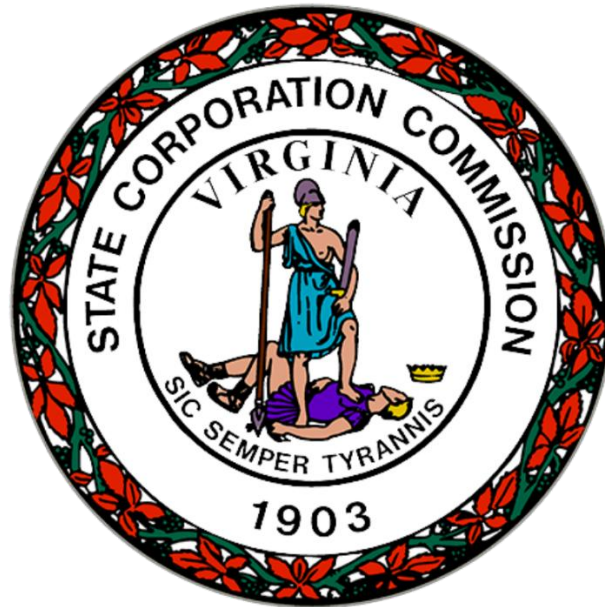


Annual Report on the Operation of the Commonwealth Health Reinsurance Program

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



State Corporation Commission
Bureau Of Insurance

November 1, 2026



COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

== COMMISSIONERS ==

JEHMAL T. HUDSON • SAMUEL T. TOWELL • KELSEY A. BAGOT

November 1, 2026

VIA ELECTRONIC MAIL

The Honorable Abigail Spanberger
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 Spanberger, 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,

A handwritten signature in black ink, appearing to read "Scott A. White".

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 and 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) 2023.¹ The approved CHRP for BYs 2023 – 2027² targets a 15-percent reduction in average member premium and is funded in part by substantial federal pass-through funding. For BY 2026, the CHRP reduced individual marketplace premiums by an average of 16.5 percent and received federal pass-through funding in excess of \$346 million.

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

1. 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. 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

¹ This report uses the terms "benefit year" (BY) and "plan year" (PY). Benefit year refers specifically to activities directly related to administration of the CHRP benefit. Plan year refers more broadly to the Bureau's regulation of health insurance plans, such as the approval of premium rates. For example, benefit year 2023 for the CHRP applies to individual health insurance claims during plan year 2023 (January 1 – December 31, 2023). Benefit year and plan year cover the same time period.

² Activities related to a given CHRP benefit year occur over a three-year period. Preparation such as initial cost estimation, program parameter selection, and rate setting occurs in the year prior to the benefit year. Claims are incurred and pass-through funding is awarded during the benefit year, while calculation and payment of reinsurance claims occur in the year following the benefit year. This report addresses activities during 2026, which includes activities related to BY 2025, 2026, and 2027

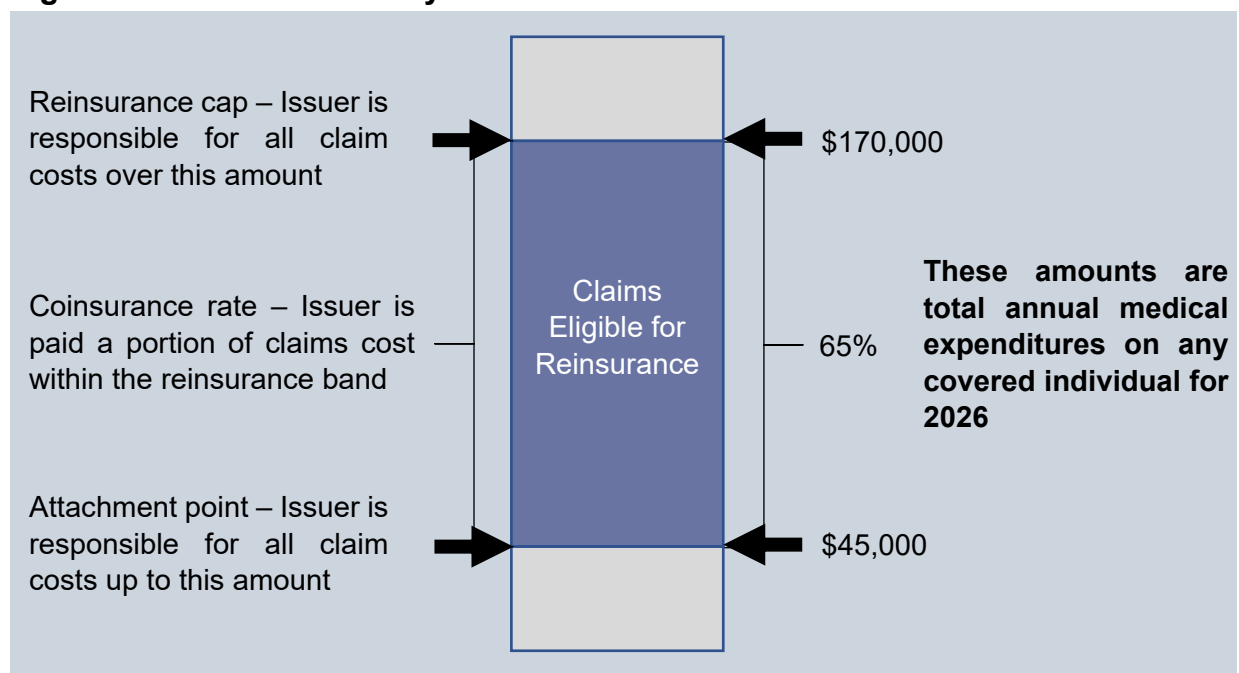
5. Quantifiable impact on individual health insurance coverage rates.

2. 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),³ 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. BY 2026 CHRP Payment Parameters



³ 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 BY 2026, the CHRP adopted an attachment point of \$45,000, a reinsurance cap of \$170,000, and a coinsurance rate of 65 percent. Under these parameters, the CHRP would reimburse a carrier \$81,250 for an enrollee with \$170,000 or more in covered medical claims in 2026(i.e., \$170K - \$45K = \$125K in eligible claims; 65 percent of \$125K = \$81,250).

The adopted payment parameters for the CHRP for BY 2023 through BY 2027 are shown in Table 1.

Table 1. CHRP Payment Parameters, BY 2023-2027

	BY 2023	BY 2024	BY 2025	BY 2026	BY 2027
Attachment point	\$40,000	\$45,000	\$45,000	\$45,000	\$45,000
Reinsurance cap	\$155,000	\$175,000	\$175,000	\$170,000	\$175,000
Coinsurance rate	70%	70%	70%	65%	65%
Premium reduction target	15%	15%	15%	15%	15%
Average premium reduction	17.3%	16.4%	14.8%	16.5%	15.4%

3. 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 section [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, 2026, the CHRP fund balance was \$21,573,568.

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 \$20 million in FY 2027 and an additional \$20 million in FY 2028 for the state share of the BY 2025 and BY 2026 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, 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 four years of the program. Because payments are not issued to carriers until the fall of the year after the preceding plan year, state funds needed for BY 2027 will be appropriated in FY 2029.

Table 2. Reinsurance State and Federal Funding, BY 2023-2026

Fund Source	BY 2023	BY 2024	BY 2025	BY 2026
2022-2024 Appropriations Act	\$20,000,000	-	-	-
2026-2028 Appropriations Act	-	-	\$20,000,000	\$20,000,000
Federal Pass-through Funds	\$331,877,124	\$481,941,432	\$450,271,294	\$346,530,782
Total	\$351,877,124	\$481,941,432	\$470,271,294	\$366,530,782

4. 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. In FY 2026, the actuary:

- Prepared the 2026 CHRP pass-through funding report used to calculate federal funding for the program;
- Delivered three revised projections of 2026 CHRP program costs based on updated premiums, enrollment, and federal policies; and
- Analyzed carrier-submitted data to model 2027 CHRP cost projections for several 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. As shown in Table 3, FY 2026 reinsurance administrative and operational expenditures reflect refinements to the Bureau's 2025 projections of CHRP costs to include approved premium rates, actual marketplace enrollment, and new federal policies

Table 3. Reinsurance Administrative and Operational Expenditures, FY 2026⁴

Administrative and Operational Expenses	Expenditures
BY 2026 CHRP Pass-Through Funding Report – Actuary	\$8,059
Revised BY 2026 CHRP Cost Projections (Premiums) – Actuary	\$8,944
Revised BY 2026 CHRP Cost Projections (Federal Policies) – Actuary	\$24,035
Revised BY 2026 CHRP Cost Projections (Enrollment) – Actuary	\$9,310
Limited advanced BY 2027 CHRP Cost Projections - Actuary	\$8,849
BY 2027 CHRP Cost Scenarios and Parameters – Actuary	\$72,891
Federal Claims Data Services (BY 2026) – CMS	\$8,000
Total	\$140,088

⁴ In order to provide accurate and timely estimates of CHRP costs, initial projections were revised based on approved premium rates, actual marketplace enrollment, and new federal policies.

5. Reinsurance Claims and Payments

In accordance with § 38.2-6602 of the Code, final BY 2025 CHRP claims will be paid to eligible carriers by November 15, 2026. 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 eleven carriers are eligible for CHRP claims reimbursement payments for BY 2025. 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 2025 medical expenditures exceeded the 2025 CHRP attachment point and the total payments due to each carrier for their enrolled members. Only 2.24 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 \$37,599. As shown in Table 4, the Commission will issue total payments of more than \$436 million to eligible carriers, the equivalent of about 16.7 percent of total medical expenditures on individual marketplace enrollees.

Table 4. CHRP Eligibility and Carrier Payments, BY 2025

Carriers eligible for BY 2025 CHRP payments	11
Total individual market enrollees	516,994
Total enrollees with CHRP-qualifying expenditures	11,596
Total medical expenditures for all individual marketplace enrollees	\$2,612,363,259
Total medical expenditures eligible for CHRP reimbursement	\$622,859,209
Total BY 2025 CHRP payments made to eligible carriers	\$436,001,446

6. Program Impact

The CHRP has been in place since 2023 and has contributed to lower premiums in the individual health insurance market for four consecutive years. During that time period, Virginia has seen 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 Covid-19 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 2027, the Commission again set parameters to target a 15 percent reduction in premium.

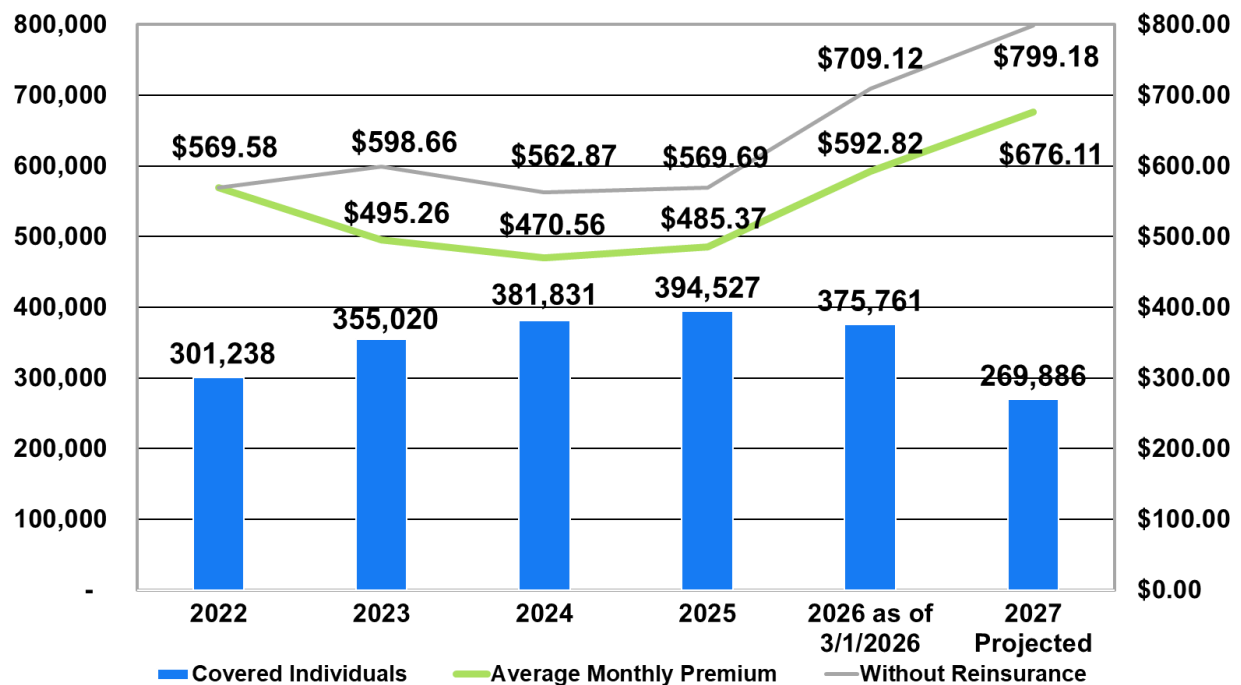
Even with the CHRP in place, average individual market premiums are set to rise by 16.7 percent⁵ in PY⁶ 2027 versus PY 2026, with carriers expecting the nationwide trend towards higher healthcare costs to impact Virginia as well. Virginia individual marketplace carrier rate submissions for PY 2027 indicated an average reduction of 15.4 percent from the average PY 2027 baseline premium without reinsurance.

As shown in Figure 2, the CHRP is expected to reduce the average per member per month (PMPM) unsubsidized premium for PY 2027 by \$123, from \$799 before reinsurance to \$676 after reinsurance. The impact of the CHRP may be especially important in light of the expiration of enhanced premium tax credits in 2026, leaving many individuals ineligible for federal subsidies.

⁵ This change is calculated using the current (PY 2026) carrier enrollment distribution, which differs from Figure 2, which uses carrier-projected enrollment distribution from 2027 company rate filings.

⁶ The Bureau uses PY instead of BY in this section because premium rate-setting is a separate and distinct process from the CHRP.

Figure 2. Virginia Individual Market Premium Rates and Enrollment, PY 2022-27⁷



Marketplace Coverage and Competition

In PY 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 42 percent of localities covered by three or more carriers in 2026. This competition provides Virginians with more options to meet their health insurance needs.

7. Conclusion

Virginia has now established the CHRP for benefit years 2023 through 2027, 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 program⁸, evaluating carrier claims, and making payments to eligible carriers.

⁷ Source: 2027 BOI ACA Rate Presentation (8/27/2026) - https://www.scc.virginia.gov/media/sccvirginiagov-home/regulated-industries/insurance/insurance-companies/life-health-companies/aca-rate--form-filing-information/aca_2027_rate_presentation_final.pptx

⁸The current waiver expires at the end of 2027. As directed by [Chapter 793 of the 2026 Virginia Acts of Assembly](#), the Bureau submitted a letter of intent to file for a five-year extension of the federal waiver on July 6, 2026, and is preparing to submit the waiver renewal application later this year.