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NEW JERSEY SECTION 1332 STATE INNOVATION WAIVER EXTENSION

Actuarial Analysis

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Contents

1. Introduction

The individual health insurance market in the State of New Jersey (the State) has been relatively stable in recent years, in large part due to the introduction of the Health Insurance Premium Security Plan (HIPSP) which was first introduced in 2019 and is administered by the New Jersey Individual Health Coverage Program Board of Directors (IHC Board). The HIPSP is a state-based reinsurance program whereby issuers selling health insurance plans in the Individual ACA market in New Jersey may request reimbursement for reinsurance-eligible claims and, as a result, the program has reduced health insurance rates in the Individual ACA market in the State over the period 2019-2023 by approximately 15% relative to what they would have been without the program.

New Jersey's state subsidy, New Jersey Health Plan Savings (NJHPS), began in plan year 2021 and makes health insurance coverage in the Individual ACA market more affordable in New Jersey by providing state-sponsored premium subsidies that are in addition to federal premium tax credits. These state-sponsored premium subsidies are available to income-eligible consumers through Get Covered New Jersey. Further, in March 2021 the United States Congress passed H.R. 1319 (The American Rescue Plan Act) which significantly increased federal premium subsidies available to individuals and families purchasing coverage through Get Covered New Jersey. These enhanced subsidies were extended through calendar year 2025 under the Inflation Reduction Act (IRA), which was signed by President Biden in August of 2022. These enhanced federal premium tax credits allowed New Jersey to also expand the availability of the NJHPS to those with annual household income of up to 600 percent of the federal poverty level (FPL).

Under current law, these enhanced subsidies are scheduled to sunset at the end of 2025, returning to levels outlined in the Affordable Care Act (ACA). After the expiration of the public health emergency (PHE) put in place as a result of the COVID-19 pandemic, shifts in enrollment from populations previously covered by Medicaid to the Individual ACA market in New Jersey are expected. Oliver Wyman estimates that approximately 31,400 individuals who are no longer eligible for Medicaid or Children Health Insurance Program (CHIP) coverage are expected to enroll in New Jersey's Individual ACA market by end of 2024.

In an effort to continue to address the affordability of health insurance for New Jerseyans and avoid market disruptions, the State is seeking to extend its current State Innovation Waiver which was authorized under Section 1332 of the Affordable Care Act (Section 1332 Waiver) for the period January 1, 2019 through December 31, 2023, and established a state-based and state-administered reinsurance program. Specifically, the State is proposing to extend the waiver under 45 CFR 155.1332 and continue waiving §1312(c)(1)[1] of the Affordable Care Act from January 1, 2024 through December 31, 2028. The goal of the Section 1332 Waiver extension will be to continue to lower gross premium rates and increase access to more affordable coverage for unsubsidized and under-subsidized populations which would incentivize individuals to join or remain enrolled in the Individual ACA market.

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman), was retained by the State of New Jersey's Department of Banking and Insurance (DOBI) to perform the actuarial and economic analysis related to the State's proposed waiver extension. As directed under 45 CFR 155.1308(f)(4)(i)-(iii), the Centers for Medicare and Medicaid Services (CMS) regulations require that states include as part of a Section 1332 Waiver

[1] §1312(c)(1) states that "A health insurance issuer shall consider all enrollees in all health plans (other than grandfathered health plans) offered by such issuer in the individual market, including those enrollees who do not enroll in such plans through the Exchange, to be members of a single risk pool."

application actuarial and economic analyses, along with actuarial certifications and the data and assumptions used. It is Oliver Wyman's understanding that these same requirements apply to the application for a waiver extension. Oliver Wyman understands that this report will be made public and included by the State of New Jersey in its application to CMS for an extension of its current 1332 Waiver. The purpose of this report is to provide the required actuarial and economic analysis, and demonstrate that the waiver extension will satisfy the following requirements:

- **Scope of Coverage:** Coverage under the Section 1332 Waiver extension will be provided to a comparable number of residents as would be provided absent the waiver extension
- **Affordability of Coverage:** The Section 1332 Waiver extension 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 extension
- **Comprehensiveness of Coverage:** The Section 1332 Waiver extension will provide coverage that is at least as comprehensive as would be provided absent the waiver extension
- **Deficit Neutrality:** The Section 1332 Waiver extension will not increase the Federal deficit

This report provides the required actuarial and economic analyses, as well as the actuarial certifications, necessary to support that the proposed Section 1332 Waiver extension is expected to satisfy these requirements. Additionally, this report outlines the data, assumptions and methodology used to generate the actuarial and economic projections that result from our analysis. Any other use of this report may be inappropriate and is prohibited by Oliver Wyman.

2. Overview of State-Based Reinsurance Program

The State is submitting an application for an extension of its previously approved Section 1332 Waiver that put in place a state-based and state-administered reinsurance program to help improve the affordability of premium rates in New Jersey's Individual ACA market. Under the State's Section 1332 Waiver, a reinsurance program was established for plan years 2019 through 2023. In 2023, the funding for the reinsurance program was set to support a program that had the objective of reducing gross premium rates (i.e., premium rates prior to the application of premium tax credits) in the Individual ACA market by an average of 15.4%, relative to the premium rates which would otherwise be charged if no reinsurance program were in place.

In this section, focusing on plan year 2024, we provide the estimated cost of the reinsurance program, describe how the reinsurance program is expected to be funded, provide the preliminary reinsurance parameters anticipated to be utilized to determine payments from the State to issuers, and provide the impact the reinsurance program is expected to have on premium rates in the Individual ACA market. As enrollment volumes, claim costs, and available funding amounts change over the time period during which the proposed Section 1332 Waiver extension will be in effect, it is expected that items such as the reinsurance parameters will be adjusted, as necessary, by the State to ensure the reinsurance program remains fully funded (net of federal pass-through funding) and, to the extent possible, continues to target the State's overall objective for each plan year (i.e., stability from year to year in the reduction in gross premium rates in the Individual ACA market relative to the premium rates which would otherwise be charged if no reinsurance program was in place).

Cost and Funding of the State-Based Reinsurance Program in 2024

Based on issuers' rate filings for the 2023 plan year and Oliver Wyman's estimates, the reinsurance program had the effect of reducing premiums on average by 15.4% in 2023. The State's objective is to set the parameters for the program in future years to maintain consistency in the impact that the HIPSP has on premium rates. We estimate the total funding needed to support a reinsurance program[2] that will accomplish New Jersey's stated objective (i.e., reducing gross premium rates in the Individual ACA market by an average of approximately 15.8% relative to the premium rates that would otherwise be charged if no reinsurance program were in place) for 2024 is $571 million. This estimate was developed based on projected enrollment, premium, claims, non-benefit expenses, and expected reinsurance parameters in the Individual ACA market for 2024. In developing the estimate, it was assumed that issuer claim expenses in 2024 on a per member per month (PMPM) basis will be equal to 2022 claim expenses on a PMPM basis, trend to 2024. Then, based on feedback received from each issuer offering coverage in New Jersey's Individual ACA market in 2023 related to fixed non-benefit expenses and the reductions in claim expenses needed to drive various levels of premium rate changes, we estimated the reduction in issuer claim expenses that would be needed to accomplish New Jersey's stated objective for 2024. In doing so we account for the change in morbidity expected to occur in 2024 under the proposed Section 1332 Waiver extension (i.e., as a result of increased enrollment due to lower premium rates in 2024 with the reinsurance program in place relative to without the reinsurance program), the total projected cost of the program was calculated as follows:

> ***Projected 2024 Cost of New Jersey Reinsurance Program*** *= Projected 2024 Claims Volume x Target Reduction in Issuer Claims Expense*

[2] Excluding any state administrative expenses

*Where Projected 2024 Claims Volume = 2022 Claims PMPM in the Individual ACA market * 12 * Claims Trend from 2022 to 2024 * Estimated 2024 Enrollment in Individual ACA market*

Funding for the reinsurance program in 2024 is expected to come from the following sources:

1. Federal pass-through funds received as a result of the Section 1332 Waiver extension,
2. Funds collected by the State pursuant to the New Jersey Health Insurance Market Preservation Act which establishes a State shared responsibility tax equal to a taxpayer's federal penalty that would apply for the taxable year under Section 5000A of the Internal Revenue Code of 1986, and
3. The Health Insurance Affordability Fund that was created pursuant to N.J.S.A.17B:27A-67 and funds the State's portion of the program. N.J.S.A.17B:27A-10.10 also provides for an annual appropriation out of the General Funds of the State to the extent necessary to fully fund the program.

Regarding the first item, through its Section 1332 Waiver extension application, the State is requesting that the U.S. Department of Treasury (Treasury) "pass-through" to its reinsurance program the cost savings from the reduction of federal outlays for premium tax credits (PTCs) resulting from the reduction in gross premium rates in the Individual ACA market due to the HIPSP. Section 1332(a)(3) of the ACA authorizes pass-through funding under Section 1332 Waivers.

Estimated 2024 Reinsurance Parameters and Payment Calculation

Consistent with the Federal Transitional Reinsurance Program that was in place from 2014 through 2016, New Jersey's reinsurance program will reimburse issuers for a portion of high dollar claim expenses occurring between a specified attachment point and reinsurance cap, while maintaining an incentive for issuers to continue applying their care management practices for their high-cost claimants.

Table 1 provides preliminary reinsurance parameters expected to apply in 2024:

Table 1: 2024 Reinsurance Parameters

Parameter	Value
Attachment Point	$35,000
Reinsurance Cap	$270,000
Coinsurance %	50.0%

These parameters were estimated using issuer provided claims data from plan years 2021, and 2022 year to date, adjusted to reflect projected plan year 2024 cost levels and projected enrollment volumes, and to reflect a projected distribution of claim expenses consistent with assumed market-wide morbidity levels. Additionally, issuer feedback was obtained to assess the reasonability of the resulting parameters.

Utilizing the parameters outlined in Table 1, reinsurance payments would be calculated based on an issuer's annual paid claim expenses[3] for a given member as follows:

[3] Paid by the issuer; includes medical and pharmacy claims

2024 Reinsurance Payment for ACA Member$_i$ = Maximum [Minimum [Member$_i$ Annual Paid Claim Expense, $270,000] - $35,000, $0] x 50.0%

In Table 2 below, we provide a summary of the expected distribution of members, claims and average claim cost on per member per year (PMPY) basis by annual claim size to which the parameters outlined in Table 1 are expected to apply:

Table 2: Projected Distribution of 2024 Individual ACA Incurred Claims Expenses

Annual Incurred Claims	% of Members	% of Claims	Average Claim Cost PMPY
$0 to $34,999	96.6%	96.0%	2,356
$35,000 to $269,999	3.2%	3.7%	82,778
$270,000+	0.2%	0.3%	482,629

In utilizing the specified parameters, as with the Federal Transitional Reinsurance Program, it is expected that issuers will continue to have incentives to apply their care management practices even after a given member reaches the specified annual attachment point, since issuers will be reimbursed for only a portion of a given member's claim costs between the attachment point and reinsurance cap.

Estimated Premium Impact of State-Based Reinsurance Program in 2024

As noted earlier, the objective of the reinsurance program in 2024 is to reduce gross premium rates in the Individual ACA market by an average of approximately 15.8% relative to the premium rates which would otherwise be charged if no reinsurance program were in place. To the extent gross premium rates are reduced, enrollment levels in the Individual ACA market are expected to increase, leading to an improvement in the overall morbidity of New Jersey's Individual ACA market. We estimate that the morbidity improvement as a result of the proposed Section 1332 Waiver extension will be approximately 0.5% in 2024 based on modeling and issuer feedback. This morbidity improvement is included in the estimated 15.8% premium reduction.

3. Actuarial and Economic Analyses

Actuarial analyses meeting the requirements under 45 CFR 155.1308(f)(4)(i) and economic analysis meeting the requirements under 45 CFR 155.1308(f)(4)(ii) are provided in this section.[4] Oliver Wyman's Healthcare Reform Microsimulation Model (HRM Model) was utilized to estimate the expected impact of the proposed Section 1332 Waiver extension on the health insurance markets in New Jersey, and in meeting each of the guardrails associated with Section 1332 Waivers as outlined in federal statute and regulation.

The HRM Model is an economic utility model that captures the flow of individuals across various markets and coverage options based on their economic purchasing decisions. It is integrated with actuarial modeling designed to assess the expected impact of various reforms on the health insurance markets. Appendix A provides additional information about the specifications and functionality underlying the HRM Model.

The projections produced by the HRM Model were analyzed to assess whether the following federal requirements are expected to be met under the proposed Section 1332 Waiver extension:

- **Scope of Coverage Requirement** – The Section 1332 Waiver extension will provide coverage to at least a comparable number of the State's residents as would be covered absent the waiver extension.
- **Affordability Requirement** – The Section 1332 Waiver extension will provide coverage and cost-sharing protections against excessive out-of-pocket spending that results in coverage which is at least as affordable for the State's residents as would be provided absent the waiver extension.
- **Comprehensiveness of Coverage Requirement** – The Section 1332 Waiver extension will provide coverage that is at least as comprehensive for the State's residents as would be provided absent the waiver extension.
- **Deficit Neutrality Requirement** – The Section 1332 Waiver extension will not increase the federal deficit.

Table 3 summarizes at a high level the expected impact of the proposed Section 1332 Waiver extension as it relates to these requirements. Our analyses show that the proposed Section 1332 Waiver extension is expected to meet these requirements in 2024 and each following year for the five-year period ending in 2028. A more detailed discussion of the results as they relate to these requirements follows.

Table 3: Summarized Expected Impact of the Proposed Section 1332 Waiver Extension

Requirement	Impact of Proposed Section 1332 Waiver Extension
Scope of Coverage	The number of individuals covered in the New Jersey health insurance markets is expected to increase
Affordability of Coverage	Gross premium rates in the Individual ACA market are expected to decrease while other out-of-pocket expenses are not expected to change
Comprehensiveness of Coverage	Not impacted by the proposed Section 1332 Waiver extension
Deficit Neutrality	The federal deficit is not expected to increase

[4] https://www.govinfo.gov/content/pkg/FR-2021-09-27/pdf/2021-20509.pdf

Scope of Coverage

Under the scope of coverage requirement, a comparable number of residents must be expected to have coverage under the proposed Section 1332 Waiver extension as would have coverage absent the waiver extension.[5] For this purpose, "coverage" refers to minimum essential coverage as defined in 26 U.S.C. 5000A(f) and 26 CFR 1.5000A-2, and health insurance coverage as defined in 45 CFR 144.103. In assessing this requirement, we estimate that the proposed Section 1332 Waiver extension will not have a material impact on the number of New Jerseyans covered under employer-sponsored plans, Medicaid, Medicare, CHIP, and other public programs. As a result, the focus of our analysis is on the impact of the proposed Section 1332 Waiver extension to New Jersey's Individual ACA market.

Table 4 summarizes the projected average volume of Individual ACA market enrollees and uninsured individuals in New Jersey by year under the baseline and waiver scenarios, assuming gross premium rates in the Individual ACA market are reduced by an average of approximately 15.8% under the waiver scenario (i.e., relative to the premium rates which would otherwise be charged if no reinsurance program were in place). Both the baseline and waiver scenarios:

- Assume state premium subsidies under the NJHPS are available to eligible individuals enrolling through Get Covered New Jersey
- Reflect expected increases in Individual ACA enrollment and the number of uninsured individuals in 2024 as a result of the unwinding of the Medicaid continuous enrollment provision initially put in place under the Public Health Emergency (PHE) [6]
- Reflect increases to Individual ACA enrollment and corresponding decreases in the number of uninsured due Deferred Action for Childhood Arrival (DACA) recipients becoming eligible for premium tax credits and cost sharing reductions if they meet all other eligibility requirements[7]

Table 4: Summary of Average Individual ACA Market Enrollment and Uninsured Volumes

	Individual ACA Market			Uninsured		
Year	Baseline	Waiver	Change vs. Baseline	Baseline	Waiver	Change vs. Baseline
2024	412,200	422,000	2.4%	724,300	714,500	-1.4%
2025	413,300	423,700	2.5%	731,100	720,700	-1.4%
2026	373,800	383,700	2.6%	771,100	761,200	-1.3%
2027	374,000	383,900	2.6%	771,300	761,400	-1.3%
2028	374,200	384,100	2.6%	771,500	761,600	-1.3%

Note: Enrollment values shown have been rounded to the nearest hundred

Absent the proposed Section 1332 Waiver extension and corresponding reinsurance program, total enrollment volumes in the baseline scenario in New Jersey's Individual ACA market are expected to decrease by

[5] 45 CFR 155.1308(f)(3)(iv)(C)

[6] As part of the Consolidated Appropriations Act of 2023, signed into law on December 29, 2022, Congress delinked the continuous enrollment provision from the PHE, ending continuous enrollment requirements on March 31, 2023. New Jersey anticipates completing redeterminations for all Medicaid enrollees by March 31, 2024.

[7] Modeling assumes draft regulations that propose to amend the definition of "lawfully present" to include DACA recipients, making them eligible for premium tax credits and cost-sharing reductions if they meet all other eligibility requirements, will be finalized as proposed. https://www.govinfo.gov/content/pkg/FR-2023-04-26/pdf/2023-08635.pdf

approximately 9.6% from 2025 to 2026, due primarily to the scheduled termination of enhanced premium tax credits available under the Inflation Reduction Act (IRA). Under the proposed Section 1332 Waiver extension, enrollment in the Individual ACA market is expected to be approximately 2.5% higher than baseline enrollment levels each year over the time period of 2024 through 2028. The increase in enrollment under the proposed Section 1332 Waiver extension is driven primarily by uninsured individuals expected to enter the Individual ACA market as a result of lower gross premium rates with the reinsurance program in place.[8]

Overall, our modeling shows it is expected that the new enrollees who enter the ACA market in 2024 and later due to the presence of the proposed reinsurance program will, on average, have slightly lower health expenses on a PMPM basis when compared to the individuals who would be expected to enroll in Individual ACA plans regardless of the presence of the reinsurance program. As noted earlier, the impact of the new enrollees on the overall morbidity of New Jersey's Individual ACA market is expected to be approximately 0.5%.

Individual ACA Market Enrollment by Household Income

Table 4a presents projected enrollment levels in the Individual ACA market by household income over the waiver extension time period of 2024 through 2028 assuming gross premium rates in the Individual ACA market are reduced by an average of approximately 15.8% under the waiver scenario relative to the premium rates which would otherwise be charged if no reinsurance program were in place. For this comparison, household income is measured as a percentage of the federal poverty level (FPL).

[8] While there may be some migration of enrollees from the employer market to the individual ACA market, based on our modeling, we expect any migration from the employer market as a result of the waiver to be *de minimis.*

Table 4a: Summary of Average Individual ACA Market Enrollment by FPL

Baseline					
Income Range	**2024**	**2025**	**2026**	**2027**	**2028**
< 100%	11,600	11,600	11,300	11,300	11,300
100% - 150%	51,200	51,200	49,800	49,800	49,900
151% - 200%	80,100	80,400	60,100	60,100	60,200
201% - 250%	48,600	48,700	44,000	44,000	44,000
251% - 300%	39,000	39,000	34,700	34,700	34,700
301% - 400%	52,900	53,200	50,100	50,100	50,200
401%+	128,800	129,200	123,800	124,000	123,900
Total ACA	**412,200**	**413,300**	**373,800**	**374,000**	**374,200**

Waiver					
Income Range	**2024**	**2025**	**2026**	**2027**	**2028**
< 100%	11,600	11,600	11,300	11,300	11,300
100% - 150%	51,200	51,200	49,800	49,800	49,900
151% - 200%	80,100	80,400	60,100	60,100	60,200
201% - 250%	48,600	48,700	44,000	44,000	44,000
251% - 300%	39,000	39,000	34,700	34,700	34,700
301% - 400%	52,900	53,200	50,100	50,100	50,200
401%+	138,600	139,600	133,700	133,900	133,800
Total ACA	**422,000**	**423,700**	**383,700**	**383,900**	**384,100**

Baseline to Waiver					
Income Range	**2024**	**2025**	**2026**	**2027**	**2028**
< 100%	0	0	0	0	0
100% - 150%	0	0	0	0	0
151% - 200%	0	0	0	0	0
201% - 250%	0	0	0	0	0
251% - 300%	0	0	0	0	0
301% - 400%	0	0	0	0	0
401%+	9,800	10,400	9,900	9,900	9,900
Total Change	**9,800**	**10,400**	**9,900**	**9,900**	**9,900**

Note: Values shown have been rounded to the nearest hundred; the sum within each column may not be equal to the total shown and the change in the number of enrollees may not equal the difference between the baseline and waiver membership shown due to rounding.

We estimate that there will be no change in enrollment between the baseline and waiver scenarios for individuals who receive PTCs. This is because, due to the way in which premium rates are calculated under the ACA for these individuals (i.e., maximum premium rates as a percentage of income, net of PTCs), their net out-of-pocket costs are expected to be mostly insulated, on average, from changes in gross premium rates.

Conversely, individuals who do not receive PTCs will experience favorable changes to their total out-of-pocket costs as a result of the reinsurance program. For these individuals, the full impact of the reinsurance program is expected to be realized through reductions to their premium rates, resulting in an expected increase in enrollment for that segment of the population in 2024 and beyond, relative to the baseline.

Individual ACA Market Enrollment by Metal Level

Table 4b presents projected enrollment levels in the Individual ACA market by metal level over the waiver extension time period of 2024 through 2028 assuming gross premium rates in the Individual ACA market are reduced by an average of approximately 15.8% under the waiver scenario relative to the premium rates which would otherwise be charged if no reinsurance program were in place.

Table 4b: Summary of Average Individual ACA Market Enrollment by Metal Level

Baseline					
Metal Level	**2024**	**2025**	**2026**	**2027**	**2028**
Catastrophic	0	0	0	0	0
Bronze	82,200	85,300	89,200	89,300	89,300
Silver	321,600	321,000	277,700	277,800	278,000
Gold	8,400	7,000	6,900	6,900	6,900
Platinum	0	0	0	0	0
Total ACA	**412,200**	**413,300**	**373,800**	**374,000**	**374,200**

Waiver					
Metal Level	**2024**	**2025**	**2026**	**2027**	**2028**
Catastrophic	0	0	0	0	0
Bronze	82,600	84,600	81,700	81,700	81,800
Silver	329,100	328,800	292,200	292,400	292,500
Gold	10,300	10,300	9,800	9,800	9,800
Platinum	0	0	0	0	0
Total ACA	**422,000**	**423,700**	**383,700**	**383,900**	**384,100**

Baseline to Waiver					
Metal Level	**2024**	**2025**	**2026**	**2027**	**2028**
Catastrophic	0	0	0	0	0
Bronze	400	-700	-7,500	-7,600	-7,500
Silver	7,500	7,800	14,500	14,600	14,500
Gold	1,900	3,300	2,900	2,900	2,900
Platinum	0	0	0	0	0
Total ACA	**9,800**	**10,400**	**9,900**	**9,900**	**9,900**

Note: Values shown have been rounded to the nearest hundred; the sum of values within each column may not be equal to the total value shown and the change in the number of enrollees may not equal the difference between the baseline and waiver membership shown due to rounding.

As shown in Table 4b, at lower gross premium rates with the reinsurance program in place, it is expected that ACA enrollees will not seek out leaner benefit plans at the same rate as they would absent the reinsurance program.

Individual ACA Market Enrollment by Age

Table 4c presents projected enrollment levels in the Individual ACA market by age over the waiver extension time period of 2024 to 2028 assuming gross premium rates in the Individual ACA market are reduced by an average of approximately 15.8% under the waiver scenario relative to the premium rates which would otherwise be charged if no reinsurance program were in place. Enrollment in the Individual ACA market is expected to increase or stay flat across every age group and the distribution of Individual ACA enrollment by age is not expected to shift significantly under the proposed Section 1332 Waiver extension, relative to the baseline.

Table 4c: Summary of Average Individual ACA Market Enrollment by Age

Baseline					
Age Range	**2024**	**2025**	**2026**	**2027**	**2028**
0-18	44,100	44,300	43,600	43,600	43,600
18-25	35,100	34,900	29,000	29,000	29,000
26-34	65,900	66,100	60,300	60,300	60,300
35-44	66,900	66,700	56,600	56,600	56,600
45-54	77,800	77,700	67,700	67,800	67,800
55+	122,400	123,600	116,600	116,700	116,900
Total ACA	**412,200**	**413,300**	**373,800**	**374,000**	**374,200**

Waiver					
Age Range	**2024**	**2025**	**2026**	**2027**	**2028**
0-18	47,000	47,000	45,600	45,700	45,700
18-25	35,700	35,600	30,600	30,600	30,600
26-34	68,100	68,300	61,100	61,200	61,200
35-44	68,700	68,300	58,400	58,500	58,500
45-54	78,900	79,500	69,900	69,900	69,900
55+	123,600	125,000	118,100	118,000	118,200
Total ACA	**422,000**	**423,700**	**383,700**	**383,900**	**384,100**

Baseline to Waiver					
Age Range	**2024**	**2025**	**2026**	**2027**	**2028**
0-18	2,900	2,700	2,000	2,100	2,100
18-25	600	700	1,600	1,600	1,600
26-34	2,200	2,200	800	900	900
35-44	1,800	1,600	1,800	1,900	1,900
45-54	1,100	1,800	2,200	2,100	2,100
55+	1,200	1,400	1,500	1,300	1,300
Total ACA	**9,800**	**10,400**	**9,900**	**9,900**	**9,900**

Note: Values shown have been rounded to the nearest hundred; the sum of values within each column may not be equal to the total value shown and the change in the number of enrollees may not equal the difference between the baseline and waiver membership shown due to rounding.

Affordability of Coverage

Under the affordability requirement, New Jerseyans must retain health care coverage which is at least as affordable as would be absent the waiver extension.[9] 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.

As with the scope of coverage requirement, in assessing this requirement, we estimate that the proposed Section 1332 Waiver extension will not have a material impact on the affordability of coverage for those individuals enrolled in employer-sponsored plans, Medicaid, Medicare, CHIP or any other public programs. As a result, the focus of our analysis is again on the impact of the proposed Section 1332 Waiver extension on out-of-pocket expenses in New Jersey's Individual ACA market. Additionally, since the proposed Section 1332 Waiver extension does not directly impact member plan level cost-sharing (i.e., members will be able to purchase plans with comparable benefit cost sharing as those plans in which they are currently enrolled), the focus of the affordability requirement is further centered on changes in net premium rates.

[9] 45 CFR 155.1308(f)(3)(iv)(B)

Under the proposed Section 1332 Waiver extension it is expected that gross premium rates in the Individual ACA market will decrease. Total out-of-pocket costs for enrollees who receive PTCs under both the baseline and the Section 1332 Waiver extension, including those with high expected health care costs, will not change for the subsidy benchmark plan (i.e., the second lowest cost silver plan) as their premium rate for that plan will continue to be capped at the applicable maximum percentage of household income they are required to pay under the ACA, less any state premium subsidies for which they are eligible.[10] For enrollees who do not receive PTCs or for enrollees who currently receive PTCs but who would no longer receive PTCs under the proposed Section 1332 Waiver extension (due to their gross premium rates decreasing below what their premium rate net of PTCs would otherwise be), including those with high expected health care costs, the proposed reinsurance program will result in an improvement in the overall affordability of health coverage relative to the baseline scenario.

The gross premium rates for the second lowest cost silver plans in New Jersey's Individual ACA market are expected to decrease, on average, by approximately 15.4% to 16.3% in all years under the proposed Section 1332 Waiver extension (i.e., relative to the baseline in which no reinsurance program is in place, see Tables 5a, 5b, 5c and 5d for additional details). It is important to note, however, that while the statewide average decrease in premium rates relative to the baseline is expected to be equal to approximately 15.8%, the actual change in premium rates under the Section 1332 Waiver extension will vary by issuer, depending upon each issuer's specific claim cost distribution as well as fixed non-benefit expenses. As a result, the projected average rate changes are shown to vary by county.

Table 5a presents estimates of the average second lowest cost silver plan monthly premium rates offered through the Exchange for a single, 21-year-old user in New Jersey by county grouping under both the baseline and waiver scenarios. Tables 5b and 5c present estimates of the second lowest cost silver plan monthly premium rates offered through the Exchange for a single, 21-year-old user in New Jersey by county under the baseline and waiver scenarios, respectively. Table 5d presents estimates of the change in the second lowest cost silver plan monthly premium rates offered through the Exchange by county between the baseline and waiver scenarios. The values in these tables reflect the anticipated impact of the scheduled termination of enhanced premium tax credits available under the IRA after 2025.

[10] For individuals who receive PTCs and purchase either the lowest-cost cost silver plan or another plan which is less expensive than the second lowest cost silver plan (e.g., a bronze plan), we estimate that their premium rates, net of PTCs, may increase slightly as a result of the proposed Section 1332 Waiver extension (relative to the baseline). This is because the proposed reinsurance program is expected to reduce the PTCs available to the member which can be applied to those lower cost plans by more than the premium rates for those plans are expected to decrease. However, as noted earlier, their out-of-pocket premium for the subsidy benchmark plan will not increase. Additionally, their premium rates net of PTCs for plans whose premium rates are greater than that of the second lowest cost silver plan (e.g., a gold plan) would be expected to decrease (relative to the baseline), improving the affordability of coverage for low-income individuals enrolled in those plans.

Table 5a: Estimated Second Lowest Cost Silver ACA Premium Rate by County Grouping 21-Year-Old User

Baseline

County Grouping	2024	2025	2026	2027	2028
1	$442	$473	$506	$542	$580
2	$450	$482	$515	$552	$590
3	$450	$482	$515	$552	$590

Waiver

County Grouping	2024	2025	2026	2027	2028
1	$374	$400	$428	$458	$490
2	$377	$403	$431	$462	$494
3	$381	$407	$436	$466	$499

Baseline to Waiver

County Grouping	2024	2025	2026	2027	2028
1	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
2	-16.3%	-16.3%	-16.3%	-16.3%	-16.3%
3	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%

Note: Values shown have been rounded to the nearest dollar
Rating Area 1, Group 1: Atlantic, Bergen, Burlington, Camden, Cumberland, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Morris, Passaic, Salem, Somerset, Sussex, Union, Warren
Rating Area 1, Group 2: Monmouth, Ocean
Rating Area 1, Group 3: Cape May

Table 5b: Estimated Second Lowest Cost Silver ACA Premium Rate by County 21-Year-OldUser – Baseline Scenario

Baseline

County Grouping	County	2024	2025	2026	2027	2028
Rating Area 1, Group 1	Atlantic	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Bergen	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Burlington	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Camden	$442	$473	$506	$542	$580
Rating Area 1, Group 3	Cape May	$450	$482	$515	$552	$590
Rating Area 1, Group 1	Cumberland	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Essex	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Gloucester	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Hudson	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Hunterdon	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Mercer	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Middlesex	$442	$473	$506	$542	$580
Rating Area 1, Group 2	Monmouth	$450	$482	$515	$552	$590
Rating Area 1, Group 1	Morris	$442	$473	$506	$542	$580
Rating Area 1, Group 2	Ocean	$450	$482	$515	$552	$590
Rating Area 1, Group 1	Passaic	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Salem	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Somerset	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Sussex	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Union	$442	$473	$506	$542	$580
Rating Area 1, Group 1	Warren	$442	$473	$506	$542	$580

Table 5c: Estimated Second Lowest Cost Silver ACA Premium Rate by County
21-Year-Old User – Waiver Scenario

Waiver						
County Grouping	**County**	**2024**	**2025**	**2026**	**2027**	**2028**
Rating Area 1, Group 1	Atlantic	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Bergen	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Burlington	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Camden	$374	$400	$428	$458	$490
Rating Area 1, Group 3	Cape May	$381	$407	$436	$466	$499
Rating Area 1, Group 1	Cumberland	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Essex	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Gloucester	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Hudson	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Hunterdon	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Mercer	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Middlesex	$374	$400	$428	$458	$490
Rating Area 1, Group 2	Monmouth	$377	$403	$431	$462	$494
Rating Area 1, Group 1	Morris	$374	$400	$428	$458	$490
Rating Area 1, Group 2	Ocean	$377	$403	$431	$462	$494
Rating Area 1, Group 1	Passaic	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Salem	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Somerset	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Sussex	$374	$400	$428	$458	$490
Rating Area 1, Group 1	Union	$374	$400	$428	$458	$490

Table 5d: Change in Estimated Second Lowest Cost Silver ACA Premium Rate by County
21-Year-Old User – Baseline to Waiver Scenario

Baseline to Waiver						
County Grouping	**County**	**2024**	**2025**	**2026**	**2027**	**2028**
Rating Area 1, Group 1	Atlantic	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Bergen	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Burlington	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Camden	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 3	Cape May	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Cumberland	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Essex	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Gloucester	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Hudson	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Hunterdon	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Mercer	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Middlesex	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 2	Monmouth	-16.3%	-16.3%	-16.3%	-16.3%	-16.3%
Rating Area 1, Group 1	Morris	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 2	Ocean	-16.3%	-16.3%	-16.3%	-16.3%	-16.3%
Rating Area 1, Group 1	Passaic	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Salem	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Somerset	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Sussex	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%
Rating Area 1, Group 1	Union	-15.4%	-15.4%	-15.4%	-15.4%	-15.4%

Due to the application of the specified age curve for ACA rating purposes, a similar percentage premium change would be expected to occur for all other ages, although all else equal, the premium difference would generally be expected to be greater than that shown above for enrollees who are older than 24 and less than that shown above for enrollees who are younger than 21.[11]

Comprehensiveness of Coverage Requirement

Under the comprehensiveness of coverage requirement, health care coverage under the proposed Section 1332 Waiver extension must be forecast to be at least as comprehensive overall for New Jersey residents as coverage absent the waiver extension.[12] Comprehensiveness refers to coverage requirements for ACA essential health benefits (EHBs) and, as appropriate, Medicaid and CHIP standards. The proposed Section 1332 Waiver extension does not impact the scope of services covered by issuers in the commercial markets or the scope of services covered by the Medicaid or CHIP programs. Therefore, the proposed Section 1332 Waiver extension is expected to have no impact on the comprehensiveness of coverage available to New Jersey residents.

Economic Analysis and Deficit Neutrality

Under the deficit neutrality requirement, projected federal spending, net of federal revenues, under the proposed Section 1332 Waiver extension must be equal to or lower than projected federal spending net of federal revenues in the absence of the waiver extension.[13]

The proposed Section 1332 Waiver extension was analyzed to determine its expected impact on costs associated with PTCs. Table 6 summarizes the expected impact of the proposed Section 1332 Waiver extension on the federal deficit for each year from 2024 through 2028 assuming gross premium rates in the Individual ACA market are reduced by an average of approximately 15.8% (i.e., relative to the premium rates which would otherwise be charged if no reinsurance program were in place). A detailed discussion of these items, as well as a discussion of other items considered in determining the impact to the federal deficit, follows.

Table 6: Impact of the Proposed Section 1332 Waiver Extension on the Federal Deficit
(Amounts shown in millions, rounded to nearest hundred thousand)

	A	B	C	D	A - B - C - D
Year	Change in PTCs	Change in User Fees	Change in Shared Responsibility Payments	Change in Health Insurance Provider Fees	Change in Federal Deficit
2024	($423)	$0	$0	$0	($423)
2025	($455)	$0	$0	$0	($455)
2026	($386)	$0	$0	$0	($386)
2027	($404)	$0	$0	$0	($404)
2028	($422)	$0	$0	$0	($422)

Note: PTCs are considered expenditures for the federal government whereas Shared Responsibility Payments and Health Insurance Providers Fees are considered revenue sources for the federal government. Therefore, a reduction in PTCs will decrease the federal deficit whereas a reduction in Shared Responsibility Payments or Health Insurance Provider Fees will increase the federal deficit. Given New Jersey has a state-based exchange, changes in user fees as a result of the waiver extension have no impact on federal revenues or expenses.

[11] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Downloads/StateSpecAgeCrv053117.pdf
[12] 45 CFR 155.1308(f)(3)(iv)(A)
[13] 45 CFR 155.1308(f)(3)(iv)(D)

A more detailed summary providing projected results over the five-year budget period under both the baseline and Section 1332 Waiver extension scenarios is shown in Appendix B.

Premium Tax Credits

Changes in premium for the second lowest cost silver plan and changes in subsidized enrollment have a direct impact on PTCs paid by the federal government. As shown in Table 7, assuming gross premium rates in the Individual ACA market are reduced by an average of approximately 15.8% under the waiver scenario relative to the baseline scenario, the proposed Section 1332 Waiver extension is expected to significantly decrease the volume of PTCs paid by the federal government each year beginning in 2024.

Table 7: Summary of PTC Enrollment and PTC Payments
Baseline and Waiver Scenarios

	Baseline			Waiver			Change
Year	PTC Enrollment	Avg PTC PMPM	Total PTCs (millions)	PTC Enrollment	Avg PTC PMPM	Total PTCs (millions)	Total PTCs (millions)
2024	311,900	$621	$2,324	311,700	$508	$1,901	($423)
2025	315,100	$667	$2,521	313,900	$549	$2,066	($455)
2026	250,100	$657	$1,972	248,900	$531	$1,586	($386)
2027	250,200	$686	$2,060	249,100	$554	$1,657	($404)
2028	250,300	$716	$2,152	249,200	$579	$1,730	($422)

Notes:
1. Enrollment volumes have been rounded to the nearest hundred and reflect average monthly enrollment levels
2. PMPM values have been rounded to the nearest dollar
3. Total PTCs are in millions

The overall impact of the proposed Section 1332 Waiver extension on the volume of enrollees receiving PTCs is expected to be minimal. Therefore, the decrease in PTC payments shown is driven almost entirely by the expected decrease in gross premium rates for the benchmark plan as a result of the reinsurance program which reduces gross premium rates by approximately 15.8% (i.e., relative to the premium rates which would otherwise be charged if no reinsurance program were in place).

Other Considerations Related to the Federal Deficit

Other items considered in estimating the impact of the Section 1332 Wavier on the federal deficit include the following:

- ***Exchange User Fees*** – New Jersey operates a state-based exchange, through which issuers sell Individual ACA insurance plans to individuals and families. Given that no Exchange User Fees are anticipated to be paid to the federal government over the waiver extension period under either the baseline or waiver scenarios, there is no impact on the federal deficit as a result of New Jersey's Section 1332 Waiver extension in these years.

- ***Federal Individual Mandate Penalty*** – Under the ACA, most individuals are required to maintain a minimum level of health insurance coverage. However, under the Tax Cut and Jobs Act of 2017, the federal individual mandate penalty was reduced to $0 starting in 2019. As a result, the proposed Section 1332 Waiver extension will have no impact on shared responsibility payments under current law.

- ***Cost-Sharing Reduction Payments*** – Given that federal cost-sharing reduction (CSR) payments are not currently being funded and have been assumed to remain unfunded in the future, there is no expected change assumed in the volume of CSR payments between the baseline and waiver scenarios.

- ***Health Insurance Providers Fee*** – With respect to the Health Insurer Providers (HIP) Fee, given that this fee was repealed starting in 2021, the proposed Section 1332 Waiver extension will have no impact on HIP Fee revenues.

Sensitivity of Results

Significant uncertainty exists with respect to future enrollment and premiums in the Individual ACA market, particularly in light of the unwinding of the Medicaid continuous enrollment provisions. As a result, actual experience will likely differ from what is assumed in this analysis. We note that some of the key assumptions related to health insurance markets that we made in the development of our projections include the following: CSR subsidies will continue to be unfunded by the federal government and issuers will continue to load premiums for their on-Exchange silver plans by an amount estimated to be equal to the lost CSR payments, issuer plan and network offerings will be similar to those available to consumers in 2023, issuer pricing assumptions will be similar to those used in 2023 (except where explicitly stated), the enhanced premium tax credits made available under IRA will end after 2025, there will be no significant issuer entries or exits, and there will be no additional significant legislative changes at either the state or federal level that would be expected to impact enrollment in the Individual ACA market. To the extent these assumptions do not hold true in future years, we would expect that actual results would vary, potentially significantly, from those assumed in this analysis. Further, given that federal pass-through funding will ultimately be based on actual premium rates filed by issuers offering coverage in New Jersey's Individual ACA market and actual enrollment volumes, final funding amounts are likely to differ from the estimates provided in this report.

Given the level of uncertainty, we performed significant sensitivity testing of key assumptions and shared those results with the DOBI. Some of the key assumptions that were sensitivity tested include the following:

- Overall membership volumes
- Non-PTC membership volumes
- The change in the second lowest cost silver premium PMPM due to the reinsurance program
- The ratio of PTCs to APTCs
- The level of claims cost within the specified reinsurance parameters
- The impact of Medicaid redeterminations and proposed DACA regulations on membership volumes

We note that in each of scenarios tested, while the changes made to the specified assumptions impacted the cost estimates of the reinsurance program and projected federal pass-through funding amounts, there were no cases in which any of the four federal requirements associated with Section 1332 Waiver extension was not expected to be met.

4. Data Sources and Methodology

The projections underlying our analysis are based on results from Oliver Wyman's HRM Model, which was utilized to examine the impact that the proposed Section 1332 Waiver extension is expected to have on the health insurance markets in New Jersey, and in meeting the requirements associated with Section 1332 Waivers extension as outlined in federal statute and regulation. The HRM Model is an economic utility model that captures the flow of individuals across various markets and coverage options based on their economic purchasing decisions. It is integrated with actuarial modeling designed to assess the impact that various reforms are expected to have on the health insurance markets.

We estimate that the proposed Section 1332 Waiver extension will not have a material impact on the number of New Jerseyans covered under employer-sponsored plans, Medicaid, Medicare, CHIP, or other public programs. As a result, we did not present detailed modeling results for those markets.

The primary basis for the population underlying the HRM Model is data from the 2019 American Community Survey (ACS). The ACS data provides detailed information for each individual in a surveyed household unit, including demographic, socioeconomic, geographic, and employment information. The data also provides information regarding health insurance coverage type. The ACS data was supplemented and synthesized with several other data sources, including information from an issuer data call, in order to develop a complete and comprehensive view of the current health insurance market in New Jersey.

DOBI issued a data call to the health insurance issuers expected to offer coverage in New Jersey's Individual ACA market in 2021, 2022, and 2023 to collect detailed information for that market to aid in calibrating the HRM Model. The data included premium and enrollment information from January 2021 through February 2023 and claims information from January 2021 through December 2022 and paid through February 2023. The issuer provided data was further augmented with information from a number of other sources, including but not limited to:

- 2019, 2020 and 2021 statutory financial statements submitted by issuers in New Jersey's health insurance markets
- 2019, 2020 and 2021 medical loss ratio (MLR) rebate data
- 2019-2023 Marketplace enrollment public use files
- 2019-2022 effectuated enrollment reports
- U.S. Census Bureau data
- Information on enrollment, premiums, and effective state subsidies paid at the household level under NJHPS provided by Get Covered New Jersey
- 2019-2021 summary reports on risk adjustment transfers
- 2019-2021 health insurance coverage estimates from the Kaiser Family Foundation
- National CPI and CMS Personal Health Care Price Index projections
- Available 2023 rate filing information (e.g., Unified Rate Review Template data)
- 2019-2023 Individual and Small Group ACA market premium rates

These additional data sources were utilized to determine the overall average annual enrollment volumes in the health insurance market for each of 2019, 2020, 2021, 2022 and 2023, to validate the issuer data that was

provided (e.g., average premiums PMPM), and to gather additional information utilized in our modeling but not captured through the issuer data call.

Health status was assigned to various sub-populations within the HRM Model based on a statistical analysis of self-reported health status data obtained from the Current Population Survey (CPS). The CPS data provides the starting assumptions for the population morbidity, because the data includes a self-reported health status indicator as well as fields classifying income, age, gender, geography, coverage type, and other categories. Respondents to the survey classify their health into one of five categories: excellent, very good, good, fair and poor. The model reflects these classifications numerically by assigning a morbidity load to each category.

Information from the Agency for Health Care Research and Quality's MEPS data was used to simulate the New Jersey employer-based market. MEPS identifies key statistics for the employer-based market for every state by group size, including employer offer rates, employee take-up rates, and self-funding rates among employers. Individuals in the ACS data identified as working for private employers were categorized into employer group size segments (e.g., small employer groups) based on the distribution of employees by group size according to MEPS. The MEPS data was also used to determine the number of individuals enrolled in self-funded plans to estimate the total size of the employer-based market. MEPS data was further used to inform our estimates of employer offer rates and self-funding rates.

The utility functions underlying the HRM Model were then calibrated to replicate the number of individuals in each of the Individual, employer-based, and uninsured markets in New Jersey for 2019, 2020, 2021, 2022, and 2023. The various parameters of HRM Model's utility functions were then further adjusted until the model also projected Individual ACA market enrollment in each of 2019, 2020, 2021, 2022 and 2023 that was consistent with key characteristics of the actual Individual ACA market enrollment for each year (e.g., by age range, income range, geography, etc.).

The HRM Model assumes a "steady" state population beyond 2023. This means the overall distribution by income, health status, employer size, and family composition of the entire population being modeled is not expected to change significantly. Additional adjustments were applied to the modeled results to reflect anticipated population growth within New Jersey. The population growth adjustments were developed based on most recent historical population change which are publicly available on the United States Census Bureau website.

Average claim costs were calibrated and adjusted on an overall basis using information provided in the issuer data call, statutory financial statements, and from other public data sources previously noted. Beyond 2023, claim costs within the HRM Model were trended forward assuming an average annual claims trend rate in the Individual ACA market equal to approximately 7.0%. This assumption was developed based on a review of publicly available information and Oliver Wyman's Issuer Trend Report.

Member cost-sharing and incurred claims were calculated by the HRM Model, with the assumed annual limitation on cost-sharing indexed for inflation each year according to federal regulations using the most recent National Health Expenditure (NHE) data.

Actual lowest-cost bronze, silver, and gold premium rates and second-lowest cost silver premium rates for New Jersey's Individual ACA market in 2019, 2020, 2021, 2022 and 2023 were utilized in the HRM Model.

Premium rates in the Individual ACA market for 2024 were based on the 2023 rates, trended forward at a rate of 8.3%. Premium rates after 2024 were assumed to increase annually be 7.0%. Premium rates in the small and large group markets are assumed to increase by an assumed trend rate of 7.0%.

Federal PTCs for eligible Individual ACA market enrollees were assumed to change each year based on premium changes associated with the second lowest cost silver plan available changes in the Applicable Percentage Tables. The Applicable Percentage Tables, while known for 2019 through 2023, were adjusted each year beyond 2023 according to the methodology outlined by the 2023 Final Benefit and Payment Parameter Notice.[14] Premium and income growth rates utilized in developing the Adjustment Ratio that was applied to the projected Applicable Percentage Tables were based on the most recent NHE projections published by CMS.

As noted earlier, additional key assumptions which were incorporated into the HRM Model include the following: CSR subsidies will continue to be unfunded by the federal government and issuers will continue to load premiums for their silver plans by an amount estimated to be equal to the lost CSR payments, issuer plan and network offerings will be similar to those available to consumers in 2023, issuer pricing assumptions will be similar to those used in 2023, the enhanced premium tax credits made available under IRA will end after 2025, there will be no significant issuer entries or exits, and there will be no additional significant legislative changes at either the state or federal level.

[14] https://www.govinfo.gov/content/pkg/FR-2022-05-06/pdf/2022-09438.pdf

5. Distribution and Use

Oliver Wyman prepared this report for the sole use of the State of New Jersey. This report is not intended for general circulation or publication, nor is it to be used or distributed to others for any purposes other than those that may be set forth herein or in the definitive documentation pursuant to which this report was issued. Oliver Wyman understands that the report will be made public and used to support the State's Section 1332 Waiver extension application. This report includes important considerations, assumptions, and limitations and, as a result, is intended to be read and used only as a whole. This report may not be separated into, or distributed, in parts. All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the State.

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6. Disclosure and Limitations

Oliver Wyman Actuarial Consulting, Inc., was engaged by the State of New Jersey, Department of Banking and Insurance, to assist in performing actuarial and economic analyses as part of its State Innovation Waiver extension application under Section 1332 of the Patient Protection and Affordable Care Act. The actuarial services provided consisted of analyses and forecasting to determine whether the proposed Section 1332 Waiver extension will satisfy the Section 1332 Waiver guardrail requirements.

Tammy Tomczyk, Peter Kaczmarek, and John Rienstra, all Members of the American Academy of Actuaries, are responsible for this actuarial communication and meet the requirements to issue this report.

For our analysis, we relied on a wide range of data and information as described throughout this report. This includes information received from the issuers currently offering coverage in the Individual ACA market in New Jersey. Though we have reviewed the data for reasonableness and consistency, we have not independently audited or otherwise verified this data. Our review of the data may not reveal errors or imperfections. We have assumed the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information are inaccurate or incomplete, our findings and conclusions may need to be revised. All projections are based on data and information available as of May 5, 2023, and the projections are not a guarantee of results which might be achieved.

We also received information from DOBI including Get Covered New Jersey, as well as information they gathered from the New Jersey Department of Human Services (the Department) related to the steps and timeline the Department is undertaking to complete the Medicaid redetermination process.

The estimates included within are based on federal law, regulations issued by the United States Department of Health and Human Services and the Internal Revenue Service, and applicable laws and regulations of the New Jersey as of May 16, 2023. Further, our estimates assume that current law as it relates to the Affordable Care Act, and other statutes and regulations that impact the health insurance markets, will continue in the future years without material change that would impact the results included in this report.

In addition, the projections we show in this report are dependent upon a number of assumptions regarding the future economic environment, medical trend rates, issuer behavior, the behavior of individuals and employers in light of incentives and penalties, and a number of other factors. These assumptions are disclosed within the report and have been discussed with representatives from DOBI.

While this analysis complies with the applicable Actuarial Standards of Practice, in particular ASOP No. 23, Data Quality and ASOP No 41, Actuarial Communication, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic, statistical and other unforeseen variations from projected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect our projections. For these reasons, no assurance can be given that the emerging experience will correspond to the projections in this analysis. To the extent future conditions are at variance with the assumptions we have made in developing these projections, actual results will vary from our projections, and the variance may be substantial.

Oliver Wyman is not engaged in the practice of law and this report, which may include commentary on legal issues and regulations, does not constitute, nor is it a substitute for, legal advice. Accordingly, Oliver Wyman recommends that the State of New Jersey secure the advice of competent legal counsel with respect to any legal matters related to this report or otherwise.

This report is intended to be read and used as a whole and not in parts. Separation or alteration of any section or page from the main body of this report is expressly forbidden and invalidates this report.

7. Actuarial Certification

I, Tammy Tomczyk, am a Partner with Oliver Wyman Actuarial Consulting, Inc. I am a Fellow in the Society of Actuaries, a Member of the American Academy of Actuaries, and am qualified to provide the following certification.

This actuarial certification applies to the State of New Jersey's application for an extension of its State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act. The State is seeking to waive §1312(c)(1) of the Affordable Care Act, which requires that all enrollees in all health plans offered by an issuer in the Individual market be members of a single risk pool.

Reliance

In performing the analyses outlined in this report and arriving at my opinion, I used and relied on information provided by various agencies of the State of New Jersey, information obtained from issuers currently offering coverage in the Individual ACA market in New Jersey, financial statement information, and additional information published by various agencies of the federal government.

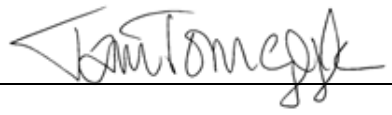
I used and relied on this information without independent investigation or audit. If this information is inaccurate, incomplete, or out of date, my findings and conclusions may need to be revised. While I have relied on the data provided without independent investigation or audit, I have reviewed the data for consistency and reasonableness. Where I found the data inconsistent or unreasonable, I requested clarification.

Actuarial Certification

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

- **Scope of Coverage Requirement:** The Section 1332 Waiver extension will provide coverage to at least a comparable number of the State's residents as would be covered absent the waiver extension.
- **Affordability Requirement:** The Section 1332 Waiver extension will provide coverage and cost-sharing protections against excessive out-of-pocket spending that results in coverage which is at least as affordable for the State's residents as would be provided absent the waiver extension.
- **Comprehensiveness of Coverage Requirement:** The Section 1332 Waiver extension will provide coverage that is at least as comprehensive for the State's residents as would be provided absent the waiver extension.
- **Deficit Neutrality Requirement:** The Section 1332 Waiver extension will not increase the federal deficit.

This certification conforms to the applicable Actuarial Standards of Practice promulgated by the Actuarial Standards Board.



June 14, 2023

Appendix A. Overview of Oliver Wyman's Healthcare Reform Microsimulation Model

We utilized Oliver Wyman's HRM Model to assess the impact that the proposed Section 1332 Waiver extension is expected to have on the individual health insurance market and correspondingly the uninsured population in the State of New Jersey. The HRM Model is an economic utility model that captures the flow of individuals across various markets and coverage options based on their economic purchasing decisions and is integrated with actuarial modeling designed to assess the impact various reforms are expected to have on the health insurance markets. This model is a leading-edge tool for analyzing the impact of various healthcare reforms or proposed legislation.

The HRM Model projects the number of individuals expected to seek coverage under each health insurance coverage type using economic utility functions. The decision-making process for determining which health insurance coverage type is selected is made at the health insurance unit (HIU) level, where an HIU is defined as any grouping of family members where each person within the HIU might be eligible for coverage under the same policy. One exception to this is that individuals who are identified as being eligible for Medicare, Medicaid, CHIP, and other government sponsored coverage (e.g., government workers) are assumed to retain their government sponsored coverage, and the economic utility associated with employer-based coverage, Individual market coverage or being uninsured is only evaluated by the HRM Model for the remaining individuals within an HIU.

HIUs are generally assumed to make economically rational decisions in selecting the health insurance option that maximizes the economic utility for the HIU. The HRM Model allows for some irrational behavior, including the principle of "inertia" in HIU decision making (i.e., people are unlikely to make significant changes in their situation for relatively small changes in utility) and the assumption that not all uninsured individuals will actually shop for health insurance coverage each year.

An HIU's decision to enroll in ACA coverage is based on the lowest cost bronze, silver, or gold plan available in each rating area (RA) which provides the greatest economic value. Both on-Exchange and off-Exchange plans are made available to each HIU, with PTCs applied to eligible HIUs. The economic utilities for all members of the HIU are aggregated to develop the corresponding utility for the HIU under each health insurance option.

Individuals identified as working for private employers are randomly categorized into synthetic employer groups of varying group sizes based on the distribution of group size from the Medical Expenditure Panel Survey (MEPS). An employer-based economic utility function, which takes into account items such as the expected costs which would be incurred as a result of not offering coverage (e.g., the penalty for not offering coverage) and the benefits that would be available to an employer's employees if they were to purchase coverage in the Individual market (e.g., PTCs), determines whether a given employer will offer health insurance coverage to its employees and their dependents. If an employer offers coverage, all eligible employees and their dependents within each HIU (i.e., individuals who are not eligible for health insurance coverage through a government sponsored program) are assumed to evaluate the health insurance coverage options offered by the employer.

The decision as to whether an HIU will take up coverage in either the employer-based market, the Individual market, or choose to be uninsured is based on the result from comparing two economic utility functions. The first economic utility function calculates the utility associated with taking up coverage in either the employer-based market or the Individual market (depending on whether the employer of the primary or spouse within an HIU is modeled to offer coverage) and is a function of the premium the HIU would be expected to pay (net of employer subsidies or federal premium subsidies, respectively), any cost-sharing the HIU would be expected to pay out-of-pocket (net of any CSRs for applicable Individual market coverage), and the risk aversion of the HIU. If multiple coverage options are available (e.g., employer coverage, Individual market bronze-level coverage, Individual market silver-level coverage), the utility of each coverage option is evaluated and the best option is selected. The second economic utility function calculates the utility associated with not taking coverage and remaining uninsured, and is a function of any tax penalty the HIU would be assessed, total allowed claim costs for the HIU (assuming a reduced level of utilization due to the lack of insurance coverage), and the risk aversion of the HIU. If the utility of being uninsured is greater than the utility associated with taking up health insurance coverage, the HIU is assumed to be uninsured. Otherwise, the HIU is assumed to take up coverage in either the employer-based market or the Individual market for the coverage option that provides the maximum utility for the HIU.

Appendix B. Five Year Budget Period Projections

Detailed Summary of Individual ACA Market Projections - Baseline and Waiver Scenarios

Baseline					
	2024	2025	2026	2027	2028
Total Individual ACA Enrollment	412,200	413,300	373,800	374,000	374,200
ACA PTC Enrollment	311,900	315,100	250,100	250,200	250,300
ACA Non-PTC Enrollment	100,300	98,200	123,700	123,800	123,900
Aggregate ACA Premium (millions)	$4,139	$4,438	$4,302	$4,659	$5,046
Average ACA Premium Rate PMPM	$837	$895	$959	$1,038	$1,124
Aggregate APTCs (millions)	$2,468	$2,677	$2,094	$2,188	$2,285
Aggregate PTCs (millions)	$2,324	$2,521	$1,972	$2,060	$2,152
Average PTCs PMPM	$621	$667	$657	$686	$716

Waiver					
	2024	2025	2026	2027	2028
Total Individual ACA Enrollment	422,000	423,700	383,700	383,900	384,100
ACA PTC Enrollment	311,700	313,900	248,900	249,100	249,200
ACA Non-PTC Enrollment	110,300	109,800	134,800	134,800	134,900
Aggregate ACA Premium (millions)	$3,575	$3,847	$3,742	$4,051	$4,386
Average ACA Premium Rate PMPM	$706	$757	$813	$879	$952
Aggregate APTCs (millions)	$2,019	$2,194	$1,684	$1,759	$1,838
Aggregate PTCs (millions)	$1,901	$2,066	$1,586	$1,657	$1,730
Average PTCs PMPM	$508	$549	$531	$554	$579

Change – Baseline to Waiver					
	2024	2025	2026	2027	2028
Total Individual ACA Enrollment	9,800	10,400	9,900	9,900	9,900
Total Individual ACA Enrollment (%)	2.4%	2.5%	2.6%	2.6%	2.6%
Average ACA Premium Rate PMPM (%)	-15.6%	-15.5%	-15.3%	-15.3%	-15.3%
Average PTCs PMPM (%)	-18.1%	-17.7%	-19.2%	-19.2%	-19.2%

Demonstration of Deficit Neutrality Requirement (Amounts shown in millions)					
	2024	2025	2026	2027	2028
Change in Total APTCs	($449)	($483)	($410)	($429)	($448)
Change in Total PTCs	($423)	($455)	($386)	($404)	($422)
Change in Other (e.g., User Fees)	$0	$0	$0	$0	$0
Net Savings to Federal Government	($423)	($455)	($386)	($404)	($422)

Projected Reinsurance Program Costs and Funding Levels					
	2024	2025	2026	2027	2028
Cost of Reinsurance Program (millions)	$571	$613	$594	$636	$681
Federal Pass-Through Funding (millions)	$423	$455	$386	$404	$422
State Funding (millions)	$148	$158	$208	$233	$260

Notes:

1. Enrollment volumes have been rounded to the nearest hundred and reflect average monthly enrollment levels
2. Aggregate values are in millions
3. PMPM values have been rounded to the nearest whole dollar
4. Average ACA premium rate change shown is not equal to 15.8% due to differences in member mix (e.g., demographics, plan mix) between the baseline and waiver scenarios
5. The ratio of PTCs to APTCs is assumed to be 0.942

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