

STATE OF NEW JERSEY

GOVERNOR PHIL MURPHY

ICYMI: DEPARTMENT OF BANKING AND INSURANCE ANNOUNCES FEDERAL APPROVAL OF SECTION 1332 STATE INNOVATION WAIVER TO CREATE REINSURANCE PROGRAM

Reinsurance Program Projected to Lower Premiums By 15 Percent

TRENTON – The New Jersey Department of Banking and Insurance today announced the state received federal approval of a Section 1332 State Innovation Waiver to create a reinsurance program aimed at lowering health insurance premiums in the individual market by 15 percent. Under the waiver, New Jersey will receive federal funds to cover a substantial portion of state costs for the reinsurance program. The state has requested \$218 million in federal pass-through funds to support the program for 2019.

The reinsurance program will increase certainty and stability in New Jersey's individual health insurance market. The program is projected to achieve a 15 percent reduction in what premium rates would otherwise be without a reinsurance program.

"Health care is a right, not a privilege, and we are working to ensure that all New Jersey families have access to affordable quality coverage," **said Governor Phil Murphy**. "This program is a significant step in our effort to link families to the health care access they need. We are committed to continuing our work to make sure that as many New Jerseyans as possible enroll in coverage and get the care that is so critical to their health and well-being."

"The Murphy Administration has made it a priority to pursue policies that protect the health of New Jersey families by improving access to affordable quality health coverage," **said Department of Banking and Insurance Commissioner Marlene Caride**. "The reinsurance program is an innovative way to increase stability in the insurance market and reduce costs to consumers. Ultimately, this is about creating greater access for residents in the state to the coverage and care they deserve."

Governor Murphy signed the New Jersey Health Insurance Premium Security Act into law in May creating a reinsurance program, subject to the approval of a federal Section 1332 State Innovation Waiver by the federal Centers for Medicare and Medicaid Services and the U.S. Department of Treasury. The program will reimburse carriers for certain high-cost claims in the individual insurance market, reducing risk and exerting downward pressure on premiums. It will use a mix of federal and state funds to fund the program to produce a reduction in individual health insurance premiums.

Specifically, the reinsurance program will reimburse individual health carriers for a proportion of the cost of certain high-cost claimants between a minimum and maximum threshold. Under the parameters for 2019, the program will reimburse 60 percent of claims between a \$40,000 minimum threshold (attachment point) and the \$215,000 maximum threshold (reinsurance cap). The program will be funded by three sources: (1) funds collected by the state pursuant to the law continuing an individual mandate in New Jersey and establishing a shared responsibility tax; (2) federal pass-through funding granted by the waiver; and if necessary (3) an annual appropriation from the General Fund.

The Department is currently reviewing the rates submitted by carriers for 2019. The average requested rate increase in the individual market, without the reinsurance program, is 5.8 percent. With approval of the waiver, the rates for individual health coverage plans will reflect further changes to account for a projected 15 percent reduction in premium rates to be achieved by the reinsurance program.

The individual health insurance market is comprised of coverage offered through the Marketplace as well as coverage offered outside the Marketplace. Carriers filed rates with the department on July 18. Final rates are expected to be released in the fall.

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