

Effects of the Commonwealth Health Reinsurance Program

A Report Submitted to the Governor and to the Senate Committees on Finance and Appropriations, and Commerce and Labor, and the House of Delegates Committees on Appropriations, and Labor and Commerce, pursuant to Enactment Clause 4 in Chapter 480 of the 2021 Virginia Acts of Assembly



State Corporation Commission
Bureau of Insurance

April 30, 2025

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April 30, 2025

Transmitted via Email

The Honorable Glenn Youngkin
Governor
Commonwealth of Virginia

The Honorable L. Louise Lucas
Chair, Committee on Finance and Appropriations
Senate of Virginia

The Honorable R. Creigh Deeds
Chair, Committee on Commerce and Labor
Senate of Virginia

The Honorable Luke E. Torian
Chair, Committee on Appropriations
Virginia House of Delegates

The Honorable Jeion A. Ward
Chair, Committee on Labor and Commerce
Virginia House of Delegates

Dear Governor Youngkin, Senators Lucas and Deeds, and Delegates Torian and Ward:

Pursuant to Enactment Clause 4 in [Chapter 480](#) of the 2021 Virginia Acts of Assembly, and on behalf of the State Corporation Commission, the Bureau of Insurance submits this report on the effects of the Commonwealth Health Reinsurance Program in the first two years since program inception.

Sincerely,

Scott A. White
Commissioner of Insurance

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Executive Summary

In response to [Chapter 480](#) of the 2021 Virginia Acts of Assembly, the Bureau of Insurance (Bureau) applied for and received federal approval to establish the Commonwealth Health Reinsurance Program (CHRP) in the individual health insurance market for up to five years. Virginia's program is designed to make individual health insurance coverage more affordable, particularly for unsubsidized individuals, encouraging a more stable membership base that will support increased competition among issuers and, as a result, expand consumer choice.

Pursuant to Enactment Clause 4, the act requires the State Corporation Commission, within 120 days after the second full year of program operation, to complete a study evaluating program effects on:

1. access to affordable, high-value health insurance for enrollees eligible for premium tax credit subsidies and cost-sharing reductions, and
2. health plan affordability, including cost sharing and premiums.

The CHRP has been in place since benefit year 2023. While it is only one of many policies that impact individual health insurance coverage, marketplace¹ enrollment, and health care costs, the program has nonetheless contributed to increased health insurance access and plan affordability by reimbursing carriers for a portion of their high-cost claims and increasing enrollment. This report studies the resulting changes in enrollment, premiums, cost-sharing, and plan selection during the first two years of program operation that supports this conclusion.

Introduction

During its 2021 Special Session I, the General Assembly passed House Bill 2332. The Governor signed it into law as [Chapter 480](#) of the 2021 Virginia Acts of Assembly. In response, the Bureau applied for and received federal approval to establish the CHRP in the individual health insurance market for up to five years, beginning in benefit year 2023.²

Pursuant to Enactment Clause 4, the act requires the State Corporation Commission, within 120 days after the second full year of program operation, to complete a study evaluating program effects on:

1. access to affordable, high-value health insurance for enrollees eligible for premium tax credit subsidies and cost-sharing reductions, and
2. health plan affordability, including cost sharing and premiums.

¹ As used in this report, "marketplace" refers to the federally facilitated exchange or marketplace or, beginning in 2024, Virginia's state-based health benefit exchange or insurance marketplace, under which Virginians purchase individual health insurance coverage.

² January 1 – December 31, 2023

Background

In conformity with statutory requirements, the Bureau applied for a state innovation waiver with the U.S. Department of Health and Human Services (HHS) under Section 1332 of the Patient Protection and Affordable Care Act (ACA),³ seeking federal approval to establish the CHRP beginning January 1, 2023. States may apply for a waiver to pursue innovative strategies for providing residents with access to high quality, affordable health insurance, while retaining basic ACA protections. The program provides federal pass-through funding to the state for any resulting federal savings. On May 18, 2022, the HHS and the U.S. Department of the Treasury approved Virginia's application for an initial period of up to five years, beginning in 2023.

The CHRP is designed to operate as a traditional reinsurance program by reimbursing eligible⁴ individual market health insurers for a portion of the claims of high-cost enrollees. This results in lower expected costs for insurers, reflected in lower premiums for individual coverage. Under the waiver, federal "pass-through" funds – a major source of CHRP funding – are provided based on federal savings from reduced premium tax credits due to these lower health insurance premiums. More detailed information regarding the CHRP program requirements, claim payments, and funding mechanisms can be found in the [2024 Annual Report on the Operation of the CHRP](#).

Program Effects on Health Insurance Access and Plan Affordability

This report evaluates the effect of Virginia's reinsurance program on health insurance access and plan affordability by studying changes in individual health insurance coverage enrollment, health insurance premiums, cost-sharing, and subsidies, through the first two years of program inception since benefit year 2023. During that time, premiums for individual health insurance coverage have fallen, while the number of individuals enrolled in coverage has risen. This has expanded health insurance choice in many parts of the Commonwealth.

While the Bureau finds that the CHRP has contributed to increased health insurance affordability and plan access, several other major policy changes occurring during this time have also impacted enrollment growth and premium reductions. These include federal extension of premium tax credit subsidies⁵ and Medicaid "unwinding"⁶ in 2023,

³ Section 1332, Patient Protection and Affordable Care Act, [42 U.S. Code § 18052](#).

⁴ "Eligible carrier" means a carrier that (i) offers individual health insurance coverage other than a grandfathered plan, student health insurance coverage, or transitional coverage that the federal government allows under a nonenforcement policy and (ii) incurs claims costs for a covered person's covered benefits in the applicable benefit year. [Section 38.2-6600, Code of Virginia](#).

⁵ This program, renewed under the [Inflation Reduction Act of 2022](#), provided expanded income-based tax credits to those already eligible, and removed the income cap so that all individuals could be eligible for these subsidies if their premium cost exceeded a certain percentage of their income. These tax credits help make health insurance purchased through the health insurance marketplace more affordable.

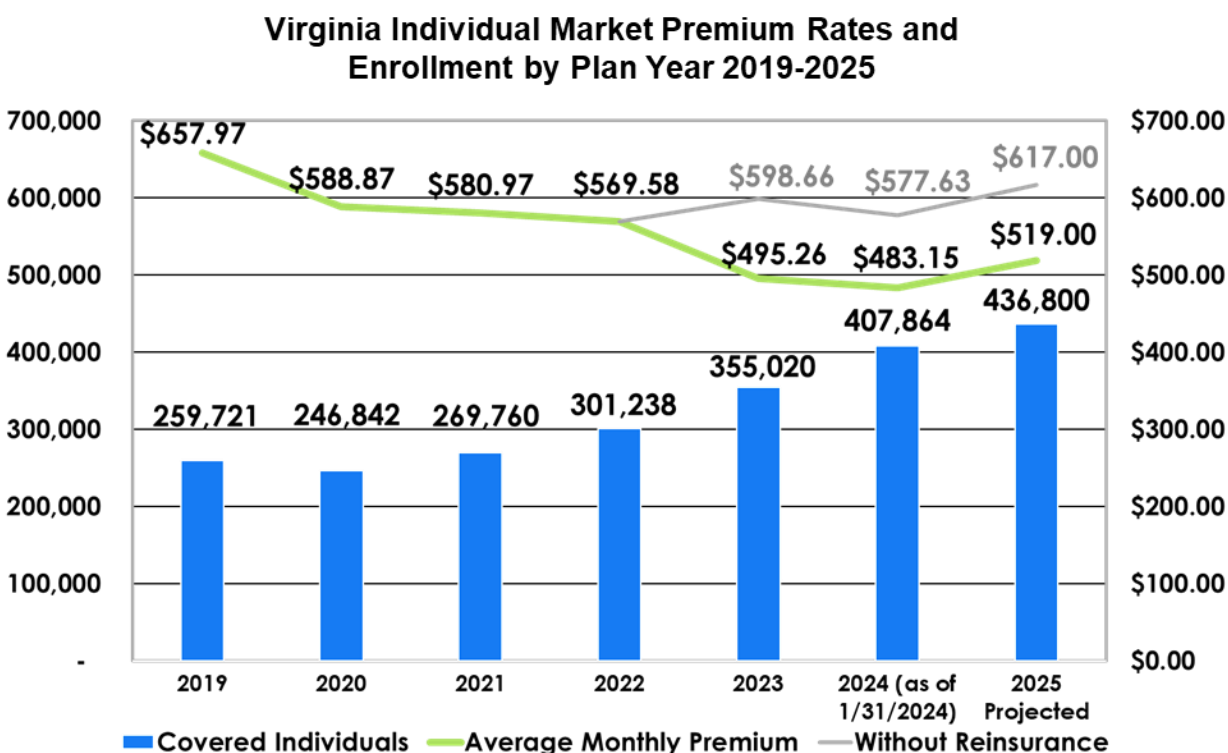
⁶ This initiative, enacted as a part of the Covid-19 public health emergency, meant that many individuals remained in Medicaid who no longer met the eligibility requirements for that program and instead should have been eligible to obtain insurance coverage through the exchange. After the end of the public health emergency on May 11, 2023, Virginia began the process of "Medicaid unwinding," disenrolling these individuals from Medicaid and helping many to enroll in exchange plans.

after the end of the Covid-19 public health emergency; and Virginia’s transition to a state-based exchange known as the Virginia Insurance Marketplace in the individual market starting with the 2024 benefit year.⁷

Effect on Enrollment and Premiums

Virginia set the CHRP parameters for the first three years of operation to target a 15% reduction in individual market premiums. The following table shows annual individual market enrollment, along with the individual market premium rates. In the three years prior to program implementation in benefit year 2023, individual market enrollment increased an average of 5.3% per year. By comparison, since CHRP implementation, the average enrollment has increased 13.2% per year.

The table also shows an average rate reduction of \$98.63 per member per month with the CHRP compared to premiums without the reinsurance program.



Source: Carrier rate filings.

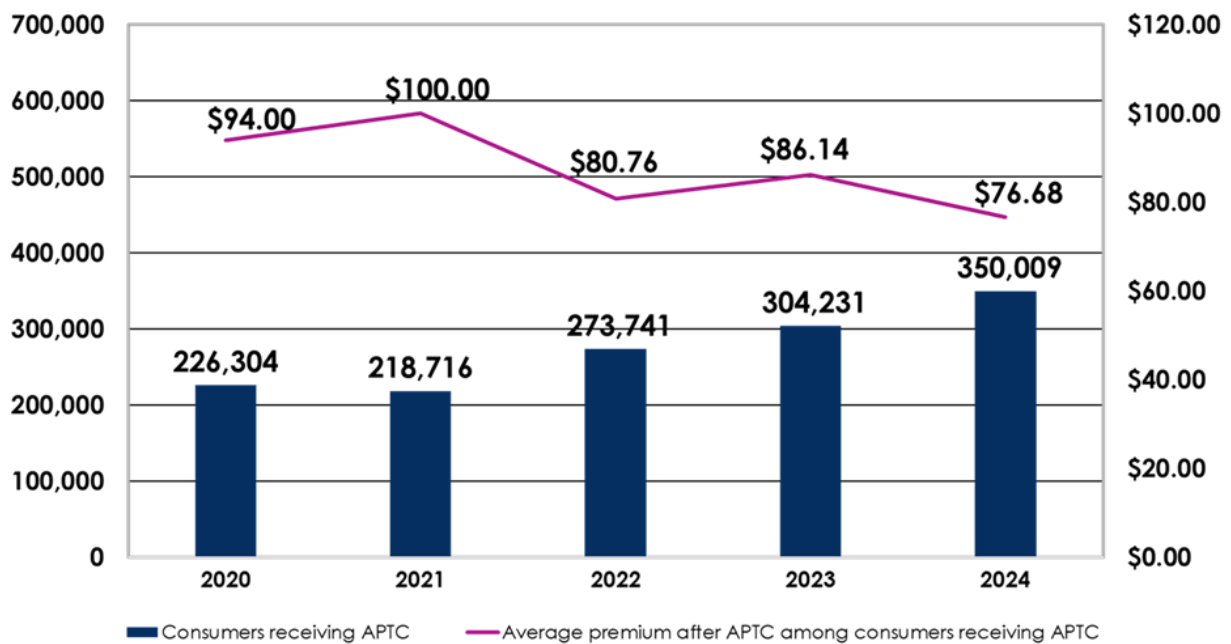
Unsubsidized individuals – those not receiving any advanced premium tax credits or cost-sharing reductions – realize the greatest benefit from these premium reductions.

⁷ While the Bureau of Insurance administers the reinsurance program, the Virginia Health Benefit Exchange is a separate division administering Virginia’s state-based health insurance exchange known as Virginia’s Insurance Marketplace.

Advanced Premium Tax Credits

Many individuals enrolled in marketplace coverage receive federal advanced premium tax credits (APTCs) designed to bring an individual's premium costs down to a percentage of the individual's income. On average, from 2020 to 2024, about 86% of marketplace enrollees received these credits, substantially reducing their out-of-pocket premium costs. The graphic that follows illustrates the growth in the number of individuals eligible to receive these tax credits from 2020 to 2024, as well as the average monthly premium paid after application of the tax credits.

Virginia APTC Recipients and Average Premium after APTC 2020-2024



Source: Centers for Medicare and Medicaid Services Marketplace Open Enrollment Period Public Use Files and Virginia Insurance Marketplace Data.

Effect on Cost-sharing

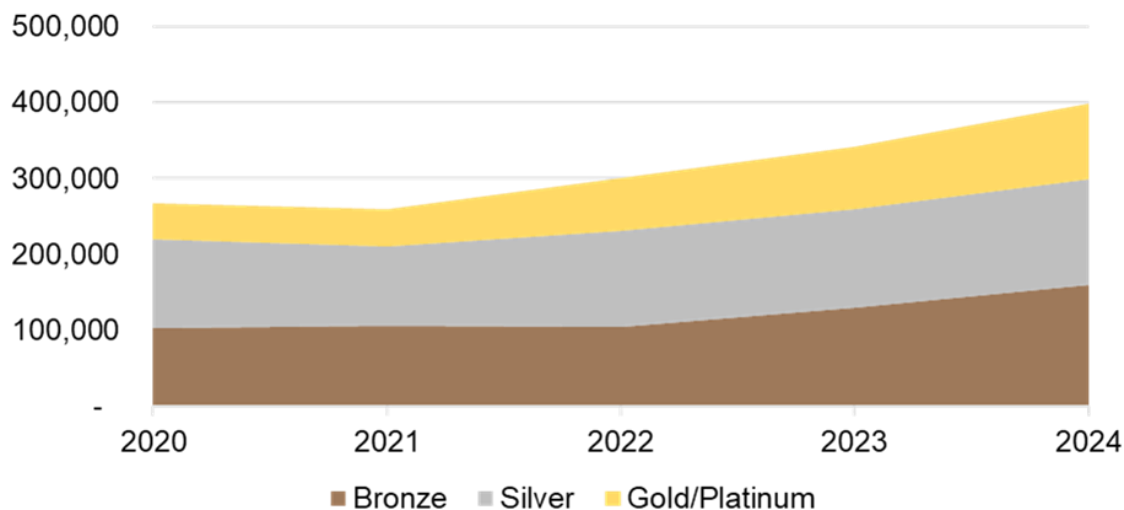
Premiums are just one component of health insurance costs. Cost-sharing is another important component that includes additional out-of-pocket costs that insureds must pay for their care, such as deductibles, copayments, and coinsurance.

Under the ACA, individual health insurance plans are placed into one of four “metal levels” based on the estimated share of an individual's health care costs expected to be covered by the insurance carrier. Cost-sharing under each of the four metal levels is set forth in the following table:

Plan Category	Carrier Pays	Insured Pays	Cost-sharing
Bronze	60%	40%	High
Silver	70%	30%	Moderate
Gold	80%	20%	Low
Platinum	90%	10%	Low

The next graphic illustrates the change over time in the distribution of metal level enrollment in the marketplace. Because of the small percentage of individuals enrolled in platinum plans, this analysis combines them with gold plans. The share of individuals in the marketplace enrolled at the bronze level remained consistent at around 38% before and after program implementation. However, the proportion enrolled at the silver level fell by 5.6% while enrollment in gold and platinum level plans increased by 4.4%. Along with the increase in overall enrollment, enrollment in these low cost-share gold and platinum plans has increased by 41% in the two years since CHRP implementation.

Virginia On-Exchange Enrollment by Metal Level Plan Year 2020-2024



Source: Centers for Medicare and Medicaid Services Marketplace Open Enrollment Period Public Use Files and Virginia Insurance Marketplace Data.

Cost-sharing Reductions

While metal-level selection tells some of the story about the impact of cost-sharing on health care costs, some low-income individuals qualify for additional “cost-sharing reductions” or “CSRs.” To be eligible for this program, individuals must have incomes below 250% of the federal poverty level (FPL) and select a silver-level plan. The cost-sharing reduction provides these individuals with additional savings in their deductibles, copayments and annual out-of-pocket maximums based on their income, reducing their overall share of their total healthcare costs. The number of enrollees receiving CSRs

has increased 10% (~12,000) since CHRP inception in 2023.

Benefit Year	Silver-level Enrollees	Silver-level Enrollees with CSRs	Proportion of Silver-level Enrollees with CSRs
2020	117,620	104,261	89%
2021	104,054	94,515	91%
2022	127,120	118,682	93%
2023	129,824	119,484	92%
2024	140,221	130,496	93%

Source: Centers for Medicare and Medicaid Services Marketplace Open Enrollment Period Public Use Files and Virginia Insurance Marketplace Data.

The CSRs are offered at three different actuarial values: 73, 87, and 94%. Each is an enhancement over the 70% actuarial value of the standard silver-level plans and brings the enrollee's cost-share closer to a gold or platinum-level plan. As shown in the following table, along with an overall increase in CSR recipients, a greater share of these enrollees receives the highest reduction in cost-sharing (94% actuarial value).

Benefit Year	Enrollees Receiving CSRs	With 73% Actuarial Value	With 87% Actuarial Value	With 94% Actuarial Value
2020	104,261	14%	42%	44%
2021	94,515	14%	41%	45%
2022	118,682	17%	38%	43%
2023	119,484	12%	39%	50%
2024	130,496	7%	32%	60%

Source: Centers for Medicare and Medicaid Services Marketplace Open Enrollment Period Public Use Files and Virginia Insurance Marketplace Data.

Conclusion

Virginia has seen a rise in marketplace enrollment since 2020. This has continued at a robust pace since CHRP implementation in benefit year 2023. The program has achieved its goal of lowering overall premium rates for eligible individual health insurance coverage by about 15% in each of the three years since it was established. As more individuals have enrolled in marketplace plans, the proportion of bronze-level enrollees has remained fairly consistent, while there appears to have been a shift from silver-level plans to gold and platinum-level plans with lower cost-sharing. Out-of-pocket premium costs for enrollees eligible for premium tax credits have remained consistently low, even as the overall number of individuals receiving these credits has risen dramatically. While the CHRP is only one of many policies that impact marketplace

enrollment and health care costs, the program has nonetheless contributed to increased health insurance access and plan affordability.