

# **Commonwealth Health Reinsurance Program**

## ***BY2026 Estimates & Impact of Potential Federal Actions***

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# Background

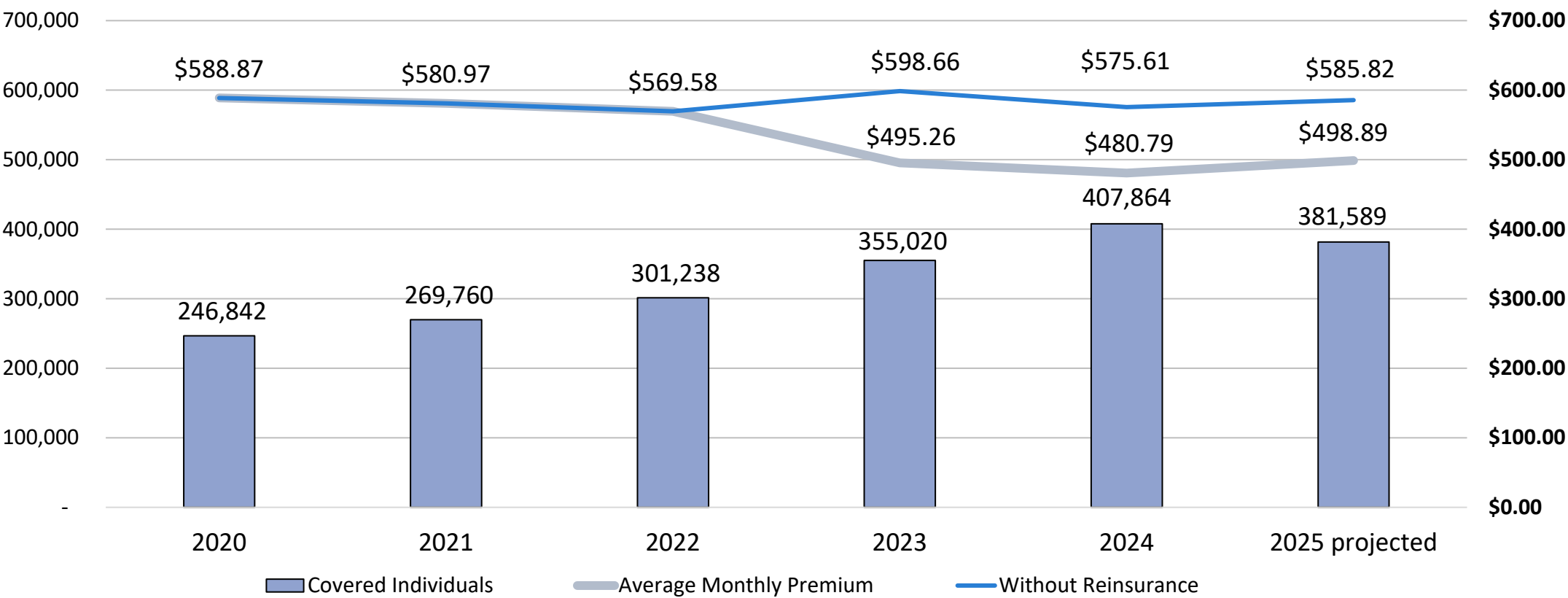
# Commonwealth Health Reinsurance Program (CHRP) & Its History

- **Reinsurance is a mechanism for managing high-cost claims by pooling them together and paying for them through a separate financing system so that insurers do not have to price those costs into their standard premiums.**
- **CHRP is designed to lower the cost of health insurance in Virginia's individual market by reimbursing carriers for a portion of their high-cost claims.**
- **In 2021, the General Assembly directed State Corporation Commission (SCC) to apply for a State Innovation Waiver under the Patient Protection and Affordable Care Act's (ACA) § 1332 to create the CHRP.**
  - Per statute, 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.
- **SCC's Bureau of Insurance (BOI) applied for and received federal approval to establish a reinsurance program in the individual health insurance market.**
  - CHRP's initial approval is for five years – benefit year (BY) 2023 through (BY) 2027 – and may be extended.
  - CHRP is funded through a combination of federal pass-through funds and state general funds.

# Federal and State Funding

- **The federal government annually calculates savings based on everyone who is projected to be enrolled in an individual marketplace plan and receive premium tax credits (PTCs.)**
  - PTCs are designed to bring an individual's premium costs down to a percentage of the individual's income.
  - Lower top-line premiums reduce the cost of federal PTCs.
- **State general fund is appropriated by the General Assembly and is transferred to the Commonwealth Health Reinsurance Special Fund (CHRP Fund).**
  - The CHRP Fund is a nonreverting fund (i.e., moneys remaining in the Fund and any interest it has earned does not revert back to the state general fund at the end of the state fiscal year).
  - The CHRP Fund's usage is restricted to the purposes set out in subsection A of § 38.2-6604 of the Code of Virginia.
  - The CHRP Fund is used for CHRP payments once federal pass-through funds are exhausted.
- **What if projected enrollment doesn't match actual enrollment?**
  - Lower actual enrollment means Virginia will get more federal pass-through funding than anticipated is needed for CHRP payments for the BY.
  - Any excess funding is carried forward to the next round of payments for the following BY.
  - Higher actual enrollment means Virginia may have to cover a larger proportion of CHRP payments for the BY with state GF because there is insufficient federal pass-through funds.

# Average Premium Per Member Per Month



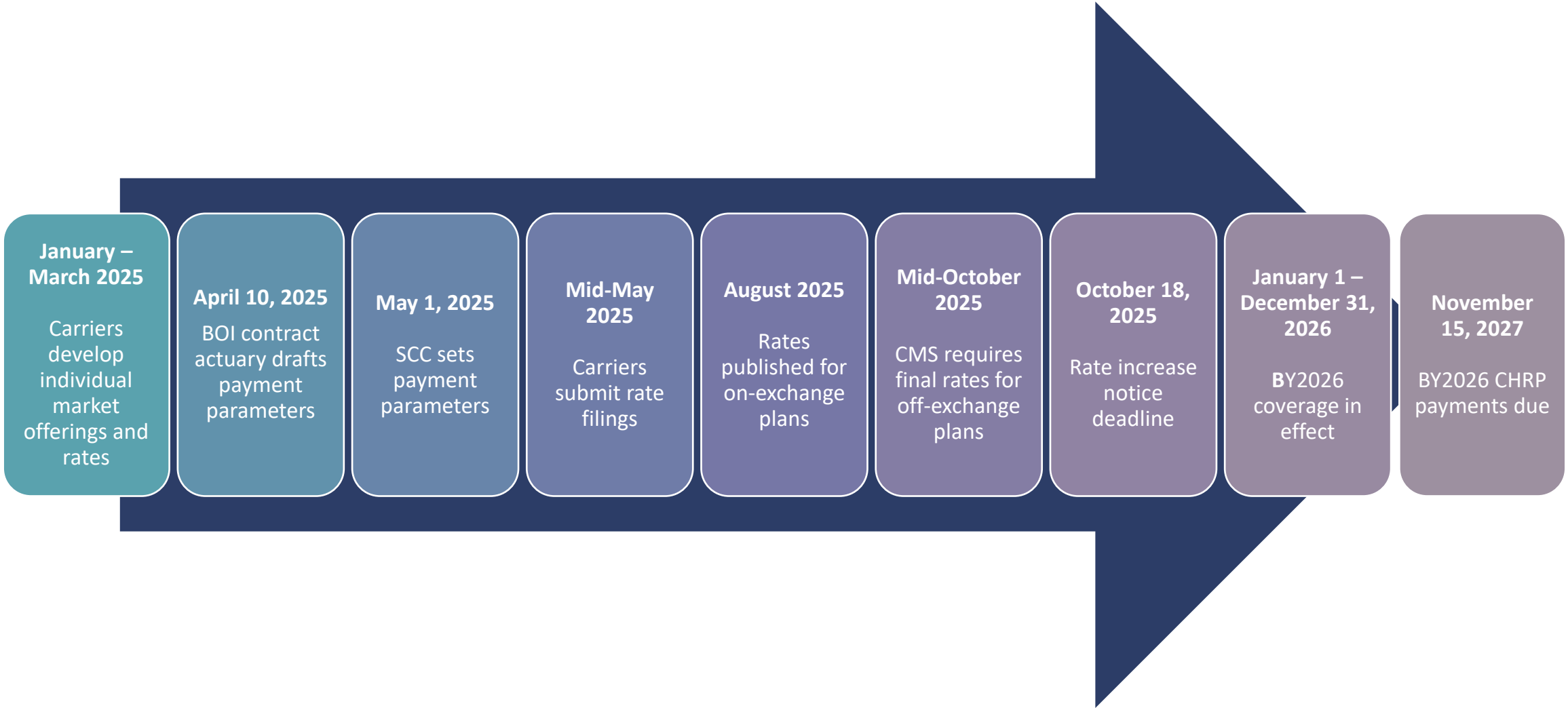
- **CHRP affects monthly premiums, but other factors can reduce the overall premium cost for a significant number of insureds for on-exchange plans, such that ~\$500/mo. is not a typical or average figure.**

# Healthcare Affordability and Access

- **SCC conducted a study evaluating the effects of the CHRP on health care affordability and access in the individual health insurance marketplace.**
  - On average, the CHRP reduced monthly premiums by \$98.63 per member.
  - Marketplace enrollment increased at a much higher annual rate in the years after CHRP implementation (13.2%) versus prior years (5.3%)
  - The number of individuals enrolled in high-value Gold and Platinum-level plans increased by 41%, lowering their expected out-of-pocket costs.
- **The CHRP is one of several policy changes that affected the individual market during this period, including:**
  - Federal extension of enhanced premium tax credit (EPTC) subsidies;
  - Medicaid “unwinding” from the COVID-19 public health emergency; and
  - Virginia’s transition to a state-based exchange (Virginia Insurance Marketplace) in 2024.
- **More detail can be found in the full report, [Effects of the Commonwealth Health Reinsurance Program](#), available on the Reports to the General Assembly website.**

# Program Operations

# Timeline for CHRP BY2026





## CHRP Payment Parameters BY2023-BY2026

	BY2023	BY2024	BY2025	BY2026
Attachment point	\$40,000	\$45,000	\$45,000	\$45,000
Reinsurance cap	\$155,000	\$175,000	\$175,000	\$170,000
Coinsurance	70%	70%	70%	65%
Targeted premium reduction	15%	15%	15%	15%
Actual average premium reduction from reinsurance	17.30%	16.40%	14.80%	TBD

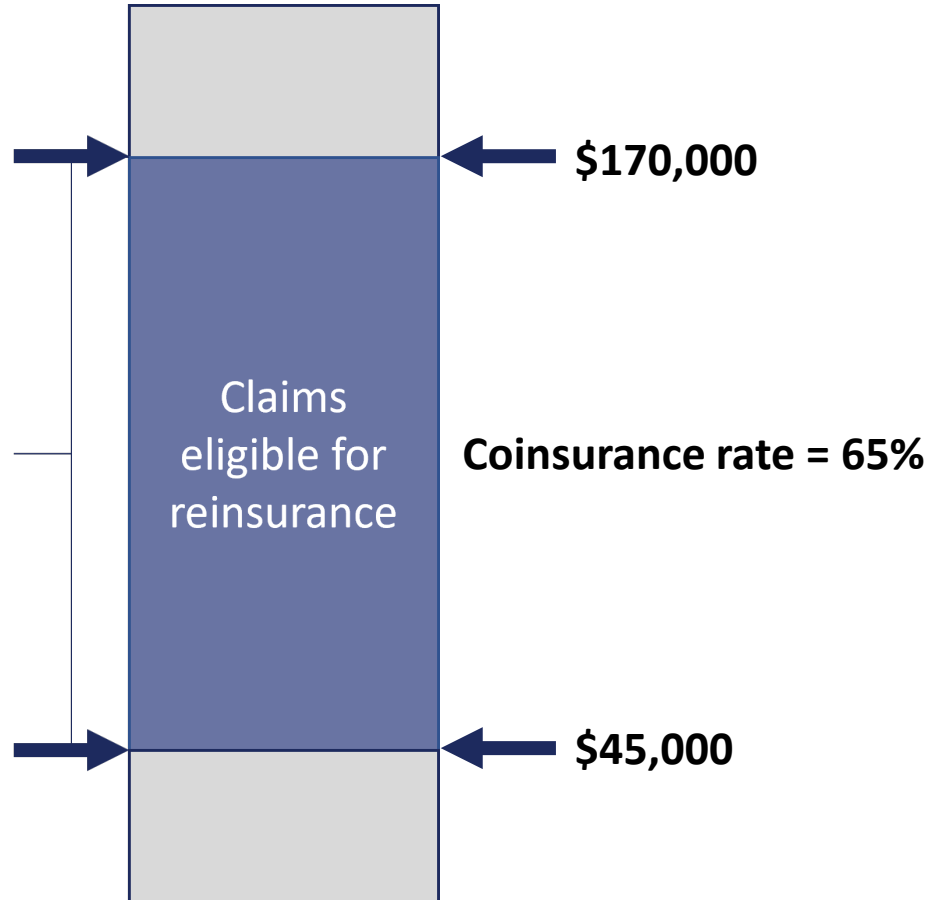
- **The premium reduction target for any BY can be set by the General Assembly annually in the Appropriations Act.**
  - Per § 38.2-6602, SCC must publish CHRP's payment parameters by May 1 of the year preceding the BY (e.g., the payment parameters for BY2026 had to be published on or before May 1, 2025).
  - If no target is set, the statute requires the SCC to use the same target as the prior BY (currently 15%).
- **BOI's contract actuary annually models the CHRP payment parameters to achieve the target premium reduction for that BY.**

# How CHRP Works

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

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

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



**These amounts are the payment parameters for total annual medical expenditures on any covered individual for BY2026.**

**Maximum CHRP payment for a covered individual in BY2026 is \$81,250.**

$$\begin{aligned} \$170,000 - \$45,000 &= \$125,000 \\ \$125,000 \times 65\% &= \$81,250 \end{aligned}$$

## CHRP Payments & Funding

(in millions)	BY2023 (SFY2025)	BY2024 (SFY2026)	BY2025 (SFY2027)
CHRP payments	\$323.37	\$368.17	\$429.70 (estimated)
Federal pass-through funding	\$331.88	\$481.94	\$450.27
Remaining federal pass-through funding after payment	\$8.51	\$122.28 (estimated)	\$142.85 (estimated)

- **Federal “pass-through” funding is based of projected federal savings from reduced premium tax credits (PTCs) due to lower health insurance premiums.**
- **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 are paid from state general fund.
- **Estimates of program costs are developed 8 – 10 months prior to a BY 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.

# CHRP BY2026 Modeling 15% Target (Apr. 10, 2025) *prior to federal reconciliation bill*

The impact of each scenario is shown independently; if scenarios are evaluated together, the sum of the results may not reflect our best estimate for the combined scenario

(in millions)		Reinsurance Program Cost	Federal Pass-Through Savings	Net Cost to Virginia
<b>Base scenario</b>		<b>\$404.5</b>	<b>\$308.4</b>	<b>\$96.0</b>
<b>1</b>	Total Members +10% *	\$444.9	\$339.3	\$105.6
	Total Members –10% *	\$364.0	\$277.6	\$86.4
<b>2</b>	APTC Members +10% *	\$436.5	\$339.3	\$97.2
	APTC Members –10% *	\$372.4	\$277.6	\$94.8
<b>3</b>	Non-APTC Members +10% *	\$412.9	\$308.4	\$104.5
	Non-APTC Members –10% *	\$396.0	\$308.4	\$87.6
<b>4</b>	SLCS premium 3% higher than anticipated *	\$404.5	\$317.7	\$86.8
	SLCS premium 3% lower than anticipated *	\$404.5	\$299.2	\$105.3
<b>5</b>	Decrease in SLCS premium 0.5% less than anticipated	\$405.9	\$300.9	\$105.0
	Decrease in SLCS premium 1.0% less than anticipated	\$407.3	\$293.3	\$114.0
<b>6</b>	Claims 5% higher than anticipated	\$424.7	\$308.4	\$116.2
	Claims 5% lower than anticipated	\$384.2	\$308.4	\$75.8
<b>7</b>	Premium and claim rates are 5% higher than anticipated *	\$424.7	\$323.9	\$100.8
<b>8</b>	PTC-to-APTC ratio is 0.950 *	\$404.5	\$298.4	\$106.0
<b>9</b>	National enrollment growth 5% higher than VA *	\$404.5	\$323.9	\$80.6
	National enrollment growth 5% lower than VA *	\$404.5	\$293.0	\$111.4

\*Adjustments made to both the baseline and scenario

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# Impacts of potential federal changes on CHRP

- SCC BOI is working with its contract actuarial firm for an updated model of federal pass-through funding and state share funding for BY2026, incorporating the most recent federal budget developments.
- **With enhanced PTCs (EPTCs) expiring, people over 400% FPL will lose subsidies entirely and people below 400% FPL will receive smaller subsidies.**
  - Fewer or smaller PTCs means less federal savings from reinsurance and reduced federal pass-through funding.
  - Households over 400% of FPL have been incentivized by EPTCs to purchase on-exchange, increasing federal pass-through funding and decreasing the anticipated state share of costs.
- **Healthy people are less inclined to purchase health insurance if it becomes expensive.**
  - Sicker individuals – who are more likely to breach the attachment point with their annual claims costs—are more likely to enroll or re-enroll versus healthier people.
  - A less healthy population is a riskier population to insure, which the rate filings will take into account, likely increasing premiums even with the specified premium reduction target from the Commonwealth Health Reinsurance Program.
- **EPTC expiration will reduce federal pass-through funding.**
  - It is anticipated that there will be less federal pass-through funding for BY2026, which means that the state share of costs for the Commonwealth Health Reinsurance Program will increase in SFY2028.

# Upcoming CHRP policy decision points

- **How much funding to appropriate from the general fund in the upcoming biennium for BY2025 (paid in SFY2027) and BY2026 (paid in SFY2028).**
  - The approved State Innovation Waiver requires the Commonwealth to appropriate “sufficient funds are available on an annual basis for the waiver to operate” as described in the approved waiver plan.
- **What premium reduction target to set for BY2027**
  - If the General Assembly does not set the target in next year’s Appropriations Act, it will default to 15%.
- **(1) Whether to apply for an extension of the State Innovation Waiver, (2) how long of an extension should be requested, and (3) whether changes to the waiver should be requested contemporaneous with the extension request**
  - The Centers for Medicare and Medicaid Services must be notified of an extension request **no later than December 31, 2026**.
  - Because the original waiver application was mandated by legislation and all subsequent state share funding have been included in the Appropriation Act, an extension request would require legislation next year (2026).
    - If approved, the extended waiver would have a fiscal impact to the Commonwealth beginning in SFY2030.
  - SCC BOI is available to provide technical drafting assistance.