



# Update to the Health Insurance Reform Commission on Enhanced Premium Tax Credit

Keven Patchett, Director

Virginia Health Benefit Exchange

December 9, 2024

# Introduction to Premium Tax Credits

- Federal income tax credits created under the Affordable Care Act in 2010
- Available to consumers of Qualified Health Plans
- Initially capped at income levels at 400% Federal Poverty Level
- Available to be paid directly to insurance carriers to reduce monthly premium amount
- Calculated on a sliding scale insurance premium as a percentage of income

## Background on Enhanced Premium Tax Credits

- **The American Rescue Plan Act of 2021:**
  - ✓ Removed “subsidy cliff” making PTCs available for consumers with incomes over 400% FPL
  - ✓ Reduced the percent of household income in the PTC calculation for consumers with income over 400% FPL
- **Enhancements set to expire in December 2025.**

## Impact: Loss of Enhanced Premium Tax Credits

- **Projected increase to out-of-pocket premium payment:**
  - 22% on average
  - 16-33% across the Commonwealth
- **Enrollment increased by over 33% since the enhancement applied; 122,000 individuals**
  - Congressional Budget Office estimates 26% enrollment decrease nationwide if enhancements expire (over 100,000 Virginians).
  - Congressional Budget Office and the Joint Commission on Taxation estimate a 25% enrollment increase nationwide if enhancements are extended.

Source: <https://www.rwjf.org/en/insights/our-research/2024/10/marketplace-pulse-whats-at-stake-for-enrollees-over-400-fpl-if-enhanced-ptc-expire.html>

## Sample Impacts on Virginians of Expiration of Current Enhanced Subsidy Funding

Income level	300% FPL (\$61,320)			401% FPL (\$81,770)			500% FPL (\$102,210)		
<b>Scenario 1:</b> Monthly Premium for 60- year-old couple	With Enhanced Subsidies	No Enhanced Subsidies	Monthly Premium Increase	With Enhanced Subsidies	No Enhanced Subsidies	Monthly Premium Increase	With Enhanced Subsidies	No Enhanced Subsidies	Monthly Premium Increase
<b>Chesterfield/Henrico</b>	\$ 415.38	\$ 550.38	<b>\$ 135.00</b>	\$ 803.48	\$ 1,707.38	<b>\$ 903.90</b>	\$ 832.38	\$ 1,707.38	<b>\$ 875.00</b>
<b>VA Beach</b>	\$ 436.34	\$ 572.34	<b>\$ 136.00</b>	\$ 825.02	\$ 1,699.34	<b>\$ 874.32</b>	\$ 854.34	\$ 1,699.34	<b>\$ 845.00</b>
<b>Fairfax County</b>	\$ 488.38	\$ 623.38	<b>\$ 135.00</b>	\$ 875.72	\$ 1,695.38	<b>\$ 819.66</b>	\$ 905.38	\$ 1,695.38	<b>\$ 790.00</b>
<b>Roanoke County</b>	\$ 456.94	\$ 592.94	<b>\$ 136.00</b>	\$ 730.94	\$ 1,827.94	<b>\$ 1,097.00</b>	\$ 874.94	\$ 1,827.94	<b>\$ 953.00</b>

**Note: Sample scenarios are based upon counties with areas of high impact. These counties have high enrollment of Virginians, and in particular high enrollment at 400% FPL and above. Premiums provided are for a popular gold plan by enrollment offered across each of these counties.**

# Sample Impacts on Virginians of Expiration of Current Enhanced Subsidy Funding

Income level	300% FPL (\$93,600)			401% FPL (\$124,810)			500% FPL (\$156,010)		
<b>Scenario 2:</b> Monthly premium for 40-year-old couple with 2 children, ages 10 and 5	With Enhanced Subsidies	No Enhanced Subsidies	Monthly Premium Increase	With Enhanced Subsidies	No Enhanced Subsidies	Monthly Premium Increase	With Enhanced Subsidies	No Enhanced Subsidies	Monthly Premium Increase
<b>Chesterfield/Henrico</b>	\$ 477.24	\$ 684.24	<b>\$ 207.00</b>	\$ 354.18	\$ 1,213.24	<b>\$ 859.06</b>	\$ 1,114.24	\$ 1,213.24	<b>\$ 99.00</b>
<b>VA Beach</b>	\$ 566.20	\$ 772.20	<b>\$ 206.00</b>	\$ 371.16	\$ 1,279.20	<b>\$ 908.04</b>	\$ 1,203.20	\$ 1,279.20	<b>\$ 76.00</b>
<b>Fairfax County</b>	\$ 604.22	\$ 811.22	<b>\$ 207.00</b>	\$ 409.18	\$ 1,276.22	<b>\$ 867.04</b>	\$ 1,241.22	\$ 1,276.22	<b>\$ 35.00</b>
<b>Roanoke County</b>	\$ 582.00	\$ 788.00	<b>\$ 206.00</b>	\$ 1,000.00	\$ 1,376.00	<b>\$ 376.00</b>	\$ 1,221.00	\$ 1,376.00	<b>\$ 155.00</b>

**Note:** Sample scenarios are based upon counties with areas of high impact. These counties have high enrollment of Virginians, and in particular high enrollment at 400% FPL and above. Premiums provided are for a popular gold plan by enrollment offered across each of these counties.

# Sample Impacts on Virginians of Expiration of Current Enhanced Subsidy Funding

Income level	200% FPL (\$30,130)			300% FPL (\$45,180)			401% FPL (\$60,250)		
<b>Scenario 3:</b> Monthly premium for 45-year-old person	Enhanced Subsidies	No Enhanced Subsidies	Monthly Premium Increase	Enhanced Subsidies	No Enhanced Subsidies	Monthly Premium Increase	With Enhanced Subsidies	No Enhanced Subsidies	Monthly Premium Increase
<b>Chesterfield/Henrico</b>	\$ 88.15	\$ 172.18	<b>\$ 84.03</b>	\$ 255.18	\$ 354.18	<b>\$ 99.00</b>	\$ 454.18	\$ 454.18	\$ -
<b>VA Beach</b>	\$ 93.98	\$ 178.40	<b>\$ 84.42</b>	\$ 260.07	\$360.07	<b>\$ 100.00</b>	\$ 452.07	\$ 452.07	\$-
<b>Fairfax County</b>	\$ 106.91	\$ 192.10	<b>\$ 85.19</b>	\$ 274.02	\$ 374.02	<b>\$100.00</b>	\$ 451.02	\$ 451.02	\$ -
<b>Roanoke County</b>	\$ 90.25	\$ 184.28	<b>\$ 94.03</b>	\$ 266.28	\$ 386.28	<b>\$ 120.00</b>	\$ 468.28	\$ 486.28	<b>\$ 18.00</b>

**Note:** Sample scenarios are based upon counties with areas of high impact. These counties have high enrollment of Virginians, and in particular high enrollment at 400% FPL and above. Premiums provided are for a popular gold plan by enrollment offered across each of these counties.

# Timeline for Virginia Marketplace 2026 Enrollment

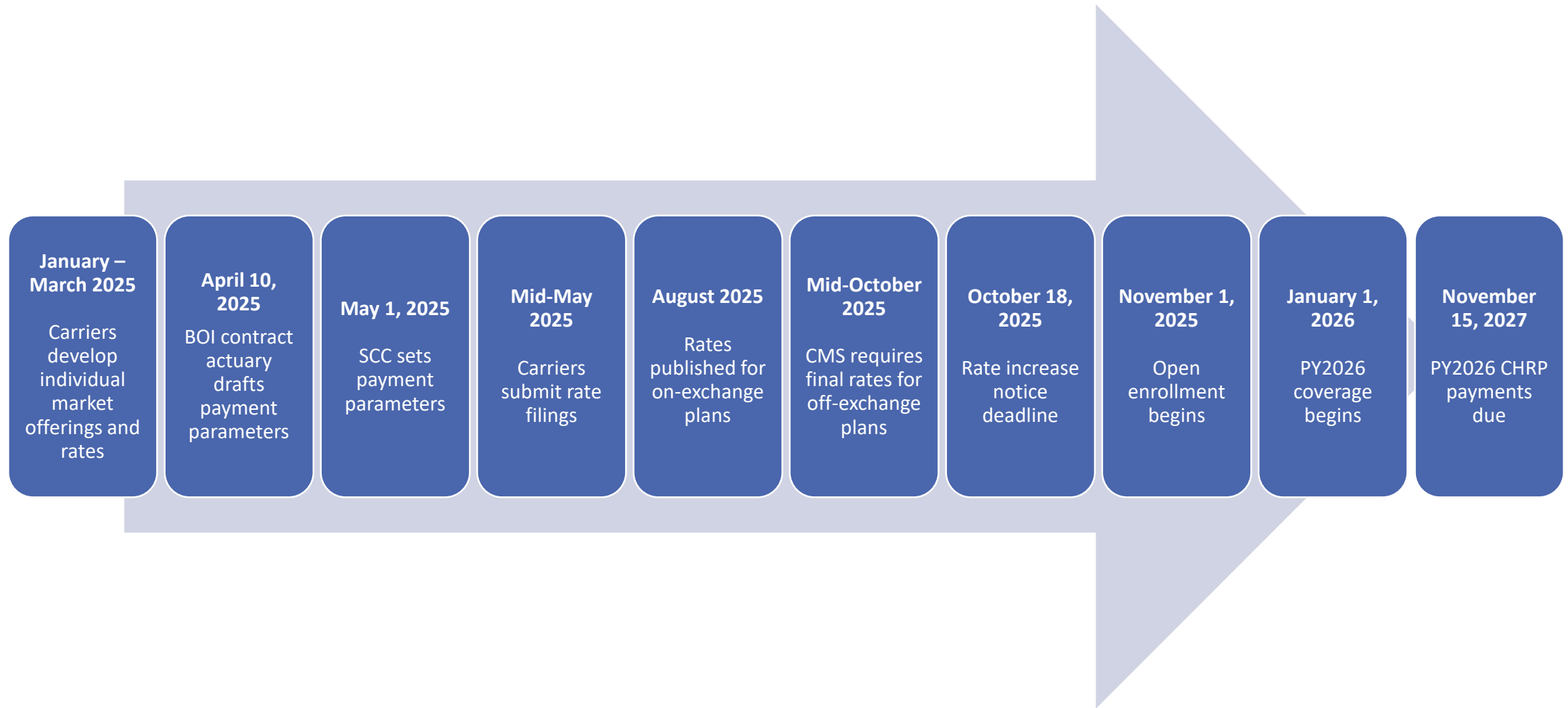
- January-March 2025: Carriers develop individual market offerings and rates.
- Mid-May 2025: Carriers submit Initial rate filings to the Bureau of Insurance.
- August 2025: Carriers will need to finalize 2026 premium rates. Rates become public.
- November 1, 2025: Open Enrollment for consumers begins.
- January 1, 2026: Coverage for Plan Year 2026 begins.



# Options to Consider

- **Reconsider reinsurance parameters**
- **Other states:**
  - Provide direct funding to reduce premiums and cost-sharing for Marketplace plans
    - Maryland
    - Connecticut
    - California
    - Vermont
    - Colorado
    - New Jersey
    - New York
    - New Mexico
    - Washington
    - Pennsylvania (for PY 2026)
  - Provide a state-based health plan for low-income consumers
    - Oregon
    - New York
    - Minnesota
    - Washington

# Combined timeline of Virginia marketplace PY2026 enrollment and CHRP



# Questions?

## Virginia Health Benefit Exchange

Keven Patchett, Director

[Keven.Patchett@scc.virginia.gov](mailto:Keven.Patchett@scc.virginia.gov)

Holly Mortlock, Deputy Director, External Affairs & Policy

[Holly.Mortlock@scc.virginia.gov](mailto:Holly.Mortlock@scc.virginia.gov)

# Enhanced Premium Tax Credit Impact on Commonwealth Health Reinsurance Program

Rebekah E. Allen, Chief Policy Advisor, Bureau of Insurance

December 9, 2024

# Background

- **Reinsurance is a mechanism for reducing the expense of high-cost claims by pooling them together and paying for them through a separate financing system so that carriers do not have to price those costs into their standard premiums.**
- **In 2021, the General Assembly directed BOI to apply for a State Innovation Waiver under § 1332 of the Patient Protection and Affordable Care Act (ACA) to create the Commonwealth Health Reinsurance Program (CHRP).**
  - Federal approval was granted to establish CHRP beginning January 1, 2023.
  - CHRP's initial approval is for five years – plan year (PY) 2023 through PY2028 – and may be renewed.
- **CHRP is designed to increase affordability in the individual health insurance market by decreasing premiums by up to 20%.**
  - ACA individual market health carriers are reimbursed for a proportion of the claims of covered individuals with high annual costs.
  - CHRP is funded through a combination of federal pass-through funds and state general funds.
  - A PY's premium reduction target can be set by the General Assembly annually in the Appropriations Act.
    - If no target is set, § 38.2-6602(B) requires the SCC to use the same target as the prior PY.
    - If target is set at 0%, Virginia is required to suspend CHRP for that PY.
  - Payments to carriers occur by November 15 of the year after the PY (e.g., PY2023 payments were sent by November 15, 2024).

# How does reinsurance work?

Reinsurance cap – carrier is responsible for all claim costs over this amount.

Coinsurance rate – carrier is paid a portion of claims cost within the reinsurance band.

Attachment point – carrier is responsible for all claim costs up to this amount.

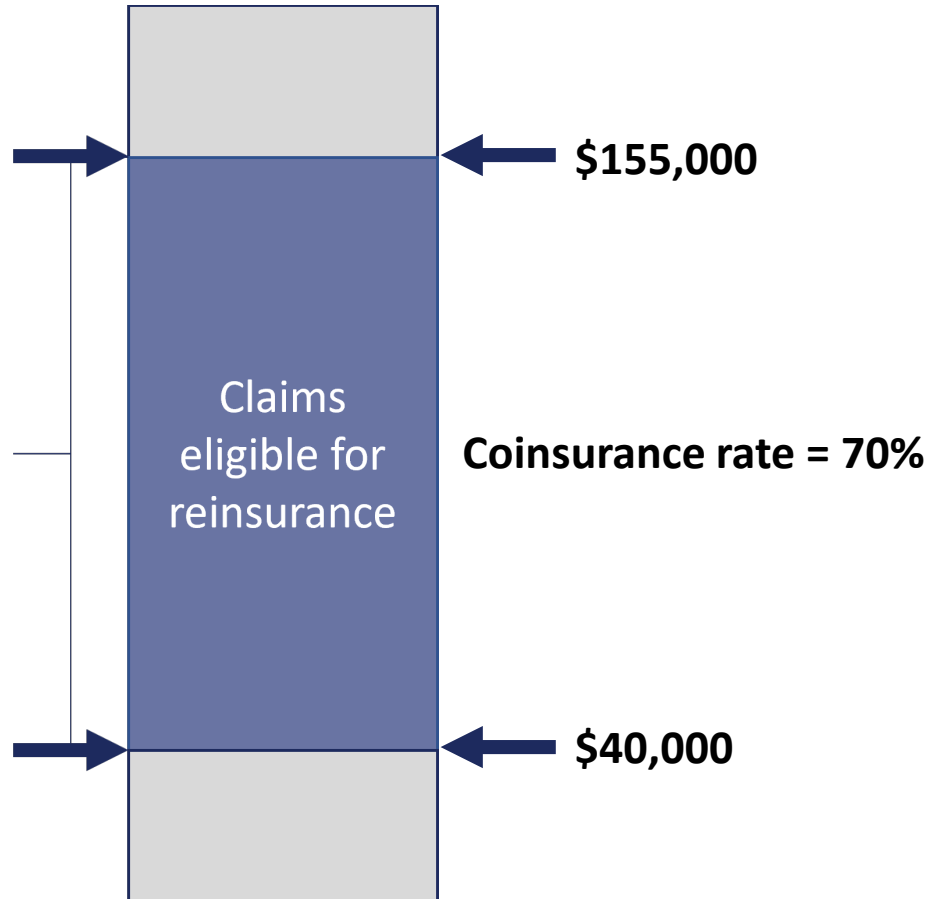


# CHRP parameters for PY2023

Reinsurance cap – carrier is responsible for all claim costs over this amount.

Coinurance rate – carrier is paid a portion of claims cost within the reinsurance band.

Attachment point – carrier is responsible for all claim costs up to this amount.



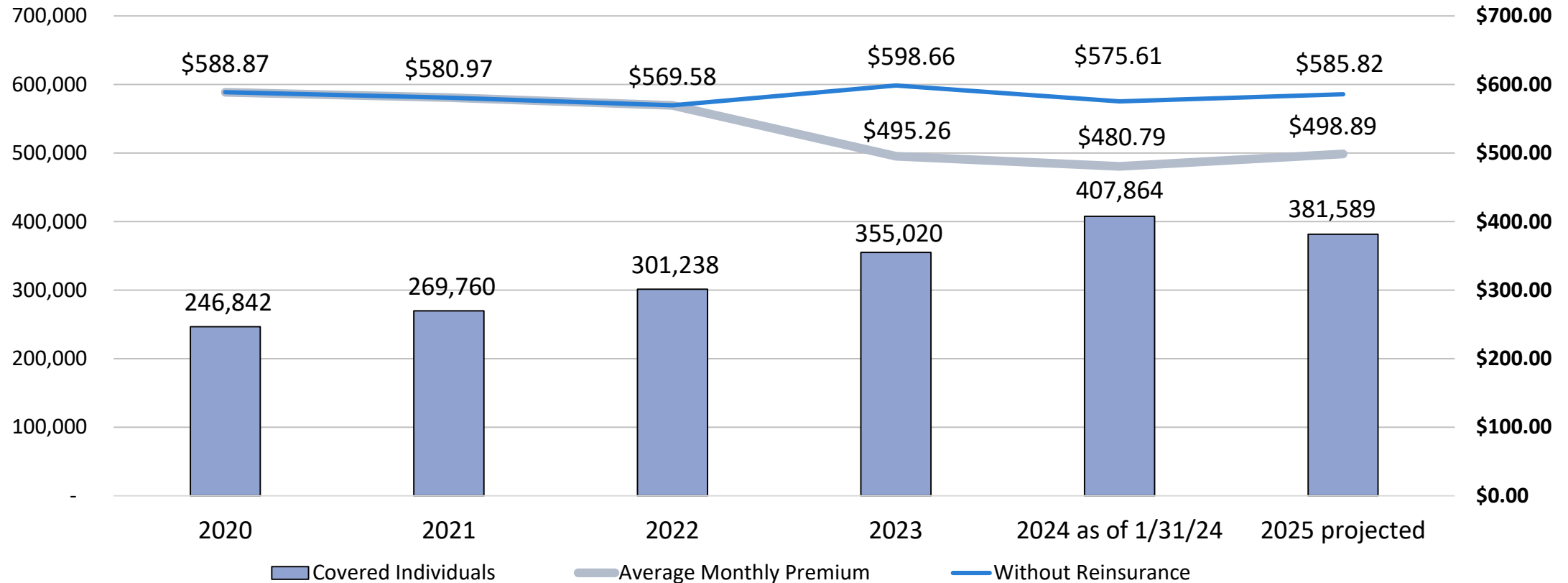
**These amounts are total annual medical expenditures on any covered individual for PY2023.**

## Established CHRP payment parameters

	PY2023	PY2024	PY2025
Attachment point	\$40,000	\$45,000	\$45,000
Reinsurance cap	\$155,000	\$175,000	\$175,000
Coinsurance	70%	70%	70%
Targeted premium reduction	15%	15%	15%
Actual average premium reduction from reinsurance	17.3%	16.4%	14.8%



## Average premium per member per month

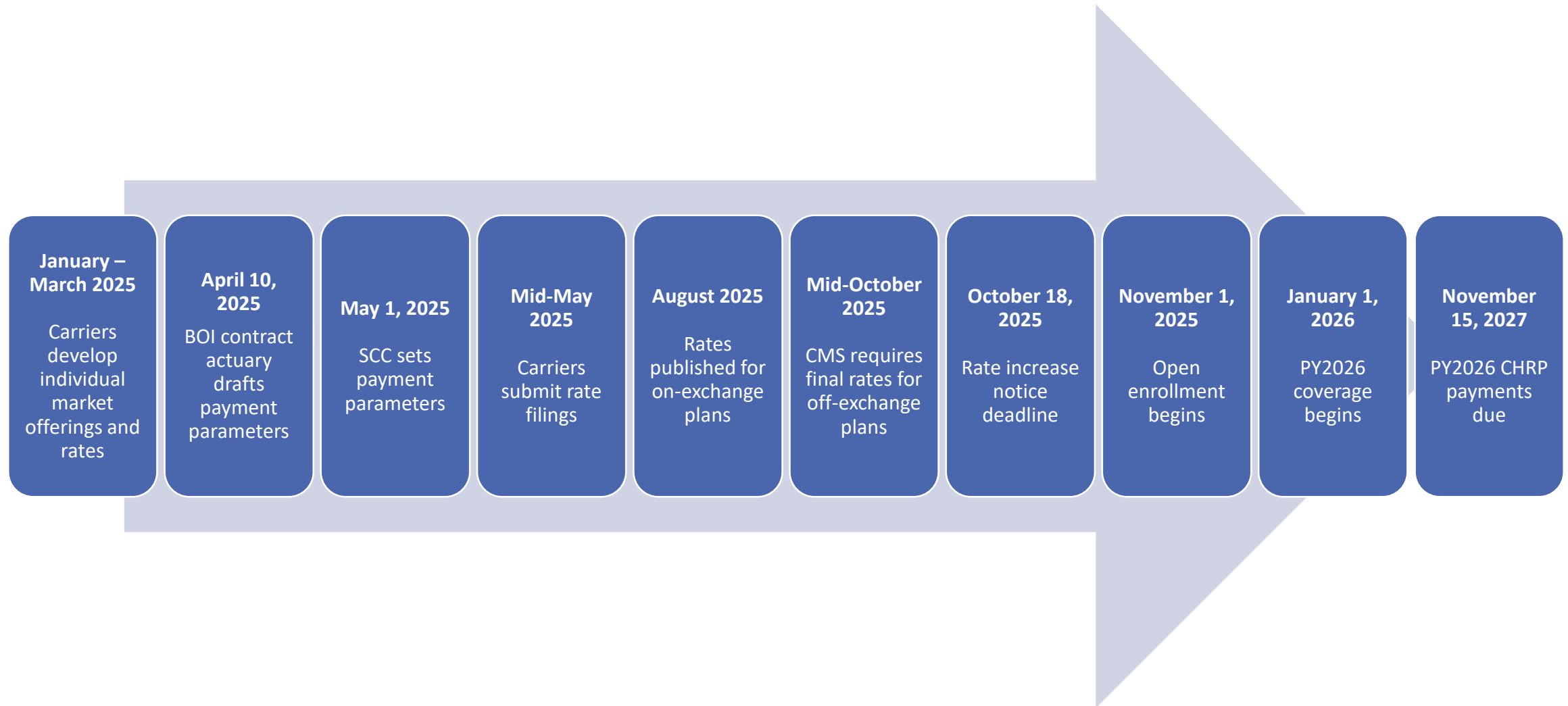


- **CHRP effects monthly premiums, but other factors can reduce the overall premium cost for a significant number of insureds for on-exchange plans, such that ~\$500/mo. is not a typical or average figure.**
- **A number of factors contributing to enrollment changes, such as CHRP, enhanced premium tax credits (PTCs), Medicaid redeterminations, increased Navigator support, and HBE inception.**

# CHRP funding

- **CHRP is primarily funded by federal savings from reduced PTCs due to lower health insurance premiums.**
  - PTCs are designed to bring an individual's premium costs down to a percentage of the individual's income.
  - Lower top-line premium costs reduce the amount of federal PTCs needed.
  - Federal pass-through funding is equal to the amount of projected savings.
- **Virginia's estimated "state share" of CHRP funding is largely driven by individuals purchasing health insurance coverage without PTCs.**
  - State share of the program costs is paid from state general funds.
  - When PTCs are reduced, the state share of CHRP funding increases.
- **Estimates of program costs and state funding are developed 8 to 10 months prior to a PY and more than 2 years prior to claims being finalized and paid.**
  - Differences between the model and actual enrollment, premium impact, and claims experience can cause program costs to differ substantially from these estimates.

# Combined timeline of Virginia marketplace PY2026 enrollment and CHRP



# Points for consideration

- **SCC must set the premium reduction target in 2025 so carriers can file rates for PY2026.**
  - Either the General Assembly prescribes the target (0% to 20%) in the Appropriations Act or the SCC will default to the 15% target from the previous PY.
    - Remember selecting a 0% target will result in Virginia suspending CHRP for that PY.
    - The attachment point, reinsurance cap, and coinsurance rate are calculated based on the target.
  - Carriers set rates for PY2026 based on the established reinsurance parameters.
  - Based on the current law, selection of the target will lock the Commonwealth to the cost of CHRP for PY2026—before knowing whether the enhanced premium tax credits expire, are extended, or are modified.
    - If enhanced premium tax credits are extended, the costs to the Commonwealth would likely stay the same or even decrease.
    - The greatest “sticker shock” for the Commonwealth will likely occur if enhanced premium tax credits are not extended.
- **Individual market enrollees who do not receive any premium tax credits (enhanced or otherwise) directly benefit from the reduction of premiums via CHRP because it is the only mechanism reducing their premiums.**
- **Individual market enrollees who purchase plans off-exchange do not receive any premium tax credits (enhanced or otherwise), so the only government mechanism reducing their premium costs is CHRP.**
- **CHRP can be a factor that contributes to a healthy individual insurance market, and can help to reduce premiums, increase availability, increase competition, and reduce morbidity of the risk pool.**

# Questions?

## Virginia Bureau of Insurance

Rebekah E. Allen, Chief Policy Advisor  
[Rebekah.Allen@scc.virginia.gov](mailto:Rebekah.Allen@scc.virginia.gov)