



## **Sole Source Approval Actuarial Services**

Pennie is the state-affiliated entity that operates the Commonwealth's state-based health insurance marketplace. Pennie was created in July of 2019 under Act 42 of 2019 (40 Pa.C.S. §§ 9101 – 9703) as a unanimous and bipartisan effort to transition away from the federal health exchange to lower costs and to use the savings to launch a reinsurance program to lower premiums for families purchasing health and dental insurance through Pennie.

Pennie's mission is to improve the accessibility and affordability of individual market health coverage for Pennsylvanians. One of Pennie's programmatic duties is to assist individuals to access income-based assistance for which they may be eligible, including premium tax credits, cost-sharing reductions, and government programs which can be used to lower consumers' monthly premium payments. *See* 40 Pa.C.S. § 9305(b)(2). On July 11, 2024, the Pennsylvania General Assembly passed House Bill 2310, an act amending the Fiscal Code for Fiscal Year 2025. HB 2310 established an Affordability Assistance Program, to be implemented by Pennie, to incentivize enrollment in health insurance policies offered on Pennie's platform beginning in plan year 2025 contingent on fund availability. This gives Pennie the authority to operate a program that, when funded, will provide eligible customers with access to state-funded financial assistance in addition to the financial assistance they are eligible for from the federal government.

HB 2310 also establishes the parameters and eligibility guidelines of the Affordability Assistance Program, but it gives Pennie the authority to design the structure of the subsidies. Under HB 2310, the eligibility criteria to receive financial assistance under the Affordability Assistance Program is as follows:

- The adjusted gross income of the individual is between 151 percent and 300 percent of the Federal Poverty Limit (FPL).
- The adjusted gross income of an individual or household is less than 150 percent FPL and they are not eligible for Medical Assistance, to be applied only upon the expiration of the enhanced federal subsidies provided under the American Rescue Plan Act.
- The individual is enrolled in a Gold or Silver plan (not Bronze).



The legislation also requires the Pennsylvania Insurance Department (PID) to maintain the Pennsylvania reinsurance program, which will continue to be funded by the user fees collected by Pennie as required under Act 42.

In the Spring of 2024 Oliver Wyman, a consulting company, provided actuarial services to the PID to create actuarial models for potential state financial assistance programs to be offered in plan year 2025 through Pennie. In order to create these models, Oliver Wyman leveraged its Healthcare Reform Microsimulation Model (HRM Model) that was calibrated to the Pennsylvania Individual ACA market. As part of that process, Oliver Wyman had to adjust and recalibrate its HRM Model using Pennie data.

Now that HB 2310 has established an Affordability Assistance Program through Pennie with specific eligibility standards, Pennie needs new actuarial models for state affordability models for Plan Year 2026 that take into consideration potential funding. These models are needed by early 2025 to inform board members, the legislature, and other stakeholders about the potential savings that Pennsylvanians seeking health insurance could have if the Affordability Assistance Program established under HB 2310 is funded. Additionally, there is currently uncertainty regarding the extension of enhanced premium tax credits available through the federal government that could have a significant impact on enrollment in plan year 2026.

Oliver Wyman's recalibrated HRM and the results of their 2024 actuarial models are needed to create new actuarial models under different potential funding scenarios for Pennie's Affordability Assistance Program. Pennie needs to have these new actuarial models by early 2025 to ensure that, if the Affordability Assistance Program is funded, the allocated funds are used to maximize enrollment in health insurance policies offered on Pennie's platform beginning in plan year 2026. Pennie also needs this information to begin planning various scenarios based on whether the federal enhanced premium tax credit levels are continued, and such planning must begin in early 2025.

The Procurement Code permits an agency to award a contract for supplies, services, or construction without competition if the contracting officer determines that certain conditions exist. 62 Pa.C.S. § 515(a). Relevant to this current situation, an agency can award a contract for a service if “[o]nly a single contractor is capable of providing the supply, service or construction” or if “[i]t is clearly not feasible to award the contract for supplies or services on a competitive basis.” *Id.* at § 515(a)(1) and



(4).

Oliver Wyman is the only firm with an actuarial model based on Pennsylvania’s ACA market and that has conducted prior actuarial affordability models with Pennie data, both of which are needed to develop new affordability assistance models and enrollment projections for plan year 2026. The model already incorporates PA-specific insurance data, uninsured and enrolled population behaviors, and individual market factors that are all unique to Pennsylvania. Using the existing model allows for consistent comparison across years and models over time, and allows for a standard model across reinsurance modeling being conducted by the PID and enrollment modeling under this procurement. Separate models to determine reinsurance and enrollment could lead to incorrect projections for plan year 2026. Finally, the need for modeling is urgent as these new affordability assistance models are needed in early 2025 in case funding is made available for PY 2026, and scenario planning based on different enrollment projections must be incorporated into budgetary forecasting also in early 2025. Thus, Pennie must procure these services through a sole source procurement.

In accordance with section 106.1(b)(5) of the Procurement Code, notice of this sole source procurement was posted on Pennie’s publicly available agency website, [agency.pennie.com](http://agency.pennie.com), on October 10, 2024, and remained available to the public for seven (7) calendar days prior to being approved below. 62 Pa.C.S. § 106.1(b)(5).

I am authorized by the procurement policy adopted by the Pennie Board of Directors to issue this sole source procurement, since the total value of this contract does not exceed \$500,000.00.

Sole Source Procurement Approved:

  
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Devon Trolley  
Executive Director  
Pennsylvania Health Insurance Exchange Authority d/b/a Pennie

October 17, 2024  
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Date