

Idaho: State Innovation Waiver

August 16, 2022

The U.S. Department of Health & Human Services and the U.S. Department of the Treasury (collectively, the Departments) approved Idaho's application for a State Innovation Waiver under the Affordable Care Act (ACA) (referred to as a "section 1332 waiver"). Idaho's section 1332 waiver application seeks to waive requirements in section 1312(c)(1) of the ACA to support implementation of the state's reinsurance program, the Idaho Individual High Risk Reinsurance Pool ("the Pool"), for plan years (PY) 2023 through 2027.

Actuarial analysis performed on behalf of Idaho and submitted as part of its waiver application projected that in PY 2023, with the extension of the enhanced Premium Tax Credit (PTC), statewide average premiums will be on average 12% lower for individual health insurance coverage when compared to the without-waiver baseline.¹

As a result of Idaho's innovative waiver, the state will receive, as pass-through funding, the PTC savings, net of any federal costs attributable to the waiver, realized by the federal government due to lower premiums for individual health insurance coverage. This pass-through funding will cover a substantial portion of state costs for the reinsurance program. Overall, the program will result in lower consumer costs.

The Departments have determined that Idaho's section 1332 waiver plan meets the requirements outlined in section 1332(b)(1) of the ACA. Specifically, the section 1332 waiver is projected:

- to provide coverage at least as comprehensive as coverage provided without the waiver;
- to provide coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable as would be provided without the waiver;
- to provide coverage to at least a comparable number of people as would be provided without the waiver; and
- to not increase the federal deficit.

Idaho's State Innovation Waiver under section 1332 of the ACA is approved subject to Idaho accepting specific terms and conditions (STCs). This waiver approval is effective for January 1, 2023 through December 31, 2027.

Summary of Idaho's Application for a State Innovation Waiver under Section 1332 of the ACA

Idaho's application for a State Innovation Waiver under section 1332 of the ACA seeks to waive section 1312(c)(1) of the ACA—the requirement to consider all enrollees in a market to be part of a single risk pool, to the extent that it would otherwise require excluding total expected state

¹ The state's actuarial analysis projected that statewide average premiums in the individual market would be 11% lower under law that was current when the application was under review.

reinsurance payments when establishing the market-wide index rate, in order to implement the state reinsurance program for PYs 2023 through 2027.

Idaho's reinsurance program will operate as a hybrid conditions and claims-based reinsurance program by allowing qualifying individual market health insurers to cede enrollees diagnosed with certain medical conditions to the Pool; these medical conditions are specified as eligible for reimbursement and identified by the Pool's Board of Directors. Claims for the ceded enrollees—up to an annual maximum—are paid by the Pool at a set coinsurance percentage once an attachment point is reached.² The health insurer then pays a monthly premium to the Pool for that reinsurance.

As a result of the Departments' approval of Idaho's section 1332 waiver application, individual market consumers are expected to continue seeing lower premiums, which should attract new consumers while also retaining current consumers in the individual market. Idaho projects that, under its section 1332 waiver and with the extension of the enhanced PTC, statewide average premiums will be about 12% lower in the individual market in PY 2023 than they would be without the waiver. In addition, Idaho predicts that individual market enrollment will be about 1% higher in PY 2023 than it would be without the waiver, due to lower premiums resulting from stabilization of the individual market.³ These projections were certified by independent actuaries and reviewed by the Departments.

Because the waiver is expected to lower individual market premiums on the second-lowest cost silver plan, the plan used to establish the value of the PTC, the federal government anticipates that it will spend less on PTC under the waiver than it would absent the waiver. As such, Idaho will receive pass-through funding to support its state waiver plan based on the amount of PTC that would have been provided to Idahoans absent the waiver but will not be provided under the waiver. This amount will be reduced, if necessary, to ensure deficit neutrality. With the extension of the enhanced PTC, the state estimates that the waiver will produce net federal savings of \$42 million in 2023 and \$210.4 million total over the five-year waiver period.⁴ This pass-through funding will cover a substantial portion of state costs for the reinsurance program.

Section 1332: State Innovation Waivers

Section 1332 of the ACA permits a state to apply for a State Innovation Waiver to pursue innovative strategies for providing residents with access to high-quality, affordable health insurance. These waivers provide states with the opportunity to develop strategies that best suit their individual needs. Through innovative thinking tailored to specific state circumstances,

² The Pool's Board of Directors will finalize the clinical criteria and payment parameters prior to PY 2023, and will revise annually as needed.

³ The state's actuarial analysis projected that statewide average premiums in the individual market would be 11% lower and individual market enrollment would be 1.8% higher under law that was current when the application was under review.

⁴ The state's actuarial analysis projected net federal savings of \$37.2 million in 2023 and \$187.3 million total over the five-year waiver period under law that was current when the application was under review.

states can lower premiums for consumers, improve market stability, and increase consumer choice.

In order for a section 1332 waiver to be approved, the Departments must determine that the waiver meets statutory guardrails to provide coverage that is at least as comprehensive as the coverage provided without the waiver; provide coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable as without the waiver; provide coverage to at least a comparable number of residents as without the waiver; and not increase the federal deficit.

State Innovation Waivers have been available since January 1, 2017; are approved for up to five-year periods; and can be extended. The Departments welcome the opportunity to work with states on section 1332 waivers. States interested in applying for a section 1332 waiver can find application tools and resources, including an application checklist and application templates, on the CMS website [here](#).

The section 1332 waiver approval letter and STCs for Idaho can be found here:

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