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PENNSYLVANIA SECTION 1332 STATE INNOVATION WAIVER EXTENSION

Actuarial Analysis

October 4, 2024

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1. Introduction

The Commonwealth of Pennsylvania (the Commonwealth) believes that a sustainable, affordable Individual market for health insurance is important, and Pennsylvania's Individual market has grown significantly since the initial implementation of its reinsurance program in 2021. The Commonwealth believes that an effective mechanism to help sustain an affordable Individual market is through the continuation of the state-based reinsurance program. The current Pennsylvania reinsurance program utilizes an attachment-point model of reinsurance, financed in part by a premium assessment on health insurance issuers. The program has reduced health insurance rates in the Individual Affordable Care Act (ACA) market in the Commonwealth over the period from 2021 through 2025 by approximately 4% to 5%, relative to what they would have been without the program.

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 the Exchange. These enhanced premium tax credits were extended through calendar year 2025 under the Inflation Reduction Act (IRA), which was signed by President Biden in August of 2022. Under current law, these enhanced PTCs are scheduled to sunset at the end of 2025, returning to levels outlined in the ACA.

In an effort to continue to address the affordability of health insurance for Pennsylvanians and avoid market disruptions, the Commonwealth 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, 2021 through December 31, 2025, and established a state-based and state-administered reinsurance program. Specifically, the Commonwealth 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, 2026 through December 31, 2030. 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 be expected to incentivize individuals to join or remain enrolled in the Individual ACA market.

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman), was retained by the Commonwealth to perform the actuarial and economic analysis related to Pennsylvania'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 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 Commonwealth 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

[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."

- **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 Commonwealth 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 Pennsylvania's Individual ACA market. Under the Commonwealth's Section 1332 Waiver, a reinsurance program was established for plan years 2021 through 2025. In 2025, the funding for the reinsurance program is set to support a program that has 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 approximately 4.7%, relative to the premium rates which would otherwise be charged if no reinsurance program were in place.

In this section, 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 Commonwealth 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 Commonwealth to ensure the reinsurance program remains fully funded (net of federal pass-through funding) and, to the extent possible, continues to target the Commonwealth'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 Reinsurance Program in 2026

Based on issuers' rate filings for the 2025 plan year and Oliver Wyman's estimates, the reinsurance program had the effect of reducing premiums on average by 4.7% in 2025, and the net-cost to the Commonwealth is projected to be $62.5 million. The Commonwealth's objective with this waiver extension is to set the parameters for the program such that it has the effect of materially reducing gross premium rates in the market while maintaining a reasonably similar net-cost to the Commonwealth in future years as in recent prior years. Overall, we estimate that a reinsurance program that has an expected net cost to the Commonwealth of $72.6 million in 2026 will have a similar effect on premium rates for 2026 as in 2025 (i.e., reducing gross premium rates in the Individual ACA market by an average of approximately 4.7% relative to the premium rates that would otherwise be charged if no reinsurance program were in place). This estimate was developed based on projected enrollment, premium, claims, non-benefit expenses, and expected reinsurance parameters in the Individual ACA market for 2026. Further, this estimate assumes that the enhanced PTCs that were first enacted for the Individual ACA market under the American Rescue Plan Act of 2021 and extended via the IRA of 2022 will expire following the 2025 calendar year.

In developing the estimate, it was assumed that issuer claim expenses in 2026 on a per member per month (PMPM) basis will be equal to 2023 claim expenses on a PMPM basis, trended to 2026. Then, based on feedback received from each issuer offering coverage in Pennsylvania's Individual ACA market in 2024 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 Pennsylvania's stated objective for 2026. In doing so we account for the change in morbidity expected to occur in 2026 under the proposed Section 1332 Waiver extension (i.e., as a result of increased enrollment due to

lower premium rates in 2026 with the reinsurance program in place relative to without the reinsurance program), the total projected cost of the program was calculated as follows:

> ***Projected 2026 Cost of Reinsurance Program*** *= Projected 2026 Claims Volume x Target Reduction in Issuer Claims Expense*
>
> *Where Projected 2026 Claims Volume = 2023 Claims PMPM in the Individual ACA market * 12 * Claims Trend from 2023 to 2026 * Morbidity Adjustment Due to the Expiration of the Enhanced PTCs * Estimated 2026 Enrollment in Individual ACA market*

Funding for the reinsurance program in 2026 is expected to come from the following sources:

1. Federal pass-through funds received as a result of the Section 1332 Waiver extension,
2. A portion of the state-based exchange user fee, to be assessed on health and dental products offered through Pennsylvania's health insurance exchange named Pennie.

Regarding the first item, through its Section 1332 Waiver extension application, the Commonwealth 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 reinsurance program. Section 1332(a)(3) of the ACA authorizes pass-through funding under Section 1332 Waivers.

Estimated 2026 Reinsurance Parameters and Payment Calculation

Pennsylvania'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 high-cost claimants.

Table 1 provides preliminary reinsurance parameters for 2026 which are based on those that will be in effect in 2025:

Table 1: Preliminary 2026 Reinsurance Parameters

Parameter	Value
Attachment Point	$60,000
Reinsurance Cap	$100,000
Coinsurance %	60.0%

These parameters were estimated using historical issuer-provided claims data, which was adjusted to reflect projected plan year cost 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 for a given member as follows[2]:

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

2026 Reinsurance Payment for ACA Member$_i$ = Maximum [Minimum [Member$_i$ Annual Paid Claim Expense, $100,000] - $60,000, $0] x 60.0%

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 Individual ACA Incurred Claims Expenses

Annual Incurred Claims	% of Members	% of Claims	Average Claim Cost PMPY
$0 to $59,999	98.3%	55.4%	$3,154
$60,000 to $99,999	0.9%	12.1%	$77,022
$100,000+	0.8%	32.5%	$214,944

In utilizing the specified parameters, 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 the Reinsurance Program

As noted earlier, a primary objective of the reinsurance program is to materially reduce gross premium rates in the Individual ACA market and the program is projected to have an impact of approximately 4.7% in 2026, 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 Pennsylvania's Individual ACA market. We estimate that the morbidity improvement as a result of the proposed Section 1332 Waiver extension will be approximately 0.1% in 2026 based on modeling and issuer feedback. This morbidity improvement is included in the estimated 4.7% 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.[3] 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 Pennsylvania, 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 Commonwealth'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 Commonwealth'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 Commonwealth'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 2026 and each year for the five-year period ending in 2030. 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 Pennsylvania 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

[3] 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.[4] 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 Pennsylvanians 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 Pennsylvania's Individual ACA market.

Table 4 summarizes the projected average volume of Individual ACA market enrollees and uninsured individuals in Pennsylvania by year under the baseline and waiver scenarios, assuming gross premium rates in the Individual ACA market are reduced under the waiver scenario by an average of approximately 4.7% in 2026 through 2030 (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 reflect expected decreases in Individual ACA enrollment in 2026 due to the scheduled termination of the enhanced PTCs.

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
2026	446,900	449,000	0.5%	687,300	685,200	-0.3%
2027	446,500	448,600	0.5%	686,700	684,600	-0.3%
2028	446,100	448,200	0.5%	686,100	684,000	-0.3%
2029	445,800	447,800	0.4%	685,400	683,400	-0.3%
2030	445,400	447,400	0.4%	684,800	682,800	-0.3%

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

Under the proposed Section 1332 Waiver extension, enrollment in the Individual ACA market is expected to be approximately 0.4% to 0.5% higher than baseline enrollment levels each year over the time period of 2026 through 2030. The increase in enrollment under the proposed Section 1332 Waiver extension is driven primarily by uninsured individuals who are expected to enter the Individual ACA market as a result of lower gross premium rates with the reinsurance program in place.[5]

Overall, our modeling shows it is expected that the new enrollees who enter the ACA market in 2026 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 Pennsylvania's Individual ACA market is expected to be approximately 0.1% in 2026 through 2030.

[4] 45 CFR 155.1308(f)(3)(iv)(C)

[5] 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.*

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 2026 through 2030 assuming gross premium rates in the Individual ACA market are reduced under the waiver scenario by an average of approximately 4.7% 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).

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

Baseline					
Income Range	**2026**	**2027**	**2028**	**2029**	**2030**
< 150%	69,300	69,300	69,200	69,200	69,100
151% - 200%	72,500	72,400	72,400	72,300	72,200
201% - 250%	50,800	50,700	50,700	50,600	50,600
251% - 300%	43,600	43,600	43,500	43,500	43,500
301% - 400%	55,400	55,400	55,300	55,300	55,200
401%+	155,300	155,100	155,000	154,900	154,800
Total ACA	**446,900**	**446,500**	**446,100**	**445,800**	**445,400**

Waiver					
Income Range	**2026**	**2027**	**2028**	**2029**	**2030**
< 150%	69,300	69,300	69,200	69,200	69,100
151% - 200%	72,500	72,400	72,400	72,300	72,200
201% - 250%	50,800	50,700	50,700	50,600	50,600
251% - 300%	43,600	43,600	43,500	43,500	43,500
301% - 400%	55,400	55,400	55,300	55,300	55,200
401%+	157,400	157,200	157,100	156,900	156,800
Total ACA	**449,000**	**448,600**	**448,200**	**447,800**	**447,400**

Baseline to Waiver					
Income Range	**2026**	**2027**	**2028**	**2029**	**2030**
< 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%+	2,100	2,100	2,100	2,000	2,000
Total Change	**2,100**	**2,100**	**2,100**	**2,000**	**2,000**

Note: Values shown have been rounded to the nearest hundred

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 2026 through 2030 assuming gross premium rates in the Individual ACA market are reduced under the waiver scenario by an average of approximately 4.7% 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	**2026**	**2027**	**2028**	**2029**	**2030**
Catastrophic	1,500	1,500	1,500	1,500	1,500
Bronze	104,900	104,800	104,700	104,600	104,500
Silver	148,600	148,500	148,300	148,200	148,100
Gold	191,900	191,700	191,600	191,500	191,300
Platinum	0	0	0	0	0
Total ACA	**446,900**	**446,500**	**446,100**	**445,800**	**445,400**

Waiver					
Metal Level	**2026**	**2027**	**2028**	**2029**	**2030**
Catastrophic	1,500	1,500	1,500	1,500	1,500
Bronze	105,500	105,400	105,300	105,200	105,100
Silver	149,100	149,000	148,800	148,700	148,600
Gold	192,900	192,700	192,600	192,400	192,200
Platinum	0	0	0	0	0
Total ACA	**449,000**	**448,600**	**448,200**	**447,800**	**447,400**

Baseline to Waiver					
Metal Level	**2026**	**2027**	**2028**	**2029**	**2030**
Catastrophic	0	0	0	0	0
Bronze	600	600	600	600	600
Silver	500	500	500	500	500
Gold	1,000	1,000	1,000	900	900
Platinum	0	0	0	0	0
Total ACA	**2,100**	**2,100**	**2,100**	**2,000**	**2,000**

Note: Values shown have been rounded to the nearest hundred

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 2026 to 2030 assuming gross premium rates in the Individual ACA market are reduced under the waiver scenario by an average of approximately 4.7% relative to the premium rates which would otherwise be charged if no reinsurance program were in place. The distribution of Individual ACA enrollment by age is not expected to shift materially 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	**2026**	**2027**	**2028**	**2029**	**2030**
0-17	40,900	40,900	40,800	40,800	40,800
18-25	29,600	29,600	29,600	29,500	29,500
26-34	57,500	57,400	57,400	57,300	57,300
35-44	70,300	70,300	70,200	70,200	70,100
45-54	86,100	86,100	86,000	85,900	85,800
55+	162,500	162,200	162,100	162,100	161,900
Total ACA	**446,900**	**446,500**	**446,100**	**445,800**	**445,400**
Waiver					
Age Range	**2026**	**2027**	**2028**	**2029**	**2030**
0-17	41,100	41,100	41,000	41,000	41,000
18-25	30,200	30,200	30,200	30,100	30,100
26-34	57,500	57,500	57,400	57,400	57,400
35-44	70,300	70,300	70,200	70,200	70,100
45-54	86,300	86,200	86,100	86,000	85,900
55+	163,600	163,300	163,300	163,100	162,900
Total ACA	**449,000**	**448,600**	**448,200**	**447,800**	**447,400**
Baseline to Waiver					
Age Range	**2026**	**2027**	**2028**	**2029**	**2030**
0-17	200	200	200	200	200
18-25	600	600	600	600	600
26-34	0	100	0	100	100
35-44	0	0	0	0	0
45-54	200	100	100	100	100
55+	1,100	1,100	1,200	1,000	1,000
Total ACA	**2,100**	**2,100**	**2,100**	**2,000**	**2,000**

Note: Values shown have been rounded to the nearest hundred

Affordability of Coverage

Under the affordability requirement, Pennsylvanians must retain health care coverage which is at least as affordable as would be absent the waiver extension.[6] 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 Pennsylvania'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.

[6] 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. 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.

While the overall average gross premium rates are expected to decrease by 4.7% in 2026 through 2030, based on feedback received from issuers in the market and our projections of issuer positioning, the gross premium rates for the second lowest cost silver plans in Pennsylvania's Individual ACA market are expected to decrease, on average, by approximately 4.6% in in 2026 through 2030 due to the reinsurance program under the proposed Section 1332 Waiver extension (i.e., relative to the baseline in which no reinsurance program is in place, see Table 5 for additional details). It is important to note, however, that 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.

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, non-tobacco user in Pennsylvania by rating area 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, non-tobacco user in Pennsylvania 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.

Table 5a: Estimated Second Lowest Cost Silver ACA Premium Rate by Rating Area
21-Year-Old, Non-Tobacco User

Baseline

Rating Area	2026	2027	2028	2029	2030
1	$398	$424	$452	$481	$513
2	$507	$540	$576	$613	$653
3	$458	$488	$520	$553	$589
4	$374	$399	$424	$452	$481
5	$414	$440	$469	$500	$532
6	$526	$560	$596	$635	$677
7	$502	$535	$570	$607	$646
8	$329	$351	$373	$398	$423
9	$635	$677	$721	$768	$817

Waiver

Rating Area	2026	2027	2028	2029	2030
1	$380	$405	$431	$459	$489
2	$484	$516	$549	$585	$623
3	$437	$465	$496	$528	$562
4	$357	$381	$405	$432	$460
5	$395	$421	$448	$477	$508
6	$501	$533	$568	$605	$644
7	$477	$508	$541	$576	$613
8	$314	$335	$357	$380	$404
9	$604	$644	$685	$730	$777

Baseline to Waiver

Rating Area	2026	2027	2028	2029	2030
1	-4.6%	-4.6%	-4.6%	-4.6%	-4.6%
2	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
3	-4.6%	-4.6%	-4.6%	-4.6%	-4.6%
4	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
5	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
6	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%
7	-5.1%	-5.1%	-5.1%	-5.1%	-5.1%
8	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
9	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%

Note: Values shown have been rounded to the nearest dollar

Table 5b: Estimated Second Lowest Cost Silver ACA Premium Rate by County
21-Year-Old, Non-Tobacco User – Baseline Scenario

County	2026	2027	2028	2029	2030
Adams	$650	$692	$737	$785	$836
Allegheny	$369	$393	$419	$446	$475
Armstrong	$498	$531	$565	$602	$641
Beaver	$390	$416	$443	$471	$502
Bedford	$386	$412	$438	$467	$497
Berks	$417	$444	$473	$504	$537
Blair	$386	$412	$438	$467	$497
Bradford	$441	$469	$500	$532	$567
Bucks	$329	$351	$373	$398	$423
Butler	$369	$393	$419	$446	$475
Cambria	$437	$465	$495	$528	$562
Cameron	$627	$668	$711	$757	$807
Carbon	$441	$469	$500	$532	$567
Centre	$490	$522	$556	$592	$631
Chester	$329	$351	$373	$398	$423
Clarion	$399	$424	$452	$481	$513
Clearfield	$437	$465	$495	$528	$562
Clinton	$489	$521	$555	$591	$629
Columbia	$658	$701	$746	$795	$846
Crawford	$498	$531	$565	$602	$641
Cumberland	$628	$669	$713	$759	$808
Dauphin	$628	$669	$713	$759	$808
Delaware	$329	$351	$373	$398	$423
Elk	$529	$564	$600	$639	$681
Erie	$369	$393	$419	$446	$475
Fayette	$351	$373	$398	$423	$451
Forest	$498	$531	$565	$602	$641
Franklin	$628	$669	$713	$759	$808
Fulton	$775	$826	$879	$937	$997
Greene	$369	$393	$419	$446	$475
Huntingdon	$437	$465	$495	$528	$562
Indiana	$533	$568	$605	$644	$686
Jefferson	$437	$465	$495	$528	$562
Juniata	$775	$826	$879	$937	$997
Lackawanna	$441	$469	$500	$532	$567
Lancaster	$417	$444	$473	$504	$537
Lawrence	$369	$393	$419	$446	$475
Lebanon	$628	$669	$713	$759	$808
Lehigh	$490	$522	$556	$592	$631
Luzerne	$441	$469	$500	$532	$567
Lycoming	$489	$521	$555	$591	$629
McKean	$369	$393	$419	$446	$475
Mercer	$369	$393	$419	$446	$475
Mifflin	$658	$701	$746	$795	$846
Monroe	$441	$469	$500	$532	$567
Montgomery	$329	$351	$373	$398	$423
Montour	$658	$701	$746	$795	$846
Northampton	$490	$522	$556	$592	$631
Northumberland	$658	$701	$746	$795	$846
Perry	$628	$669	$713	$759	$808
Philadelphia	$329	$351	$373	$398	$423
Pike	$637	$679	$723	$770	$820
Potter	$445	$474	$505	$538	$573
Schuylkill	$490	$522	$556	$592	$631
Snyder	$658	$701	$746	$795	$846
Somerset	$386	$412	$438	$467	$497
Sullivan	$441	$469	$500	$532	$567
Susquehanna	$441	$469	$500	$532	$567
Tioga	$489	$521	$555	$591	$629
Union	$658	$701	$746	$795	$846
Venango	$369	$393	$419	$446	$475
Warren	$498	$531	$565	$602	$641
Washington	$369	$393	$419	$446	$475
Wayne	$441	$469	$500	$532	$567
Westmoreland	$351	$373	$398	$423	$451
Wyoming	$441	$469	$500	$532	$567
York	$650	$692	$737	$785	$836

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

County	2026	2027	2028	2029	2030
Adams	$612	$652	$694	$739	$788
Allegheny	$353	$376	$400	$426	$454
Armstrong	$474	$505	$537	$572	$610
Beaver	$373	$397	$423	$450	$480
Bedford	$369	$393	$419	$446	$475
Berks	$398	$424	$452	$481	$513
Blair	$369	$393	$419	$446	$475
Bradford	$421	$448	$477	$508	$541
Bucks	$314	$335	$357	$380	$404
Butler	$353	$376	$400	$426	$454
Cambria	$417	$444	$473	$504	$537
Cameron	$596	$635	$676	$720	$767
Carbon	$421	$448	$477	$508	$541
Centre	$468	$499	$531	$565	$602
Chester	$314	$335	$357	$380	$404
Clarion	$381	$405	$432	$460	$490
Clearfield	$417	$444	$473	$504	$537
Clinton	$467	$498	$530	$564	$601
Columbia	$620	$660	$703	$749	$798
Crawford	$474	$505	$537	$572	$610
Cumberland	$598	$636	$678	$722	$769
Dauphin	$598	$636	$678	$722	$769
Delaware	$314	$335	$357	$380	$404
Elk	$506	$538	$573	$611	$650
Erie	$353	$376	$400	$426	$454
Fayette	$335	$357	$380	$404	$431
Forest	$474	$505	$537	$572	$610
Franklin	$598	$636	$678	$722	$769
Fulton	$737	$785	$836	$891	$949
Greene	$353	$376	$400	$426	$454
Huntingdon	$417	$444	$473	$504	$537
Indiana	$509	$542	$578	$615	$655
Jefferson	$417	$444	$473	$504	$537
Juniata	$737	$785	$836	$891	$949
Lackawanna	$421	$448	$477	$508	$541
Lancaster	$398	$424	$452	$481	$513
Lawrence	$353	$376	$400	$426	$454
Lebanon	$598	$636	$678	$722	$769
Lehigh	$468	$499	$531	$565	$602
Luzerne	$421	$448	$477	$508	$541
Lycoming	$467	$498	$530	$564	$601
McKean	$353	$376	$400	$426	$454
Mercer	$353	$376	$400	$426	$454
Mifflin	$620	$660	$703	$749	$798
Monroe	$421	$448	$477	$508	$541
Montgomery	$314	$335	$357	$380	$404
Montour	$620	$660	$703	$749	$798
Northampton	$468	$499	$531	$565	$602
Northumberland	$620	$660	$703	$749	$798
Perry	$598	$636	$678	$722	$769
Philadelphia	$314	$335	$357	$380	$404
Pike	$600	$639	$680	$724	$771
Potter	$425	$453	$482	$514	$547
Schuylkill	$468	$499	$531	$565	$602
Snyder	$620	$660	$703	$749	$798
Somerset	$369	$393	$419	$446	$475
Sullivan	$421	$448	$477	$508	$541
Susquehanna	$421	$448	$477	$508	$541
Tioga	$467	$498	$530	$564	$601
Union	$620	$660	$703	$749	$798
Venango	$353	$376	$400	$426	$454
Warren	$474	$505	$537	$572	$610
Washington	$353	$376	$400	$426	$454
Wayne	$421	$448	$477	$508	$541
Westmoreland	$335	$357	$380	$404	$431
Wyoming	$421	$448	$477	$508	$541
York	$612	$652	$694	$739	$788

Table 5d: Change in Estimated Second Lowest Cost Silver ACA Premium Rate by County

21-Year-Old, Non-Tobacco User – Baseline to Waiver Scenario

County	2026	2027	2028	2029	2030
Adams	-5.7%	-5.7%	-5.7%	-5.7%	-5.7%
Allegheny	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Armstrong	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Beaver	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Bedford	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Berks	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Blair	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Bradford	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Bucks	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Butler	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Cambria	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Cameron	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Carbon	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Centre	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Chester	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Clarion	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Clearfield	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Clinton	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Columbia	-5.7%	-5.7%	-5.7%	-5.7%	-5.7%
Crawford	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Cumberland	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Dauphin	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Delaware	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Elk	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Erie	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Fayette	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Forest	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Franklin	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Fulton	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Greene	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Huntingdon	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Indiana	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Jefferson	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Juniata	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Lackawanna	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Lancaster	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Lawrence	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Lebanon	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Lehigh	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Luzerne	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Lycoming	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
McKean	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Mercer	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Mifflin	-5.7%	-5.7%	-5.7%	-5.7%	-5.7%
Monroe	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Montgomery	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Montour	-5.7%	-5.7%	-5.7%	-5.7%	-5.7%
Northampton	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Northumberland	-5.7%	-5.7%	-5.7%	-5.7%	-5.7%
Perry	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Philadelphia	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Pike	-5.9%	-5.9%	-5.9%	-5.9%	-5.9%
Potter	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Schuylkill	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Snyder	-5.7%	-5.7%	-5.7%	-5.7%	-5.7%
Somerset	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Sullivan	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Susquehanna	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Tioga	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Union	-5.7%	-5.7%	-5.7%	-5.7%	-5.7%
Venango	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Warren	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%
Washington	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Wayne	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Westmoreland	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Wyoming	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
York	-5.7%	-5.7%	-5.7%	-5.7%	-5.7%

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.[7]

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 Pennsylvania residents as coverage absent the waiver extension.[8] 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 Pennsylvania 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.[9]

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 2026 through 2030 assuming gross premium rates in the Individual ACA market are reduced under the waiver scenario 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)

	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
2026	($128)	$0	$0	$0	($128)
2027	($136)	$0	$0	$0	($136)
2028	($145)	$0	$0	$0	($145)
2029	($155)	$0	$0	$0	($155)
2030	($165)	$0	$0	$0	($165)

Note: PTCs are considered expenditures for the federal government whereas User Fees, 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 User Fees, Shared Responsibility Payments, or Health Insurance Provider Fees will increase the federal deficit.

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.

[7] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Downloads/StateSpecAgeCrv053117.pdf
[8] 45 CFR 155.1308(f)(3)(iv)(A)
[9] 45 CFR 155.1308(f)(3)(iv)(D)

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 under the waiver scenario relative to the premium rates which would otherwise be charged if no reinsurance program were in place, the proposed Section 1332 Waiver extension is expected to significantly decrease the volume of PTCs paid by the federal government each year beginning in 2026.

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

	Baseline			Waiver		
Year	PTC Enrollment	Avg PTC PMPM	Total PTCs (millions)	PTC Enrollment	Avg PTC PMPM	Total PTCs (millions)
2026	290,600	$612	$2,135	290,600	$576	$2,008
2027	290,400	$656	$2,286	290,400	$617	$2,150
2028	290,100	$703	$2,447	290,100	$661	$2,301
2029	289,900	$753	$2,619	289,900	$708	$2,464
2030	289,600	$807	$2,804	289,600	$759	$2,638

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 and includes an estimated PTC/APTC Ratio to be applied by the Treasury

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 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 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*** – Pennsylvania utilizes a State-based Marketplace, through which issuers sell ACA insurance plans to individuals and families. Given that no Exchange User Fees are anticipated to be paid to the federal government in 2026 and later under either the baseline or waiver scenarios, there is no impact on the federal deficit as a result of Pennsylvania's 1332 Waiver.

- ***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 2025, issuer pricing assumptions will be similar to those used in 2025 (except where explicitly stated), the enhanced PTCs 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 Pennsylvania'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 Commonwealth. Some of the key assumptions that were sensitivity tested include the following:

- Overall membership volumes
- PTC 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

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 Pennsylvania, 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 Pennsylvanians 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 Pennsylvania.

The Pennsylvania Insurance Department (PID) issued a data call to the health insurance issuers that offered coverage in Pennsylvania's Individual ACA market to collect detailed information for that market to aid in calibrating the HRM Model. The data included premium and enrollment information from January 2022 through June 2024 and claims information from January 2022 through December 2023 and paid through June 2024. The issuer provided data was further augmented with information from a number of other sources, including but not limited to:

- 2019, 2020, 2021, 2022, and 2023 statutory financial statements submitted by issuers in Pennsylvania's health insurance markets
- 2019, 2020,2021, and 2022 medical loss ratio (MLR) rebate data
- 2019-2024 Marketplace enrollment public use files
- 2019-2024 effectuated enrollment reports
- U.S. Census Bureau data
- 2019-2022 summary reports on risk adjustment transfers
- National CPI and CMS Personal Health Care Price Index projections
- 2019-2024 Individual and Small Group ACA market premium rates
- Filed 2025 Individual 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, 2023, and 2024, 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 Pennsylvania 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 Pennsylvania for 2019, 2020, 2021, 2022, 2023, and 2024. 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, 2023, and 2024 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. 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 Pennsylvania. 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 6.5%. This assumption was developed based on a review of publicly available information and Oliver Wyman's Carrier 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 Pennsylvania's Individual ACA market in 2019, 2020, 2021, 2022, 2023, and 2024, and filed 2025 rates were utilized in the HRM Model.

Premium rates after 2025 were assumed to increase annually by 6.5%.

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 2025, were adjusted for each year beyond 2025 according to the methodology outlined by the 2025 Final Benefit and Payment Parameter Notice.[10] Premium and income growth rates utilized in developing the Adjustment Ratio that was

[10] https://www.federalregister.gov/documents/2024/04/15/2024-07274/patient-protection-and-affordable-care-act-hhs-notice-of-benefit-and-payment-parameters-for-2025

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 2025, issuer pricing assumptions will be similar to those used in 2025, the enhanced PTCs 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.

5. Distribution and Use

Oliver Wyman prepared this report for the sole use of the Commonwealth of Pennsylvania. 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 Commonwealth'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 Commonwealth.

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6. Disclosure and Limitations

Oliver Wyman Actuarial Consulting, Inc., was engaged by the Commonwealth of Pennsylvania 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.

Ryan Schultz and Tammy Tomczyk, both 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 Pennsylvania. 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 September 10, 2024, and the projections are not a guarantee of results which might be achieved.

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 Pennsylvania as of September 10, 2024. 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 the Commonwealth of Pennsylvania.

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 Commonwealth of Pennsylvania 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, Ryan Schultz, am a Principal 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 Commonwealth of Pennsylvania's application for an extension of its State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act. The Commonwealth 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 Commonwealth of Pennsylvania, information obtained from issuers currently offering coverage in the Individual ACA market in Pennsylvania, 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 Commonwealth of Pennsylvania'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 Commonwealth'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 Commonwealth'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 Commonwealth'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.

October 4, 2024

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 Commonwealth of Pennsylvania. 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					
	2026	2027	2028	2029	2030
Total Individual ACA Enrollment	446,900	446,500	446,100	445,800	445,400
ACA PTC Enrollment	290,600	290,400	290,100	289,900	289,600
ACA Non-PTC Enrollment	156,300	156,100	156,000	155,900	155,800
Aggregate ACA Premium (millions)	$4,208	$4,478	$4,764	$5,071	$5,395
Average ACA Premium Rate PMPM	$785	$836	$890	$948	$1,009
Aggregate APTCs (millions)	$2,232	$2,390	$2,558	$2,738	$2,931
Aggregate PTCs (millions)	$2,135	$2,286	$2,447	$2,619	$2,804
Average PTCs PMPM	$612	$656	$703	$753	$807

Waiver					
	2026	2027	2028	2029	2030
Total Individual ACA Enrollment	449,000	448,600	448,200	447,800	447,400
ACA PTC Enrollment	290,600	290,400	290,100	289,900	289,600
ACA Non-PTC Enrollment	158,400	158,200	158,100	157,900	157,800
Aggregate ACA Premium (millions)	$4,025	$4,283	$4,557	$4,849	$5,160
Average ACA Premium Rate PMPM	$747	$796	$847	$902	$961
Aggregate APTCs (millions)	$2,099	$2,247	$2,406	$2,576	$2,758
Aggregate PTCs (millions)	$2,008	$2,150	$2,301	$2,464	$2,638
Average PTCs PMPM	$576	$617	$661	$708	$759

Change – Baseline to Waiver					
	2026	2027	2028	2029	2030
Total Individual ACA Enrollment	2,100	2,100	2,100	2,000	2,000
Total Individual ACA Enrollment (%)	0.5%	0.5%	0.5%	0.4%	0.4%
Average ACA Premium Rate PMPM (%)	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%
Average PTCs PMPM (%)	-6.0%	-6.0%	-5.9%	-5.9%	-5.9%

Demonstration of Deficit Neutrality Requirement (Amounts shown in millions)					
	2026	2027	2028	2029	2030
Change in Total APTCs	($133)	($142)	($152)	($162)	($173)
Change in Total PTCs	($128)	($136)	($145)	($155)	($165)
Change in Other (e.g., User Fees)	$0	$0	$0	$0	$0
Net Savings to Federal Government	($128)	($136)	($145)	($155)	($165)

Projected Reinsurance Program Costs and Funding Levels					
	2026	2027	2028	2029	2030
Cost of Reinsurance Program (millions)	$200	$213	$227	$241	$257
Federal Pass-Through Funding (millions)	$128	$136	$145	$155	$165
Commonwealth Funding (millions)	$73	$77	$81	$86	$91

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 the previously stated percentages 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 0.957

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