	$61,159,128	$63,054,699	$65,009,030	$67,023,941

Scenario 2 – Budget Neutrality Projection

Table IV.5.c.i Budget Neutrality Projection, 2024-2028 Scenario 2: 5% Premium Reduction. $168k attachment point, 50% coinsurance, $1 million maximum					
Scenario 2	**2024**	**2025**	**2026**	**2027**	**2028**
APTC Agg Prem	$1,669,679,215	$1,766,520,610	$1,769,198,329	$1,857,658,245	$1,926,391,601
APTC Max Prem	$412,236,796	$422,202,873	$405,587,402	$415,392,726	$425,435,099
Total APTC	$1,257,442,419	$1,344,317,737	$1,363,610,927	$1,442,265,520	$1,500,956,502
Total PTC	$1,194,570,298	$1,277,101,850	$1,295,430,381	$1,370,152,244	$1,425,908,677
PTC Savings	$84,127,388	$89,006,777	$89,141,695	$93,598,779	$97,061,934
FFE Fee Reduction	$2,401,204	$2,543,775	$2,575,914	$2,704,521	$2,804,431
Net Federal Savings	$81,726,184	$86,463,001	$86,565,781	$90,894,259	$94,257,504

Table IV.5.c.ii Budget Neutrality Projection, 2029-2033 Scenario 2: 5% Premium Reduction. $168k attachment point, 50% coinsurance, $1 million maximum					
Scenario 2	**2029**	**2030**	**2031**	**2032**	**2033**
APTC Agg Prem	$2,005,373,656	$2,067,540,240	$2,131,633,987	$2,197,714,641	$2,265,843,794
APTC Max Prem	$435,720,252	$446,254,056	$457,042,520	$468,091,803	$479,408,208
Total APTC	$1,569,653,404	$1,621,286,184	$1,674,591,467	$1,729,622,838	$1,786,435,586
Total PTC	$1,491,170,734	$1,540,221,875	$1,590,861,893	$1,643,141,696	$1,697,113,807
PTC Savings	$101,041,473	$104,173,759	$107,403,146	$110,732,643	$114,165,355
FFE Fee Reduction	$2,919,229	$3,009,585	$3,102,743	$3,198,791	$3,297,820
Net Federal Savings	$98,122,244	$101,164,174	$104,300,403	$107,533,853	$110,867,535

Scenario 3 – Budget Neutrality Projection

Table IV.5.d.i Budget Neutrality Projection, 2024-2028 Scenario 3: 10% Premium Reduction. $83k attachment point, 50% coinsurance, $1 million maximum					
Scenario 3	**2024**	**2025**	**2026**	**2027**	**2028**
APTC Agg Prem	$1,583,189,672	$1,675,014,673	$1,677,553,687	$1,761,431,371	$1,826,604,332
APTC Max Prem	$412,236,796	$422,202,873	$405,587,402	$415,392,726	$425,435,099
Total APTC	$1,170,952,876	$1,252,811,800	$1,271,966,284	$1,346,038,645	$1,401,169,233
Total PTC	$1,112,405,232	$1,190,171,210	$1,208,367,970	$1,278,736,713	$1,331,110,771
PTC Savings	$166,292,454	$175,937,416	$176,204,105	$185,014,310	$191,859,840
FFE Fee Reduction	$4,967,095	$5,247,160	$5,401,787	$5,657,157	$5,855,614
Net Federal Savings	$161,325,359	$170,690,257	$170,802,318	$179,357,153	$186,004,226

Table IV.5.d.ii Budget Neutrality Projection, 2029-2033 Scenario 3: 10% Premium Reduction. $83k attachment point, 50% coinsurance, $1 million maximum					
Scenario 3	**2029**	**2030**	**2031**	**2032**	**2033**
APTC Agg Prem	$1,901,495,109	$1,960,441,458	$2,021,215,143	$2,083,872,812	$2,148,472,869
APTC Max Prem	$435,720,252	$446,254,056	$457,042,520	$468,091,803	$479,408,208
Total APTC	$1,465,774,857	$1,514,187,402	$1,564,172,623	$1,615,781,010	$1,669,064,661
Total PTC	$1,392,486,114	$1,438,478,032	$1,485,963,991	$1,534,991,959	$1,585,611,428
PTC Savings	$199,726,093	$205,917,602	$212,301,048	$218,882,380	$225,667,734
FFE Fee Reduction	$6,083,537	$6,262,963	$6,447,910	$6,638,549	$6,835,061
Net Federal Savings	$193,642,557	$199,654,638	$205,853,138	$212,243,831	$218,832,673

Ten Year Projections

Assumptions

We received claims incurred in 2021 paid through March 2022. To determine the 2021 incurred claims, we applied a 4% incurred but not paid (IBNP) factor based on issuer plan year 2023 rate filings (which provided estimates from 1.5% to 7.2% on claims paid through March 2022). One issuer (Total Health Care USA, Inc.) participated in the Michigan individual ACA market in 2021 but has subsequently purchased by Priority Health but was not included in the data call. We estimate they represented about 1.4% of the membership in the market, so increased claims by 1.4% which assumes they had market average risk, which we believe is a conservative assumption considering they had a risk adjustment payable in 2021 according to the CMS risk adjustment report.[44]

2021 incurred claims were trended to 2023 using the issuer average trend rate assumptions from the plan year 2023 individual market URRTs in Michigan (about 5.7% annually). Claims after 2023 were trended based on National Health Expenditure Projections which range from 3.1% to 5.8% annually. [45]

We received 2022 premium and membership data and used issuer proposed rate increases in their plan year 2023 rate filings to trend to 2023. To project after 2023 premiums that resulted from the NRMM modeling, NovaRest used historic changes in FPL (as discussed earlier in this report) and National Health Expenditure Projections.

NovaRest used the metal level elasticities of demand provided in a Society of Actuaries training session against the National Health Expenditure Projections.[46] We assumed members will decrease their level of coverage prior to becoming uninsured. We also use these elasticities, calibrated to the rates provided in the January 2017 Council of Economic Advisors Issue Brief[47] to determine uninsured buying into the market, or members buying up.

Three Waiver scenarios were modeled.

- Scenario 1 used a $249,000 attachment point with a 50% coinsurance for the reinsurance up to $1,000,000,
- Scenario 2 used a $168,000 attachment point with a 50% coinsurance up to $1,000,000.
- Scenario 3 used a $83,000 attachment point with a 50% coinsurance up to $1,000,000.

[44] "Summary Report on Permanent Risk Adjustment Transfers for the 2021 Benefit Year." The Centers for Medicare & Medicaid Services. https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/RA-Report-BY2021.pdf . Accessed August 10, 2022.

[45] "National Health Expenditure Projections 2021-2030." The Centers for Medicare & Medicaid Services. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected. Accessed August 10, 2022.

[46] "Session 76 L, Understanding Stakeholder Behavior: Hidden Forces in the U.S. Healthcare System." Society of Actuaries.
https://www.soa.org/pd/events/2017/health-meeting/pd-2017-06-health-session-076.pdf (link no longer is active) Accessed April 9, 2019.

[47] Understanding Recent Developments in the Individual Health Insurance Market. Council of Economic Advisers Issue Brief. January 2017.

Process

Projections were done for membership and premium Per Member Per Month (PMPM) for the following categories:[48]

- 100% CSR[49]
- 94% CSR (133% to 150% FPL)
- 87% CSR (150% to 200% FPL)
- 73% CSR (200% to 250% FPL)
- APTC
- Total Non- APTC
- Off-Exchange
- Uninsured

The 2022 NRMM model output is used to project the 2022 base line and the following eleven years (through 2033). We assume a steady state in membership for the 10-year projections for subsidized APTC members. The NRMM model does show decreasing membership for the non-APTC members due to increasing premiums.

NovaRest used actual issuer proposed premium rate increases by metal level and exchange status to project 2023 premiums and membership. After 2023 were trended based on National Health Expenditure Projections which range from 3.1% to 5.8% annually. [50]

Please note we are assuming the ARP enhanced subsidies expire at the end of plan year 2025, therefore, we estimated the 2023-2025 projections assuming the ARP enhanced subsidies. 2022 amounts reflect the issuer provided information under the ARP enhanced subsidy structure, so we were able to use the issuer provided subsidy information instead of estimating the subsidy amount.

For 2026-2033, we assume the ARP will not be in effect. To determine the 2026-2033 amounts, we performed a similar analysis as described above, however, instead of using the issuer provided subsidies, we estimated the average subsidy by family size and subsidy level. We did not have income information by member, so we estimated the maximum member responsibility for subsidized members based on 2020 IRS guidance, an estimate of income based on subsidy level, and family size.

The ARP enhanced subsidies include subsidies for those over 400% federal poverty level. This population is not subsidized when the ARP expires, so we estimated and removed the members with over 400% FPL. We estimated this population by comparing the APTC provided by the issuers to the maximum 8.5% subsidy for a hypothetical family at 400% FPL. If the maximum member responsibility for the family provided by the issuer is higher than the hypothetical family, the family must make more than 400% FPL and therefore are not considered in the subsidized membership

[48] Since Michigan expanded Medicaid to 133% FPL, a project of the population under 133% FPL was not necessary.
[49] We include membership for 100% CSR, but since we do not know the income of the 100% CSR members, we uniformly distributed them among the other CSR levels for trending premiums.
[50] "National Health Expenditure Projections 2021-2030." The Centers for Medicare & Medicaid Services. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected. Accessed August 10, 2022.

after 2022. For members eligible for ATPC but not CSR, 46% were allocated to the 250%-300% FPL level and 54% were allocated to the 300%-400% CSR level based on 2022 Consumer Information and Insurance Oversight (CCIIO) data. [51]

Projections

The ten-year projections for the base line and for the three potential reinsurance attachment points are included in the four tables that follow.

Table IV.6.i
2024-2028 Base Line Without Waiver

Membership	**2024**	**2025**	**2026**	**2027**	**2028**
100% CSR	1,078	1,078	1,078	1,078	1,078
94% CSR	39,329	39,329	39,329	39,329	39,329
87% CSR	40,446	40,446	40,446	40,446	40,446
73% CSR	23,803	23,803	23,803	23,803	23,803
APTC	140,563	140,563	127,115	127,115	127,115
Total APTC	**245,219**	**245,219**	**231,771**	**231,771**	**231,771**
Total Non-APTC	30,859	28,785	38,144	36,181	34,805
Total On-Exchange	**276,078**	**274,004**	**269,915**	**267,952**	**266,576**
Off Exchange	70,628	67,358	64,783	62,295	60,523
Total ACA	**346,707**	**341,362**	**334,699**	**330,248**	**327,099**
Average Premium PMPM					
APTC Agg Prem	$597.50	$632.16	$669.85	$703.35	$729.37
APTC Max Prem	$140.09	$143.48	$145.83	$149.35	$152.97
APTC	**$457.41**	**$488.68**	**$524.02**	**$553.99**	**$576.40**
Non-APTC	$505.91	$536.81	$583.35	$613.18	$636.31
Total On-Exchange	**$587.27**	**$622.14**	**$657.63**	**$691.17**	**$717.22**
Off Exchange	$481.09	$510.43	$539.96	$567.95	$589.63
Total ACA	**$565.64**	**$600.10**	**$634.85**	**$667.93**	**$693.61**
Total Premium					
Total APTC Agg Prem	$1,758,234,361	$1,860,211,954	$1,863,031,692	$1,956,183,276	$2,028,562,058
Total APTC Max Prem	$412,236,796	$422,202,873	$405,587,402	$415,392,726	$425,435,099
Total APTC	**$1,345,997,564**	**$1,438,009,081**	**$1,457,444,290**	**$1,540,790,551**	**$1,603,126,959**
Total Non-APTC	$187,344,713	$185,428,588	$267,020,390	$266,227,953	$265,757,355
Total On Exchange	**$1,945,579,074**	**$2,045,640,542**	**$2,130,052,082**	**$2,222,411,229**	**$2,294,319,413**
Off Exchange	$407,740,765	$412,580,823	$419,764,035	$424,562,616	$428,239,074
Total ACA	**$2,353,319,838**	**$2,458,221,365**	**$2,549,816,116**	**$2,646,973,845**	**$2,722,558,487**

[51] https:// www.cms.gov /research-statistics-data-systems/marketplace-products/2022-marketplace-open-enrollment-period-public-use-files (link no longer is active)

Table IV.6.ii 2029-2033 Base Line Without Waiver					
Membership	**2029**	**2030**	**2031**	**2032**	**2033**
100% CSR	1,078	1,078	1,078	1,078	1,078
94% CSR	39,329	39,329	39,329	39,329	39,329
87% CSR	40,446	40,446	40,446	40,446	40,446
73% CSR	23,803	23,803	23,803	23,803	23,803
APTC	127,115	127,115	127,115	127,115	127,115
Total APTC	**231,771**	**231,771**	**231,771**	**231,771**	**231,771**
Total Non-APTC	33,337	32,274	31,245	30,249	29,284
Total On-Exchange	**265,108**	**264,045**	**263,016**	**262,020**	**261,055**
Off Exchange	58,615	57,215	55,848	54,512	53,206
Total ACA	**323,723**	**321,261**	**318,864**	**316,532**	**314,261**
Average Premium PMPM					
APTC Agg Prem	$759.27	$782.81	$807.08	$832.10	$857.89
APTC Max Prem	$156.66	$160.45	$164.33	$168.30	$172.37
APTC	**$602.61**	**$622.36**	**$642.75**	**$663.80**	**$685.52**
Non-APTC	$662.88	$683.76	$705.29	$727.47	$750.34
Total On-Exchange	**$747.15**	**$770.71**	**$794.99**	**$820.02**	**$845.83**
Off Exchange	$614.53	$634.09	$654.24	$674.99	$696.38
Total ACA	**$723.14**	**$746.37**	**$770.33**	**$795.04**	**$820.53**
Total Premium					
Total APTC Agg Prem	$2,111,733,102	$2,177,196,828	$2,244,689,930	$2,314,275,318	$2,386,017,852
Total APTC Max Prem	$435,720,252	$446,254,056	$457,042,520	$468,091,803	$479,408,208
Total APTC	**$1,676,012,850**	**$1,730,942,772**	**$1,787,647,409**	**$1,846,183,515**	**$1,906,609,644**
Total Non-APTC	$265,179,695	$264,815,781	$264,443,703	$264,063,347	$263,674,630
Total On Exchange	**$2,376,912,797**	**$2,442,012,609**	**$2,509,133,633**	**$2,578,338,664**	**$2,649,692,482**
Off Exchange	$432,242,888	$435,353,098	$438,452,160	$441,539,800	$444,615,796
Total ACA	**$2,809,155,685**	**$2,877,365,707**	**$2,947,585,793**	**$3,019,878,464**	**$3,094,308,278**

Table IV.7.i 2024-2028 Scenario 1: $249,000 Attachment Point and 50% Coinsurance					
Membership	**2024**	**2025**	**2026**	**2027**	**2028**
100% CSR	1,078	1,078	1,078	1,078	1,078
94% CSR	39,329	39,329	39,329	39,329	39,329
87% CSR	40,446	40,446	40,446	40,446	40,446
73% CSR	23,803	23,803	23,803	23,803	23,803
APTC	140,563	140,563	127,115	127,115	127,115
Total APTC	**245,219**	**245,219**	**231,771**	**231,771**	**231,771**
Total Non-APTC	32,080	29,916	39,469	37,436	36,011
Total On-Exchange	**277,299**	**275,135**	**271,240**	**269,207**	**267,782**
Off Exchange	72,507	69,148	66,438	63,886	62,070
Total ACA	**349,807**	**344,283**	**337,678**	**333,093**	**329,852**
Average Premium					
APTC Agg Prem	$579.32	$612.92	$649.46	$681.94	$707.17
APTC Max Prem	$140.09	$143.48	$145.83	$149.35	$152.97
APTC	**$439.22**	**$469.44**	**$503.63**	**$532.58**	**$554.20**
Non-APTC	$489.64	$519.64	$565.15	$594.10	$616.54
Total On-Exchange	**$568.94**	**$602.77**	**$637.19**	**$669.72**	**$694.98**
Off Exchange	$465.62	$494.13	$522.86	$550.04	$571.09
Total ACA	**$547.53**	**$580.95**	**$614.70**	**$646.77**	**$671.67**
Total Premium					
Total APTC Agg Prem	$1,704,711,480	$1,803,584,746	$1,806,318,648	$1,896,634,580	$1,966,810,060
Total APTC Max Prem	$412,236,796	$422,202,873	$405,587,402	$415,392,726	$425,435,099
Total APTC	**$1,292,474,684**	**$1,381,381,873**	**$1,400,731,246**	**$1,481,241,855**	**$1,541,374,961**
Total Non-APTC	$188,495,164	$186,546,193	$267,671,781	$266,889,843	$266,427,952
Total On Exchange	**$1,893,206,644**	**$1,990,130,939**	**$2,073,990,429**	**$2,163,524,423**	**$2,233,238,012**
Off Exchange	$405,134,603	$410,019,266	$416,851,261	$421,672,825	$425,366,152
Total ACA	**$2,298,341,247**	**$2,400,150,205**	**$2,490,841,690**	**$2,585,197,248**	**$2,658,604,164**

Table IV.7.ii 2029-2033 Scenario 1: $249,000 Attachment Point and 50% Coinsurance					
Membership	**2029**	**2030**	**2031**	**2032**	**2033**
100% CSR	1,078	1,078	1,078	1,078	1,078
94% CSR	39,329	39,329	39,329	39,329	39,329
87% CSR	40,446	40,446	40,446	40,446	40,446
73% CSR	23,803	23,803	23,803	23,803	23,803
APTC	127,115	127,115	127,115	127,115	127,115
Total APTC	**231,771**	**231,771**	**231,771**	**231,771**	**231,771**
Total Non-APTC	34,492	33,393	32,328	31,297	30,299
Total On-Exchange	**266,263**	**265,164**	**264,099**	**263,068**	**262,070**
Off Exchange	60,113	58,679	57,278	55,909	54,572
Total ACA	**326,376**	**323,843**	**321,377**	**318,978**	**316,642**
Average Premium					
APTC Agg Prem	$736.16	$758.98	$782.51	$806.77	$831.78
APTC Max Prem	$156.66	$160.45	$164.33	$168.30	$172.37
APTC	**$579.50**	**$598.53**	**$618.18**	**$638.47**	**$659.41**
Non-APTC	$642.32	$662.58	$683.46	$704.98	$727.16
Total On-Exchange	**$724.00**	**$746.84**	**$770.39**	**$794.66**	**$819.68**
Off Exchange	$595.25	$614.24	$633.79	$653.93	$674.68
Total ACA	**$700.29**	**$722.81**	**$746.04**	**$769.99**	**$794.69**
Total Premium					
Total APTC Agg Prem	$2,047,449,272	$2,110,920,200	$2,176,358,726	$2,243,825,846	$2,313,384,447
Total APTC Max Prem	$435,720,252	$446,254,056	$457,042,520	$468,091,803	$479,408,208
Total APTC	**$1,611,729,020**	**$1,664,666,144**	**$1,719,316,205**	**$1,775,734,044**	**$1,833,976,239**
Total Non-APTC	$265,860,329	$265,504,439	$265,140,558	$264,768,537	$264,388,256
Total On Exchange	**$2,313,309,601**	**$2,376,424,638**	**$2,441,499,284**	**$2,508,594,383**	**$2,577,772,703**
Off Exchange	$429,390,101	$432,515,170	$435,629,477	$438,732,682	$441,824,507
Total ACA	**$2,742,699,702**	**$2,808,939,808**	**$2,877,128,761**	**$2,947,327,065**	**$3,019,597,210**

Table IV.8.i 2024-2028 Scenario 2: $168,000 Attachment Point and 50% Coinsurance					
Membership	**2024**	**2025**	**2026**	**2027**	**2028**
100% CSR	1,078	1,078	1,078	1,078	1,078
94% CSR	39,329	39,329	39,329	39,329	39,329
87% CSR	40,446	40,446	40,446	40,446	40,446
73% CSR	23,803	23,803	23,803	23,803	23,803
APTC	140,563	140,563	127,115	127,115	127,115
Total APTC	**245,219**	**245,219**	**231,771**	**231,771**	**231,771**
Total Non-APTC	32,802	30,583	40,243	38,169	36,715
Total On-Exchange	**278,021**	**275,802**	**272,014**	**269,940**	**268,486**
Off Exchange	73,605	70,193	67,405	64,815	62,972
Total ACA	**351,626**	**345,995**	**339,419**	**334,755**	**331,459**
Average Premium					
APTC Agg Prem	$567.41	$600.32	$636.12	$667.92	$692.63
APTC Max Prem	$140.09	$143.48	$145.83	$149.35	$152.97
APTC	**$427.32**	**$456.84**	**$490.29**	**$518.57**	**$539.67**
Non-APTC	$479.10	$508.50	$553.27	$581.64	$603.63
Total On-Exchange	**$556.99**	**$590.14**	**$623.86**	**$655.72**	**$680.46**
Off Exchange	$455.63	$483.58	$511.77	$538.41	$559.04
Total ACA	**$535.77**	**$568.52**	**$601.60**	**$633.01**	**$657.40**
Total Premium					
Total APTC Agg Prem	$1,669,679,215	$1,766,520,610	$1,769,198,329	$1,857,658,245	$1,926,391,601
Total APTC Max Prem	$412,236,796	$422,202,873	$405,587,402	$415,392,726	$425,435,099
Total APTC	**$1,257,442,419**	**$1,344,317,737**	**$1,363,610,927**	**$1,442,265,520**	**$1,500,956,502**
Total Non-APTC	$188,583,333	$186,619,009	$267,184,162	$266,406,782	$265,948,518
Total On Exchange	**$1,858,262,549**	**$1,953,139,619**	**$2,036,382,491**	**$2,124,065,027**	**$2,192,340,118**
Off Exchange	$402,442,086	$407,330,234	$413,950,313	$418,764,859	$422,452,623
Total ACA	**$2,260,704,634**	**$2,360,469,853**	**$2,450,332,804**	**$2,542,829,886**	**$2,614,792,741**

Table IV.8.ii 2029-2033 Scenario 2: $168,000 Attachment Point and 50% Coinsurance					
Membership	**2029**	**2030**	**2031**	**2032**	**2033**
100% CSR	1,078	1,078	1,078	1,078	1,078
94% CSR	39,329	39,329	39,329	39,329	39,329
87% CSR	40,446	40,446	40,446	40,446	40,446
73% CSR	23,803	23,803	23,803	23,803	23,803
APTC	127,115	127,115	127,115	127,115	127,115
Total APTC	**231,771**	**231,771**	**231,771**	**231,771**	**231,771**
Total Non-APTC	35,166	34,045	32,959	31,908	30,891
Total On-Exchange	**266,937**	**265,816**	**264,730**	**263,679**	**262,662**
Off Exchange	60,988	59,534	58,113	56,725	55,368
Total ACA	**327,925**	**325,350**	**322,843**	**320,404**	**318,030**
Average Premium					
APTC Agg Prem	$721.03	$743.38	$766.43	$790.19	$814.68
APTC Max Prem	$156.66	$160.45	$164.33	$168.30	$172.37
APTC	**$564.37**	**$582.93**	**$602.10**	**$621.89**	**$642.31**
Non-APTC	$628.88	$648.73	$669.19	$690.27	$712.00
Total On-Exchange	**$708.89**	**$731.26**	**$754.32**	**$778.10**	**$802.61**
Off Exchange	$582.73	$601.33	$620.49	$640.23	$660.56
Total ACA	**$685.43**	**$707.49**	**$730.23**	**$753.69**	**$777.88**
Total Premium					
Total APTC Agg Prem	$2,005,373,656	$2,067,540,240	$2,131,633,987	$2,197,714,641	$2,265,843,794
Total APTC Max Prem	$435,720,252	$446,254,056	$457,042,520	$468,091,803	$479,408,208
Total APTC	**$1,569,653,404**	**$1,621,286,184**	**$1,674,591,467**	**$1,729,622,838**	**$1,786,435,586**
Total Non-APTC	$265,385,355	$265,032,913	$264,672,639	$264,304,363	$263,927,946
Total On Exchange	**$2,270,759,011**	**$2,332,573,152**	**$2,396,306,626**	**$2,462,019,003**	**$2,529,771,740**
Off Exchange	$426,471,444	$429,592,241	$432,702,551	$435,802,001	$438,890,281
Total ACA	**$2,697,230,455**	**$2,762,165,393**	**$2,829,009,177**	**$2,897,821,004**	**$2,968,662,021**

Table IV.9.i 2024-2028 Scenario 3: $83,000 Attachment Point and 50% Coinsurance					
Membership	**2024**	**2025**	**2026**	**2027**	**2028**
100% CSR	1,078	1,078	1,078	1,078	1,078
94% CSR	39,329	39,329	39,329	39,329	39,329
87% CSR	40,446	40,446	40,446	40,446	40,446
73% CSR	23,803	23,803	23,803	23,803	23,803
APTC	140,563	140,563	127,115	127,115	127,115
Total APTC	**245,219**	**245,219**	**231,771**	**231,771**	**231,771**
Total Non-APTC	33,377	31,112	40,721	38,613	37,136
Total On-Exchange	**278,596**	**276,331**	**272,492**	**270,384**	**268,907**
Off Exchange	74,277	70,821	68,006	65,384	63,519
Total ACA	**352,873**	**347,152**	**340,498**	**335,768**	**332,425**
Average Premium					
APTC Agg Prem	$538.02	$569.22	$603.16	$633.32	$656.76
APTC Max Prem	$140.09	$143.48	$145.83	$149.35	$152.97
APTC	**$397.93**	**$425.75**	**$457.34**	**$483.97**	**$503.79**
Non-APTC	$453.82	$481.65	$524.04	$550.90	$571.74
Total On-Exchange	**$527.93**	**$559.36**	**$591.34**	**$621.55**	**$645.02**
Off Exchange	$432.19	$458.68	$485.40	$510.66	$530.22
Total ACA	**$507.78**	**$538.83**	**$570.18**	**$599.96**	**$623.08**
Total Premium					
Total APTC Agg Prem	$1,583,189,672	$1,675,014,673	$1,677,553,687	$1,761,431,371	$1,826,604,332
Total APTC Max Prem	$412,236,796	$422,202,873	$405,587,402	$415,392,726	$425,435,099
Total APTC	**$1,170,952,876**	**$1,252,811,800**	**$1,271,966,284**	**$1,346,038,645**	**$1,401,169,233**
Total Non-APTC	$181,767,760	$179,820,068	$256,069,764	$255,265,051	$254,783,677
Total On Exchange	**$1,764,957,433**	**$1,854,834,741**	**$1,933,623,451**	**$2,016,696,421**	**$2,081,388,009**
Off Exchange	$385,218,695	$389,815,956	$396,122,703	$400,664,596	$404,146,991
Total ACA	**$2,150,176,127**	**$2,244,650,697**	**$2,329,746,154**	**$2,417,361,018**	**$2,485,535,000**

Table IV.9.ii 2029-2033 Scenario 3: $83,000 Attachment Point and 50% Coinsurance					
Membership	**2029**	**2030**	**2031**	**2032**	**2033**
100% CSR	1,078	1,078	1,078	1,078	1,078
94% CSR	39,329	39,329	39,329	39,329	39,329
87% CSR	40,446	40,446	40,446	40,446	40,446
73% CSR	23,803	23,803	23,803	23,803	23,803
APTC	127,115	127,115	127,115	127,115	127,115
Total APTC	**231,771**	**231,771**	**231,771**	**231,771**	**231,771**
Total Non-APTC	35,562	34,424	33,321	32,254	31,222
Total On-Exchange	**267,333**	**266,195**	**265,092**	**264,025**	**262,993**
Off Exchange	61,510	60,039	58,601	57,197	55,825
Total ACA	**328,844**	**326,233**	**323,694**	**321,223**	**318,818**
Average Premium					
APTC Agg Prem	$683.68	$704.88	$726.73	$749.26	$772.48
APTC Max Prem	$156.66	$160.45	$164.33	$168.30	$172.37
APTC	**$527.02**	**$544.43**	**$562.40**	**$580.95**	**$600.11**
Non-APTC	$595.66	$614.47	$633.85	$653.82	$674.41
Total On-Exchange	**$671.97**	**$693.19**	**$715.05**	**$737.60**	**$760.84**
Off Exchange	$552.68	$570.31	$588.48	$607.20	$626.48
Total ACA	**$649.66**	**$670.57**	**$692.14**	**$714.38**	**$737.31**
Total Premium					
Total APTC Agg Prem	$1,901,495,109	$1,960,441,458	$2,021,215,143	$2,083,872,812	$2,148,472,869
Total APTC Max Prem	$435,720,252	$446,254,056	$457,042,520	$468,091,803	$479,408,208
Total APTC	**$1,465,774,857**	**$1,514,187,402**	**$1,564,172,623**	**$1,615,781,010**	**$1,669,064,661**
Total Non-APTC	$254,198,176	$253,827,025	$253,449,046	$253,064,068	$252,671,955
Total On Exchange	**$2,155,693,285**	**$2,214,268,482**	**$2,274,664,188**	**$2,336,936,880**	**$2,401,144,824**
Off Exchange	$407,941,911	$410,890,994	$413,830,615	$416,760,416	$419,680,101
Total ACA	**$2,563,635,197**	**$2,625,159,476**	**$2,688,494,803**	**$2,753,697,297**	**$2,820,824,925**

Analysis Process and Assumptions

Data

Issuer Data Call

With the assistance of DIFS, NovaRest sent a data call to Michigan issuers that participated in the individual ACA market in either 2021 or 2022, with the exception of Total Health Care USA, Inc which exited the market after plan year 2021. The list of issuers is provided in Table IV.10. The 2021 data was for claims incurred in 2021 and paid through March 2022. The data for 2022 was for enrollment, premium and advanced premium tax credit (APTC) information as of March 2022. Since health insurance buying decisions are family based, we requested the information needed to group individuals into families. Data on membership and average premium was also provided by Cost Sharing Reduction (CSR) and metal level.

Table IV.10
Issuer Data Request

Company	Used in Study
Alliance Health & Life	Y
Blue Care Network (BCN)	Y
Blue Cross Blue Shield of Michigan (BCBSM)	Y
Health Alliance Plans	Y
McLaren Health Plan Community	Y
Meridian Health Plan of Michigan	Y
Molina Healthcare of Michigan	Y
Physicians Health Plan (PHP)	Y
Priority Health	Y
US Health and Life	Y
UnitedHealthcare (UHC)	Y

NovaRest performed a data call for the individual market issuers and identified the number of members in each of the following FPL ranges. Those from 0% of the FPL to 133% of the FPL are covered by Medicaid. Members at the 100% CSR level who are eligible for APTC (of which there were 1,078 according to the data call) were evenly distributed between the 133% to 250% FPL ranges.

Individual Files

The data provided is for fully compliant ACA policies. The individual file was used to simulate a decision-making process to predict market migration based on rate increases. Since health insurance buying decisions are family based, NovaRest requested information that allowed individuals to be grouped into families when modeling the decision-making process.

The individual files contained a record for each covered individual as of March 31, 2022. Data includes premium and claim information, data on individuals such as date of birth, plan information, any cost sharing reductions (CSR) or APTC for which they are eligible. The 2022 file did not include claim information as claim data was not complete at the time of the data request.

We compared membership provided by issuers to the current enrollment provided in the plan year 2023 rate filings, and found the data was within 1% of the URRT reporting.

Claims Information

This data requested information for ACA-compliant policies only. NovaRest received claims incurred in 2021 and paid through March 2022. This included medical and Rx claims and was provided in total by member for all members, including those that did not have any claims. While we did not audit claims data, we verified the claims information against the issuer URRTs provided in the issuers plan year 2023 rate filings and questioned any significant differences.

Rate Filing Information

NovaRest used plan year 2022 and proposed 2023 rate filing information from:

- Alliance Health and Life Insurance Company
- Blue Care Network of Michigan
- Blue Cross Blue Shield of Michigan
- Health Alliance Plan
- McLaren Health Plan Community
- Meridian Health Plan of Michigan
- Molina Healthcare of Michigan, Inc.
- Oscar Insurance Company
- Physician's Health Plan
- Priority Health
- US Health and Life
- United HealthCare

The Unified Rate Review Templates (URRTs) include the plan metal levels and indicate if the plans were offered on-and-off exchange or off-exchange only. The Rate Templates were used to access the 2022 and proposed 2023 premium rates.

2022 Market Projections

The data for individuals covered as of March 2022 included a record for each individual and information that allowed individuals to be grouped into families.

Family information is needed because the maximum amount that individuals pay when eligible for APTC is based on family size and family income. Also, decisions to shop for other coverage based on rate increases is a family decision rather than an individual decision for those with families.

Individuals that were eligible for 100% CSR, 94% CSR, 87% CSR, 73% CSR and APTC non-CSR were determined to be the ones most likely to retain coverage. Although many circumstances can arise that result in turnover in this market segment, such as becoming employed by an employer that offers health insurance or moving out of state, in general Michigan has seen an increase in the 100% CSR, 94% CSR, 87% CSR, 73% CSR membership. NovaRest found that individuals eligible for APTC, but not CSR, were in Platinum, Gold, Silver and Bronze metal levels. NovaRest again assumed that these individuals were likely to retain their coverage, unless

obtaining employer coverage or moving. Since NovaRest cannot predict employment or moving out-of-state, we treated these members as a stable block.

For non-APTC individuals, total family claims cost was also calculated to determine the probability of a family retaining coverage even when faced with large rate increases.

For all other individuals NovaRest used the elasticity of demand for each metal level from a Society of Actuaries (SOA) training session,[52] which was consistent with other reports on elasticity that we have reviewed. The elasticity estimates the percentage of membership that will shop for other coverage based on the percent of rate increase. Based on the rate increase for Gold level individuals, a percentage will decide to shop for alternative coverage. Those that decide to shop may decide to purchase Silver coverage, based on the difference in the current Gold level premium and the Silver coverage. Others may find the Silver coverage too expensive and may look at Silver off-exchange coverage, Bronze coverage, or may decide to drop coverage and become uninsured.

We assume that if a member purchased their current coverage on-exchange and decided to seek alternative coverage, they would shop on-exchange and if they purchased current coverage off-exchange, they would seek alternative coverage off-exchange. For plan year 2023, the issuer rate filings showed no Platinum plans, so we moved all members in Platinum plans to Gold.

Similarly, we assumed a rate decrease might incentivize uninsured to purchase insurance or members to purchase additional coverage (buy-up). We also assume they would buy-up one metal level at a time with uninsured moving into the Bronze metal tier (on and off exchange equally). Enrollees would continue to maintain their exchange status except for Silver on exchange. The buy-up rates use the same elasticities as buying-down, calibrated so the uninsured moving to Bronze is consistent with the rate determined in the January 2017 Council of Economic Advisors Issue Brief.[53] This provides buy-up rates that are significantly less than buy-down rates as we believe enrollees are much more sensitive to price increases than decreases.

Individuals in Catastrophic coverage may age out or, based on the rate increase, decide to drop coverage and become uninsured. For the loss of membership due to aging, NovaRest used a steady state and decided that the individuals aging out would be replaced by new entrants. For the portion of the individuals deciding to drop coverage, NovaRest used a Catastrophic-specific elasticity from the SOA training session.

[52] "Session 76 L, Understanding Stakeholder Behavior: Hidden Forces in the U.S. Healthcare System." Society of Actuaries. June 2017. https:// www.soa.org /pd/events/2017/health-meeting/pd-2017-06-health-session-076.pdf (link no longer is active) Accessed April 9, 2019.

[53] Understanding Recent Developments in the Individual Health Insurance Market. Council of Economic Advisers Issue Brief. January 2017.

NovaRest used its proprietary migration model (NRMM) to project the movement between the metal levels and individuals becoming uninsured without a waiver (base line scenario), with the Waiver with a $249,000 attachment point and 50% coinsurance (Scenario 1), with the Waiver with a $168,000 attachment point and 50% coinsurance (Scenario 2), and with a $83,000 attachment point and 50% coinsurance. This allowed NovaRest to project the number of individuals that would be covered by health insurance under base line and the three alternative scenarios. The NRMM aggregates individuals into families and performs an analysis, using elasticity assumptions, of the likelihood of the individual and families staying with their current plan, shopping for a less expensive option or becoming uninsured. The NRMM projects the 2022 membership and increases in the uninsured with and without the reinsurance under the 1332 Waiver.

The migration model provides the 2022 APTC membership, non-APTC membership on and off the exchange and the increase in the uninsured. The 2022 and 2023 Membership and average premiums are shown for the base line, as a waiver would not be put in place prior to 2024

Table IV.11 2022 and 2023 Projections		
Membership	**2022 (with ARP)**	**2023 (with ARP)**
100% CSR	1,078	1,078
94% CSR (133% to 150% FPL)	39,329	39,329
87% CSR (150% to 200% FPL)	40,446	40,446
73% CSR (200% to 250% FPL)	23,803	23,803
APTC	140,563	140,563
Total APTC	**245,219**	**245,219**
Total Non- APTC (> 400%)	36,872	32,770
Total On-Exchange	**282,091**	**277,989**
Off Exchange	75,751	73,568
Total ACA	**357,842**	**351,556**
Average Premium		
APTC Aggregate Premium	$541.73	$569.05
APTC Maximum Premium Paid	$133.56	$136.78
APTC	**$408.17**	**$432.27**
Non-APTC	$440.45	$480.51
Total On-Exchange	**$528.49**	**$558.62**
Off Exchange	$446.17	$456.94
Total ACA	**$511.06**	**$537.34**
Total Annual Premium		
Total APTC Aggregate Premium	$1,594,102,566	$1,674,508,915
Total APTC Maximum Premium Paid	$393,004,836	$402,505,968
Total APTC	**$1,201,097,730**	**$1,272,002,947**
Total Non-APTC	$194,883,498	$188,954,413
Total On-Exchange Premium	**$1,788,986,064**	**$1,863,463,328**
Off Exchange	$405,578,003	$403,392,194
Total ACA	**$2,194,564,067**	**$2,266,855,522**

As detailed in the table above, NovaRest estimates more than 6,000 additional uninsured from 2022 to 2023 and another 4,800 from 2023 to 2024 even with the extension of the ARP enhanced subsidies. If Michigan implements a 1332 Waiver in 2024 (the earliest possible implementation), we estimate 1,700 additional uninsured from 2023 to 2024 for Scenario 1, while we estimate Scenarios 2 and 3 would increase the insured population by 70 to 1,300 respectively.

Projection of 2024 Base Line Market

The following table shows the 2024 1332 Waiver Base Line, compared to the 1332 Waiver alternatives. The base line was projected by taking the 2022 NRMM model output and trending membership and premiums. NovaRest did not include the 100% FPL to 133% FPL, since they are covered by Medicaid in Michigan. NovaRest did not project changes in the subsidized population, but rather assumed a steady state for the subsidized population.

Table IV.12a
2024 Membership Difference from Base Line

Membership	2024			
	Without Waiver	**Scenario 1**	**Scenario 2**	**Scenario 3**
100% CSR	1,078	1,078	1,078	1,078
94% CSR (138% to 150% FPL)	39,329	39,329	39,329	39,329
87% CSR (150% to 200% FPL)	40,446	40,446	40,446	40,446
73% CSR (200% to 250% FPL)	23,803	23,803	23,803	23,803
APTC	140,563	140,563	140,563	140,563
Total APTC	**245,219**	**245,219**	**245,219**	**245,219**
Total Non- APTC (> 400%)	30,859	32,080	32,802	33,377
Total On-Exchange	**276,078**	**277,299**	**278,021**	**278,596**
Off Exchange	70,628	72,507	73,605	74,277
Total ACA	**346,707**	**349,807**	**351,626**	**352,873**

Table IV.12b 2024 Premium Difference from Base Line				
	2024			
	Without Waiver	**Scenario 1**	**Scenario 2**	**Scenario 3**
Average Premium				
APTC Agg Premium Rate	$597.50	$579.32	$567.41	$538.02
APTC Max Premium Paid	$140.09	$140.09	$140.09	$140.09
APTC	**$457.41**	**$439.22**	**$427.32**	**$397.93**
Non-APTC	$505.91	$489.64	$479.10	$453.82
Total On-Exchange	**$587.27**	**$568.94**	**$556.99**	**$527.93**
Off Exchange	$481.09	$465.62	$455.63	$432.19
Total ACA	**$565.64**	**$547.53**	**$535.77**	**$507.78**
Total Premium				
APTC Agg Premium Rate	$1,758,234,361	$1,704,711,480	$1,669,679,215	$1,583,189,672
APTC Max Premium Paid	$412,236,796	$412,236,796	$412,236,796	$412,236,796
APTC	**$1,345,997,564**	**$1,292,474,684**	**$1,257,442,419**	**$1,170,952,876**
Non-APTC	$187,344,713	$188,495,164	$188,583,333	$181,767,760
Total On-Exchange	**$1,945,579,074**	**$1,893,206,644**	**$1,858,262,549**	**$1,764,957,433**
Off Exchange	$407,740,765	$405,134,603	$402,442,086	$385,218,695
Total ACA	**$2,353,319,838**	**$2,298,341,247**	**$2,260,704,634**	**$2,150,176,127**

The following table projects the 2024 age 40 non-smoker premium rates for the SLCSP.

Table IV.13
2024 Second Lowest Cost Silver Plans by Area, Age 40

Area	Without Waiver	Scenario 1	Scenario 2	Scenario 3
Rating Area 1	319.10	309.38	303.03	287.33
Rating Area 2	317.61	307.94	301.62	285.99
Rating Area 3	437.87	424.54	415.81	394.27
Rating Area 4	339.12	328.80	322.04	305.36
Rating Area 5	335.12	324.92	318.24	301.76
Rating Area 6	419.21	406.45	398.10	377.48
Rating Area 7	408.33	395.90	387.76	367.68
Rating Area 8	404.56	392.24	384.18	364.28
Rating Area 9	431.11	417.99	409.40	388.19
Rating Area 10	381.29	369.68	362.09	343.33
Rating Area 11	375.36	363.93	356.45	337.99
Rating Area 12	355.59	344.76	337.68	320.18
Rating Area 13	424.87	411.94	403.47	382.57
Rating Area 14	403.83	391.54	383.49	363.63
Rating Area 15	420.54	407.74	399.36	378.67
Rating Area 16	614.59	595.88	583.64	553.40

Reinsurance and Funding Needs Projection

The reinsurance was calculated for several combinations of attachment point, coinsurance, and maximum claim level.

NovaRest used the National Health Expenditure Projections from 2023 and beyond for both premiums and claims because we considered it a reasonable trend and it had the endorsement of CMS. See the trend in Appendix A.

After researching the issue, NovaRest decided to equate paid claim cost reduction to premium reduction. Typically, premiums increase at a higher rate than claims due to deductible leveraging and changes in morbidity, as well as, influences such as changing geographic factors and network changes. When NovaRest reviewed Michigan's allowed and paid claim trends they did not follow typical patterns. Also, paid claim trends and premium trends did not follow typical patterns, so there was no apparent basis for converting claim reduction to premium reduction based on Michigan experience. Therefore, it was decided to use the simplifying assumption to equate reduction in claim costs to reduction in premium rates.

V. Actuarial Certification

Actuarial Certification

In my opinion, the State of Michigan's proposed Section 1332 Waiver application complies with the following requirements:

- The coverage provided under this 1332 Waiver is at least as comprehensive as the coverage available absent the 1332 Waiver.
- The coverage provided under this 1332 Waiver is at least as affordable as the coverage available absent the 1332 Waiver.
- The 1332 Waiver will provide coverage to at least a comparable number of residents as would be available absent the 1332 Waiver.
- The 1332 Waiver will not increase the federal deficit.

This actuarial certification applies solely for the use of supporting Michigan's Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act. Michigan seeks a waiver of §1312(c)(1) of the Affordable Care Act, which requires all enrollees in all health plans offered by an insurance issuer in the individual market be members of a single risk pool. The intended users of this report are Michigan Department of Insurance and Financial Services. Distribution of this report to any other parties does not constitute advice from or by us to those parties. The reliance of other parties on any aspect of our work is not authorized by us and is done at their own risk.

The actuarial methodologies utilized in order to arrive at our opinion were those considered generally accepted within the industry and are consistent with all applicable Actuarial Standards of Practice (ASOP).

Richard Cadwell is an actuary with NovaRest Actuarial Consulting and Donna Novak is the President and CEO of NovaRest Actuarial Consulting. We are both Associates of the Society of Actuaries, and Members of the American Academy of Actuaries, and are qualified to render this opinion.

If you have any questions, do not hesitate to call us at 847-973-2292 or 520-908-7246.

Sincerely,

Richard Cadwell, ASA, MAAA

Donna C. Novak, FCA, ASA, MAAA, MBA

VI. Appendices

Appendix A	Claim Trend Assumptions	Discussion on National Health Expenditure trends used in projections
Appendix B	Administrative Requirements for Michigan Reinsurance Program	Discussion on functions that will be needed in order to administer the Michigan reinsurance program.
Appendix C	Definitions and Abbreviations	Glossary
Appendix D	Qualifications	About the NovaRest model team
Appendix E	Reliance	Data reliance
Appendix F	Limitations	Limitations on the data received

Appendix A – Claim Trend Assumptions

National Health Expenditure Projection Rates

Table 17 of the National Health Expenditure (NHE) Projection data splits out spending for Private Insurance into Employer-Sponsored Insurance (ESI) and Direct Purchase.[54] Direct Purchase includes coverage purchased through the Marketplace along with other plans such as Medicare supplemental coverage and individually purchased plans. This category seems to be the best fit for projecting individual spending among the NHE data. It has been used for other 1332 Waiver applications such as Wisconsin and Oregon (which were approved by CMS). The current NHE Projection uses 2020 as the latest year with actual data and projects from 2021 through 2030.

The NHE trends, as shown in the table below, are allowed trends appropriate to project total claims costs.

Our model currently uses actual filed premiums in 2022 with projected membership for 2022 along with claims incurred in 2021. Premium trends from 2022 to 2023 are based on issuers proposed 2023 rate filing premium increases. Claims trends from 2021 to 2023 are also based on issuers proposed 2023 rate filing average trend assumptions. In 2024 and beyond we use the trends from the NHE per CMS guidance.[55]

National Health Expenditure Trends (NHE Table 17 Health Spending by Source of Insurance Coverage Spending Direct Purchase)	
Year	**Annual Growth Rate**
2024	5.0%
2025	5.8%
2026	5.6%
2027	5.0%
2028	3.7%
2029	4.1%
2030+	3.1%

[54] "National Health Expenditure Projections 2021-2030." The Centers for Medicare & Medicaid Services. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected. Accessed August 10, 2022.
[55] "State Relief and Empowerment Waivers." Department of Health and Human Services. October 24, 2018. https://www.federalregister.gov/documents/2018/10/24/2018-23182/state-relief-and-empowerment-waivers. Accessed April 4, 2019.

Appendix B - Administrative Requirements for Michigan Reinsurance Program

A number of functions will be needed in order to administer this program. CMS provides these services in an affordable way. Claims will have to be filed by the issuers and reinsurance reimbursements will have to be paid. Also, amounts will have to be collected from the federal government for APTC reductions and from the assessments against those identified in the legislation once it is finalized.

Claims Processing

Issuers will provide claim information to the administrator once the initial attachment point is reached. The administrator will accumulate the claims and determine the reinsurance payment owed to the issuer. Once the payment amount is determined, the administrator will verify that adequate funds are available and either pay the claim or notify the issuer that payment will be delayed. The administrator will also monitor the total claims and notify the issuer once the maximum claim level is reached. If funding becomes an issue, the administrator will have to monitor funding levels and pay claims as adequate funding is available.

Funding Collections

It is NovaRest's understanding that federal APTC funds are made available in the first half of the year for the estimated annual funding amount. The administrator will need to coordinate with the appropriate federal office to ensure that funding is made available on a timely basis.

Assessments will be received on a periodic basis from those providing the additional funding needed for the program. The administrator will follow-up on assessments that are not received on a timely basis. NovaRest assumes that assessments will be based on premium or claim levels and therefore the assessed entities will calculate the assessment amount and not the administrator.

Periodic Audits

The administrator should periodically audit both the issuer claim submission and the assessments. An audit can be done by the administrator or an outside vendor. An outside vendor would cost approximately $10,000. The audit would verify that the issuer claims were processed appropriately and only included covered services. Assessment audits would verify that the assessment base (premium, claims, etc.) was accurate and that the appropriate percentage was used to calculate the assessment.

Miscellaneous Tasks

There will be various additional tasks such as opening banking accounts and balancing account statements. Tasks would also include reporting requirements back to the State authority that is responsible for the reinsurance program, and to the federal authority, as required. Relationship management will require an executive director level person to interact with the federal government, state legislators, issuers, and the public.

Appendix C - Definitions and Abbreviations

Allowed Claims - The maximum amount a plan will pay for a covered health care service.

Advance Premium Tax Credit "APTC" – A tax credit taken by enrollee to lower monthly health insurance payment. The enrollee will estimate yearly income when they apply for coverage in the Health Insurance Marketplace. The APTC will be based on the estimate of the income entered.

Centers for Medicare & Medicaid Services "CMS" - The Centers for Medicare & Medicaid Services, CMS, is part of the Department of Health and Human Services (HHS). CMS oversees many federal healthcare programs, including those that involve health information technology such as the meaningful use incentive program for electronic health records (EHR).

Children's Health Insurance Program "CHIP" - The Children's Health Insurance Program (CHIP) provides health coverage to eligible children, through both Medicaid and separate CHIP programs. CHIP is administered by states according to federal requirements. The program is funded jointly by states and the federal government.

Cost Sharing - The share of costs covered by an insurance plan that an enrollee will pay out of their pocket. In general, cost sharing includes deductibles, coinsurance, and copayments, or similar charges, but it does not include premiums, balance billing amounts for non-network providers, or the cost of non-covered services.

Cost Sharing Reduction "CSR" - A discount that lowers the amount an enrollee will have to pay for deductibles, copayments, and coinsurance. In the Health Insurance Marketplace, cost-sharing reductions are often called "extra savings".

Essential Health Benefits "EHB" - A set of 10 categories of services health insurance plans must cover under the Affordable Care Act. These include doctors' services, inpatient and outpatient hospital care, prescription drug coverage, pregnancy and childbirth, mental health services, and more.

Federal Poverty Level "FPL" - A measure of income issued every year by the Department of Health and Human Services (HHS). Federal poverty levels are used to determine eligibility for certain programs and benefits, including savings on Marketplace health insurance, and Medicaid and CHIP coverage.

Health Insurance Marketplace "Marketplace" or "exchange" http://www.healthcare.gov - A shopping and enrollment service for medical insurance created by the Affordable Care Act in 2010. In most states, the federal government runs the Marketplace (sometimes known as the "exchange") for individuals and families.

High-Risk Pool Plan - States offer plans that provide coverage if an individual has been denied health insurance because of a pre-existing condition. High-risk pool plans offer health insurance coverage that is subsidized by a state government.

Metal Level, Metal Plans or Metal Categories - Plans in the Health Insurance Marketplace are presented in 4 "metal" categories: Bronze, Silver, Gold, and Platinum.

Patient Protection and Affordable Care Act "ACA" or "Affordable Care Act" - United States federal statute enacted by the 111th United States Congress and signed into law by President Barack Obama on March 23, 2010.

Per Member Per Month "PMPM" - Per Member Per Month, or the average cost of services per individual per month.

Premium - A health insurance premium is a monthly fee paid to an insurance company or health plan to provide health coverage.

Premium Tax Credit or "PTC" – The final tax credit calculated when the enrollee submits their federal tax return. This is related to the estimate enrollee's tax credit (APTC) estimated when they apply for coverage in the Health Insurance Marketplace.

Risk Adjustment - A statistical process that takes into account the underlying health status and health spending of the enrollees in an insurance plan when looking at their health care outcomes or health care costs.

Appendix D – Qualifications

About the Model Team

NovaRest Actuarial Consulting (NovaRest) was hired by the Michigan Department of Insurance and Financial Services to perform update a previous analysis regarding a Section 1332 Waiver. NovaRest has been helping state insurance regulators meet their regulatory responsibilities since 2002. The 1332 project included three accredited actuaries, an actuarial student, and two research assistants. The core team members have worked on healthcare economic analysis and section 1332 waiver projects. In addition to our unique section 1332 experience, we have performed studies to analyze the cost drivers of health insurance and have analyzed the impact of proposed legislation. NovaRest employs some of the most senior actuaries in the industry. The NovaRest actuaries are experts in the Affordable Care Act (ACA), modeling and project management. In addition, NovaRest has experience working on Section 1332 Waiver and reinsurance projects.

The primary tool that NovaRest used for the 1332 Waiver application analysis is the NovaRest Migration Model (NRMM). The NRMM is an actuarial tool for analyzing the impact of market migration, take-up and lapse rates resulting from proposed legislative changes.

Appendix E – Reliance

In performing the analyses, NovaRest relied on information provided by the issuers offering coverage in the Michigan individual health insurance market, annual and quarterly financial statements submitted to the National Association of Insurance Commissioners, and additional public information published by the Federal government. We also relied on the Michigan DIFS for historical information.

We relied upon this information without independent investigation or audit. If information is inaccurate or incomplete, our findings and conclusions may need to be revised. We have reviewed the data for consistency and reasonableness. Where data was inconsistent or unreasonable, we requested clarification. NovaRest believes the best available data for determining the impact of the proposed Section 1332 Waiver was utilized.

Other information relied on is footnoted as to the source.

NovaRest made assumptions in modeling the Section 1332 Waiver. Although we believe these assumptions to be accurate, variances in the assumptions could impact the results. The NovaRest assumptions were reviewed by DIFS for reasonability.

Appendix F –Limitations

There were a few limitations in the data received and the availability of more accurate assumptions. Even with these limitations, NovaRest believes that the baseline projections included in this report are appropriate for decision-making purposes. NovaRest performed sensitivity testing to verify that varying the assumptions used would not significantly change the results. Actual federal funding through reduced APTC will be based on actual enrollment and filed premiums rather than on NovaRest's or other projections.

1. The data that NovaRest used was a snap shot. With the turnover in the individual market this may overstate 2022 due to later 2022 migration from the market.
2. NovaRest had little information on individuals eligible for 100% CSR. From the data provided NovaRest knows that they are all eligible for APTCs, but not the actual poverty level. NovaRest allocated the 100% CSR to the CSR levels for the non-100% CSR individuals.
3. The 2022 premium and APTC information was provided under the ARP enhanced subsidies. In this report we are assuming the ARP subsidies expire prior to plan year 2026. Therefore, we had to estimate the impact of removing the enhanced subsidies from 2026 estimates, although we do not have information on member income.