Annual Report on the Operation 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 subsection B of § 38.2-6603 of the Code of Virginia

November 1, 2025

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
COMMISSIONERS
JEHMAL T. HUDSON • SAMUEL T. TOWELL • KELSEY A. BAGOT

November 1, 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, Labor and Commerce Committee
Virginia House of Delegates

Members, Senate Committees on Finance and Appropriations and Commerce and Labor

Members, House Committees on Appropriations and Labor and Commerce

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

Pursuant to subsection B of § 38.2-6603 of the Code of Virginia and on behalf of the State Corporation Commission, the Bureau of Insurance submits this annual report on the operation of the Commonwealth Health Reinsurance Program.

Respectfully submitted,

Scott A. White
Commissioner of Insurance

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Executive Summary

The Commonwealth Health Reinsurance Program (CHRP) is designed to make individual health insurance coverage more affordable, particularly for unsubsidized individuals. It encourages a more stable membership base that will support increased competition among issuers in future years and, as a result, heightened consumer choice. The program lowers the cost of health insurance for consumers in the individual market by reimbursing carriers for a portion of their high-cost claims.

As directed by the General Assembly in 2021, the Virginia Bureau of Insurance (Bureau) applied for and received federal approval to establish a reinsurance program in the individual health insurance market for five years, beginning in benefit year (BY) 2023 (i.e., January 1 – December 31, 2023.) The approved CHRP for benefit years 2023 – 2026 targets a 15 percent reduction in average member premium and is funded in part by substantial federal pass-through funding. For the 2025 benefit year, the CHRP reduced individual marketplace premiums by an average of 14.8 percent and received federal pass-through funding in excess of $450 million.

In addition to lower premiums, the Virginia individual market has seen increased carrier coverage and competition, with all counties having at least two carrier choices since the inception of the CHRP. While other major policy changes, such as enhanced federal premium tax credits, Virginia's transition to a state-based exchange, and Medicaid unwinding have also occurred during this period, the CHRP has nonetheless contributed to carrier cost stability and plan affordability by reimbursing carriers for a portion of their high-cost claims.

Introduction

Pursuant to subsection B of § 38.2-6603 of the Code of Virginia (Code), the State Corporation Commission (Commission) is required to submit a report on the operation of the CHRP to the Governor and the designated legislative committees annually by November 1.

The report is required to include the following program information for the relevant benefit year:[1]

1. Amounts deposited into the CHRP fund;
2. Requests for reinsurance payments received by eligible carriers;
3. Reinsurance payments made to eligible carriers;
4. Administrative and operational expenses incurred for the program; and
5. Quantifiable impact on individual health insurance coverage rates.

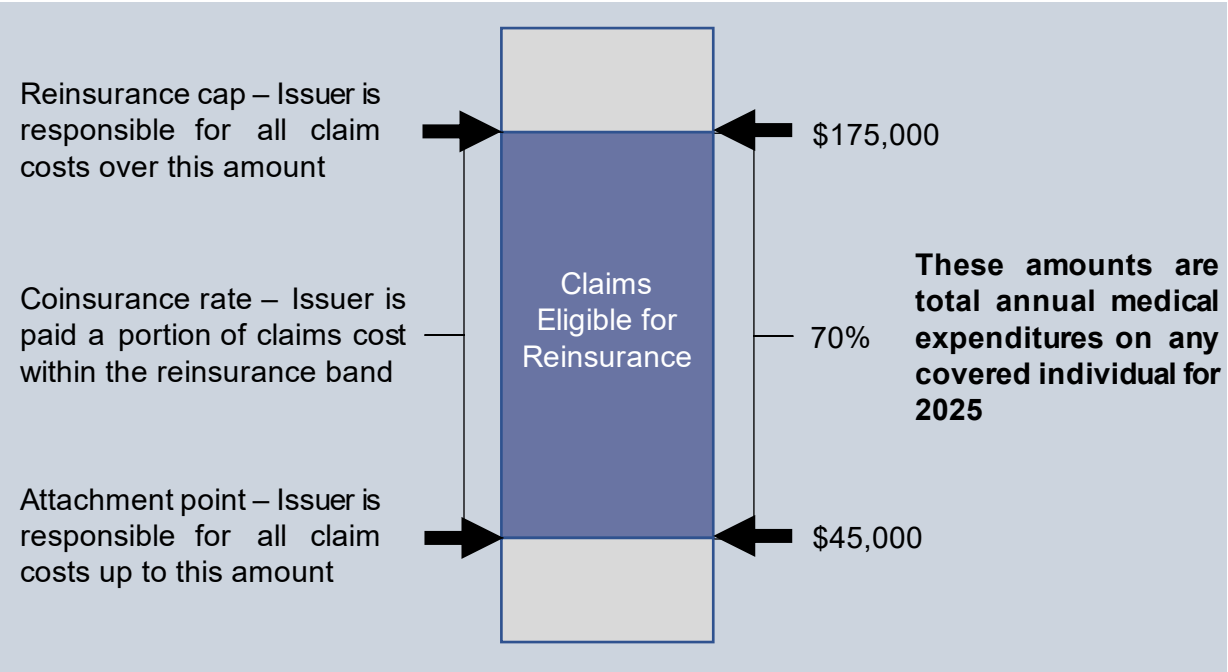
[1] This report uses the terms "benefit year" and "plan year." For example, benefit year 2023 for the CHRP applies to individual health insurance claims during plan year 2023 (January 1 – December 31, 2023).

Background

During the 2021 Special Session I, the Virginia General Assembly passed House Bill 2332. The Governor signed it into law as Chapter 480 of the 2021 Virginia Acts of Assembly. In conformity with the statutory requirements, the Commission submitted a State Innovation Waiver application under Section 1332 of the Patient Protection and Affordable Care Act (ACA),[2] to the Centers for Medicare and Medicaid Services (CMS) seeking federal approval to establish the CHRP beginning January 1, 2023. Section 1332 permits a state to apply for a State Innovation Waiver (also referred to as a Section 1332 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 U.S. Department of Health and Human Services 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. It reimburses individual market health insurers for a percentage of an enrollee's annual claims costs exceeding a specified threshold (or attachment point), up to a specified ceiling (or reinsurance cap).

Figure 1. 2025 CHRP Payment Parameters



[2] Section 1332, Patient Protection and Affordable Care Act, 42 U.S. Code § 18052.

The percentage at which claims are reimbursed is called the coinsurance rate. Together, the attachment point, reinsurance cap, and coinsurance rate are referred to as the payment parameters (Figure 1).

For Plan Year (PY) 2025, the CHRP adopted an attachment point of $45,000, a reinsurance cap of $175,000, and a coinsurance rate of 70 percent. For example, the CHRP would reimburse a carrier $91,000 for an enrollee with $175,000 in covered medical claims in 2025 (i.e., $175K - $45K = $130K in eligible claims; 70 percent of $130K = $91K).

The adopted parameters for the CHRP for PY 2023 through PY 2026 are shown in Table 1.

Table 1. CHRP Payment Parameters, PY 2023-2026

	PY 2023	PY 2024	PY 2025	PY 2026
Attachment point	$40,000	$45,000	$45,000	$45,000
Reinsurance cap	$155,000	$175,000	$175,000	$170,000
Coinsurance rate	70%	70%	70%	65%
Premium reduction target	15%	15%	15%	15%
Actual average premium reduction	17.3%	16.4%	14.8%	16.4%

Program Funding

The CHRP is funded through state general funds and federal pass-through funding. These and any other appropriated funds for CHRP operations and claims payments are deposited into the CHRP special fund that was established in fiscal year (FY) 2024 (i.e., July 1, 2023 – June 30, 2024) pursuant to subsection A of § 38.2-6604 of the Code. In June 2024, the 2024 state fund appropriation of $19,990,050 was transferred into the CHRP special fund. Any moneys remaining in the special fund carry over into subsequent fiscal years and do not revert to the general fund, as required under the terms of the waiver. As of June 30, 2025, the CHRP fund balance was $20,804,399.

State Funding

According to the terms of the federal waiver, Virginia must appropriate adequate funding to support its share of the reinsurance program as a condition of receiving the federal pass-through funds. Virginia's 2022-2024 Appropriations Act included $20 million in FY 2024 general funds to be used toward the state's portion of funding the 2023 CHRP.

The General Assembly has appropriated an additional $20 million in FY 2026 for the state stare of the 2024 CHRP, if needed. If federal and state appropriations exceed the amount needed to fund CHRP payments to carriers for a given year, those funds can be used for program costs such as carrier payments and administrative expenditures in future years. This could result in adjustments to the estimated amount of state funding required in later benefit years.

Federal Pass-through Funding

Federal pass-through funds are intended to fund a large part of the CHRP. These funds are based on estimated federal savings on premium tax credits resulting from the reduction in premium costs in the Virginia individual marketplace. By reducing baseline premiums, the CHRP reduces federal expenditures on these income-based premium tax credits. These estimated savings are then provided to Virginia to help fund CHRP operations and claims payments.

Prior to each benefit year, after rates are finalized, the Bureau submits the pass-through funding report for that CHRP benefit year for federal review. The report, prepared by Bureau staff and a contract actuary, contains individual market premium rates for each Virginia county and city, and projected market enrollment and estimates of the CHRP impact on premium costs. Based on an analysis of that report, the CMS issues a letter indicating the federal funding for that benefit year. These funds are not deposited into the CHRP fund at the time of the award, but rather drawn down into the CHRP fund as needed to fund administrative expenditures and claims payments.

Table 2 shows current state and federal program funding for the CHRP for the first three years of the program. Because payments are not issued to carriers until the fall of the year after the preceding plan year, any state funds needed for PY 2025 would not be appropriated until FY 2027.

Table 2. Reinsurance State and Federal Funding, PY 2023-2025

Fund Source	PY 2023	PY 2024	PY 2025
2022-2024 Appropriations Act	$20,000,000	-	-
2024-2026 Appropriations Act	-	$20,000,000	-
Federal Pass-through Funding	$331,877,124	$481,941,432	$450,271,294
Total	$351,877,124	$501,941,432	-

Administrative and Operational Expenses

The Bureau retains an actuary to provide the actuarial analysis, actuarial certifications, economic analysis, data, and assumptions required for program operation and compliance with the terms of Virginia's section 1332 waiver. During FY 2025, the actuary:

- Prepared the 2025 CHRP pass-through funding report used to calculate federal funding for the program;
- Delivered a revised projection of 2025 CHRP program costs based on updated data on market enrollment and actual premiums;
- Updated rate templates to summarize information required for 2026 CHRP pass-through funding reports; and
- Analyzed carrier-submitted data to model 2026 CHRP cost estimates for several different premium reduction scenarios to advise legislators of projected state costs and support the Bureau in setting program parameters.

In addition, the Bureau relies on federal health insurance claims data provided by CMS as the basis for evaluating the CHRP claims submitted by carriers. This data is attested to by carriers and validated as part of the federal risk adjustment program established under 42 U.S.C. § 18063. There is an annual charge for the development and production of reports specific to Virginia's program parameters. Table 3 provides a breakdown of FY 2025 administrative and operational expenditures.

Table 3. Reinsurance Administrative and Operational Expenditures, FY 2025

Administrative and Operational Expenses	**Expenditures**
2025 CHRP Pass-Through Funding Report – Actuary	$13,648
Revised 2025 CHRP Cost Projections – Actuary	$6,612
Updated Rate Templates for 2026 CHRP Pass-Through Funding Reporting – Actuary	$2,429
Actuarial/Economic Analysis to Model 2026 CHRP Cost Scenarios and Parameters – Actuary	$44,192
Federal Claims Data Services – CMS	$8,000
Total	**$74,881**

Reinsurance Claims and Payments

In accordance with § 38.2-6602 of the Code, final 2024 CHRP claims will be paid to eligible carriers by November 15, 2025. For a carrier to be eligible to receive reinsurance payments through the CHRP, an eligible carrier must, by April 30 of the year following the benefit year for which reinsurance payments are requested:

1. Provide the Commission with access to the data within the dedicated data environment established by the eligible carrier under the federal risk adjustment program pursuant to 42 U.S.C. § 18063 or access to other carrier-specific data if and where necessary; and
2. Submit to the Commission an attestation that the carrier has complied with the dedicated data environments, data requirements, establishment and usage of masked enrollee identification numbers, and data submission deadlines.

The Commission has determined that 12 carriers are eligible for CHRP claims reimbursement payments for the 2024 benefit year. To determine payment amounts due to each eligible carrier, the Commission relies on CMS reports produced from federal risk adjustment program data. These reports identify the total number of individual market enrollees whose 2024 medical expenditures exceeded the 2024 CHRP attachment point and the total payments due to each carrier for their enrolled members. Only 2 percent of enrollees had annual claims that exceeded the attachment point of $45,000 and qualified for reimbursement, with an average payment per qualified enrollee of $36,737. As shown in Table 4, the Commission disbursed total payments of more than $368 million to eligible carriers, which is the equivalent of about 16.5 percent of total medical expenditures on individual marketplace enrollees.

Table 4. CHRP Eligibility and Carrier Payments, BY 2024

Carriers eligible for 2024 CHRP payments	12
Total individual market enrollees	498,526
Total enrollees with CHRP-qualifying expenditures	10,022
Total medical expenditures for all individual marketplace enrollees	$2,232,029,530
Total medical expenditures eligible for CHRP reimbursement	$525,968,783
Total 2024 CHRP payments made to eligible carriers	$368,178,148

Program Impact

The CHRP has now been in place since 2023 and has resulted in lower premiums in the individual health insurance market for three years. During that time period, Virginia has seen an increase in the number of individuals enrolled in individual marketplace plans, and an expansion of health insurance choice in many parts of the Commonwealth.

While it is only one of many policies that impact the individual health insurance market, the program has nonetheless contributed to carrier cost stability and plan affordability by reimbursing carriers for a portion of their high-cost claims. In addition to the CHRP, several other major policy changes during this period have impacted enrollment growth and premium reductions. These include federal extension of enhanced premium tax credits, Medicaid "unwinding" after the end of the public health emergency, and Virginia's transition to a state-based exchange known as the Virginia Insurance Marketplace.

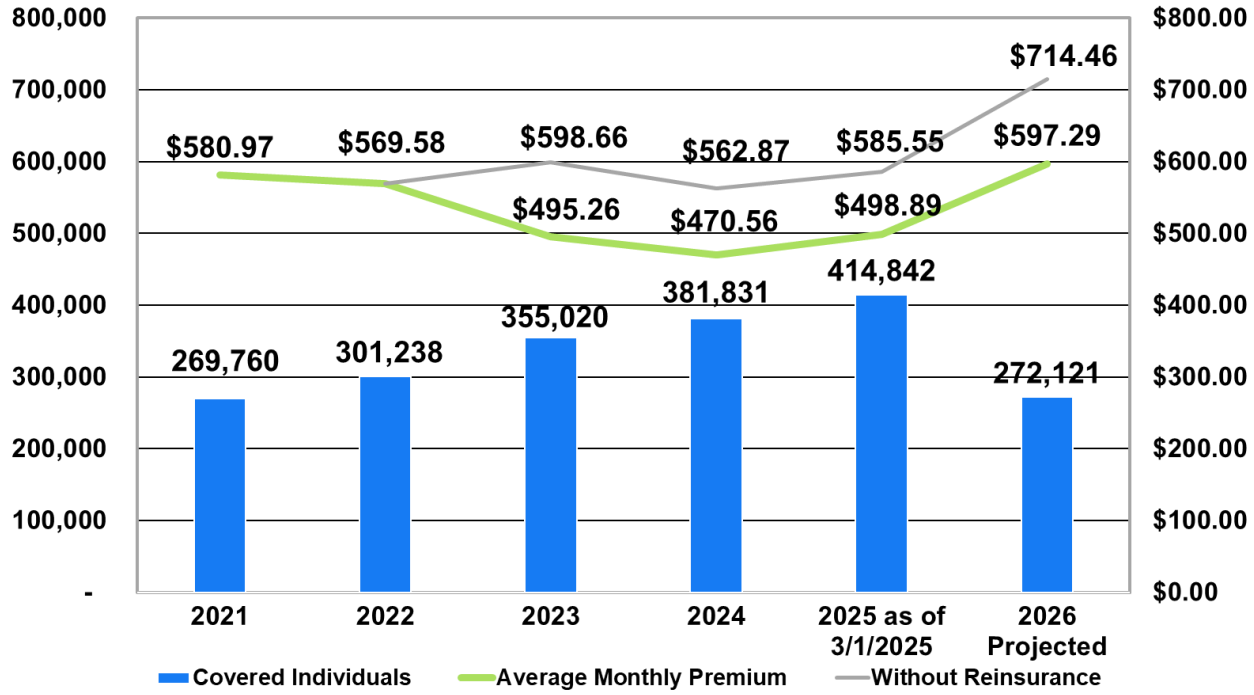
Impact on Premium

Chapter 293 of the 2024 Acts of Assembly directs the Commission to set CHRP payment parameters to target the premium reduction level established in the state budget. If no such target is established, the Commission is directed to target the same premium reduction level from the prior year. Based on this directive, for BY 2026, the Commission again set parameters to target a 15 percent reduction in premium.

Even with the CHRP in place, average individual market premiums are set to rise by 19.7 percent in PY 2026 versus PY 2025, with carriers expecting the nationwide trend towards higher healthcare costs to impact Virginia as well. Virginia individual marketplace carrier rate submissions for PY 2026 indicated an average reduction of 16.4 percent from the average PY 2026 baseline premium without reinsurance.

As shown in Figure 2, the CHRP is expected to reduce the average per member per month (PMPM) premium for PY 2026 by $117, from $714 before reinsurance to $597 after reinsurance. The impact of the CHRP may be especially important in PY 2026, as premium tax credit enhancements are scheduled to expire, which would leave many individuals ineligible for subsidies and bearing the full premium cost.

Figure 2. Virginia Individual Market Premium Rates and Enrollment, PY 2021-26[3]



Marketplace Coverage and Competition

In BY 2022, 22 percent of localities had only one carrier on the exchange marketplace offering individual coverage. Since the inception of the CHRP in 2023, multiple carriers have been available on the individual marketplace in all localities, with 46 percent of localities covered by three or more carriers in 2025. This competition provides Virginians with more options to meet their health insurance needs.

Conclusion

Virginia has now established the CHRP for benefit years 2023, 2024, 2025, and 2026, lowering premium rates in the individual market by reimbursing carriers for high dollar claims. The Bureau closely monitors federal policy changes that may impact program design and funding and adjusts fiscal and administrative expectations accordingly. As directed in statute, the Bureau will continue its work administering the program, evaluating carrier claims, and making payments to eligible carriers.

[3] 2022 and prior – experience period data submitted in carrier ACA filings. 2022 data excludes Bright Health.
2023 – enrollment and premiums from 2024 Post-Award CHRP Forum.
2024 – premium and enrollment from experience period data submitted in carrier ACA filings and carrier reported enrollment.
2025 – projected PMPM premium from carrier ACA filings and enrollment from carrier-reported enrollment.
2026 – projected PMPM premium from carrier ACA filings and carrier-projected enrollment from 2026 carrier ACA rate filings.