

# Stabilizing the Individual Market

Real Problems, Real  
Solutions

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# About Me

- Senior Consulting Actuary at Axene Health Partners, LLC
- Perspective
  - Thought leader on ACA Individual Health Market
    - 2014 article recognized by Forbes and Newsmax
  - Expert witness, strategy development, and ACA policy commentator
  - Prepare and file insurance rates in the ACA marketplaces
  - Value-based payment strategy and model development
  - Hospital market studies
  - Elected to the Society of Actuaries Health Section Council (2015-2018)
    - Strategic Initiative Chair
      - ACA and the Exchanges [www.theactuarmagazine.org/category/aca-initiative/](http://www.theactuarmagazine.org/category/aca-initiative/)
      - Evolution of the Health Actuary
      - Value-Based Reimbursement
      - Actuaries in Public Health
    - Annual Meeting Chair
    - Incoming Health Watch editor
- Objective today: Explain the root causes of the individual market problems and real opportunities for solutions from a national perspective

# Individual: A Small but Important Marketplace

- Employer 47.3%
- Medicaid 19.6%
- Medicare 17.2%
- Uninsured 9.0%
- **Individual 5.6%**
  - **On Exchange (ACA Compliant) 3.4%**
  - **Off Exchange (ACA Compliant) 1.8%**
  - **Grandfathered / Transitional 0.4%**
  - **Only market option for population not covered by employer or govt. programs**
  - **Premiums are not tax deductible**
- Other 1.3%

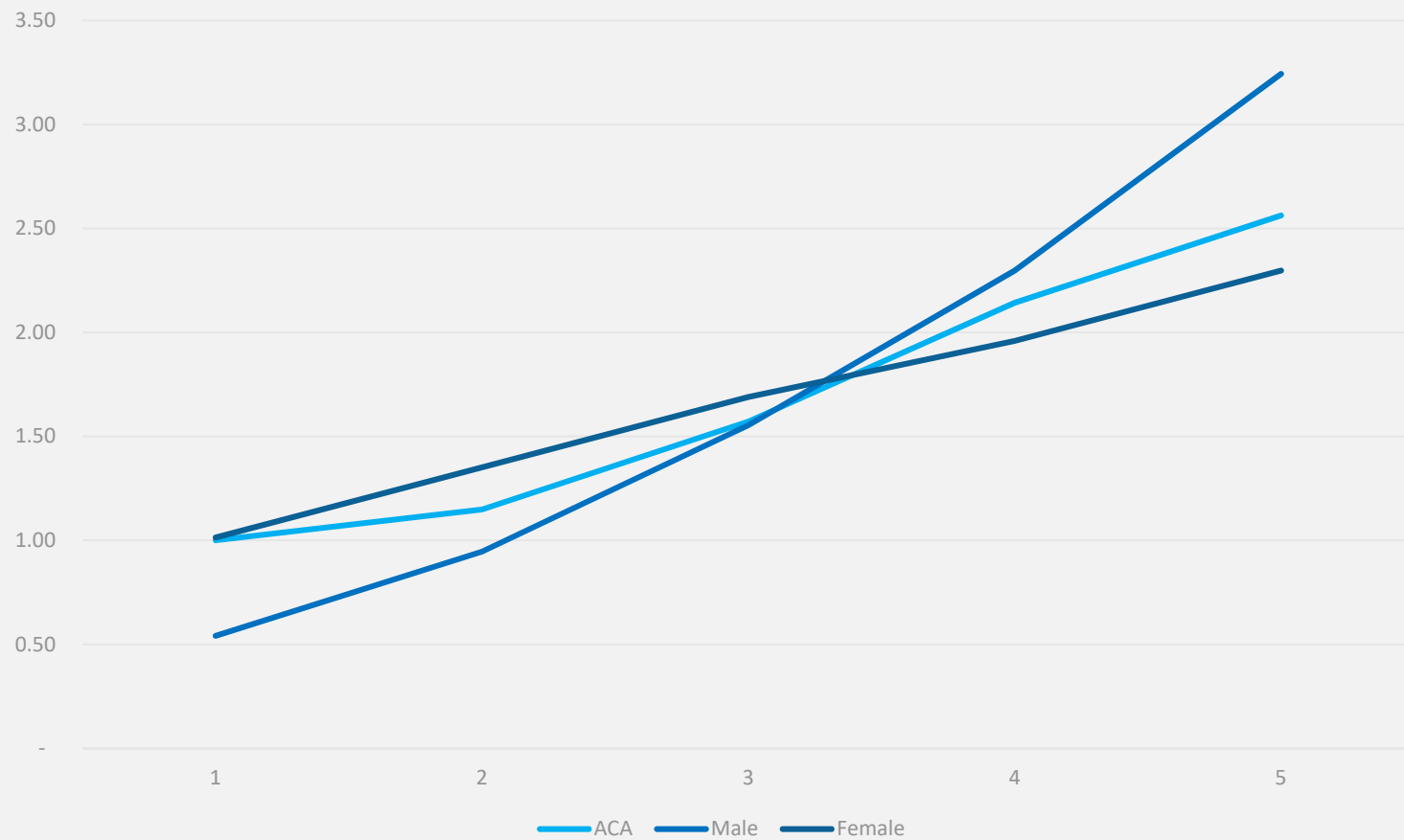
# ACA Changes to the Individual Market

- Health status no longer an allowable rating variable
- 3:1 Unisex age factors
- Premium and Cost-Sharing Subsidies
- Individual Mandate / Tax Penalty
  - Three Year Phase-in to 2016
  - Greater of \$695 or 2.5% of Income
  - Fully transparent April 2017
- External promotion and outreach

# Challenges

- **Increased premiums**
  - PriceWaterhouseCoopers Analysis (2009) - 47%
  - Society of Actuaries Research Study (2013) - 32%
  - S&P Healthcare Claims Index 2013 -> 2015 – 69%
    - Includes medical trend and non-complaint policies
  - Preliminary Premium Results – 2017 more than 2x 2013
- **Budgetary limitations**
  - Deficit neutrality – balanced with tax increases and Medicare reductions
  - Individuals will still be responsible for significant portion of the premium
  - Best way to allocate limited funds?
    - According to Brookings, selection only benefited lowest 20% of income earners
    - Do we need more funds or a better allocation?

# Age/Gender Factors



# Premium Subsidy Mechanics

<b>Figure 1: Gross Monthly Premium</b>				
Age	A Bronze	A Silver	B Bronze	B Silver
24	270	315	300	350
64	810	945	900	1050

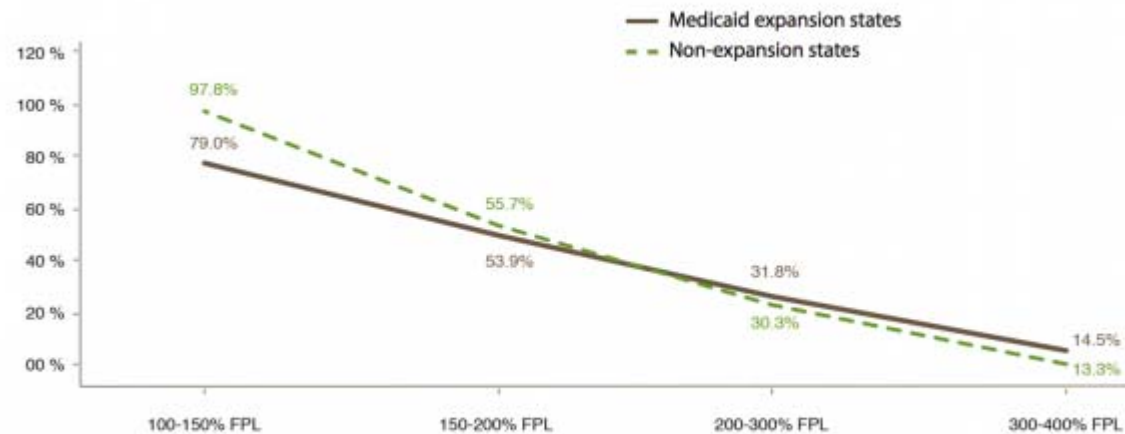
<b>Figure 2: Subsidy Calculation</b>				
Age	Income	Maximum Contribution Percentage	Maximum Contribution	Subsidy
24	48,000	7.50%	300	50
64	48,000	7.50%	300	750

<b>Figure 3: Net Monthly Premium</b>				
Age	A Bronze	A Silver	B Bronze	B Silver
24	220	265	250	300
64	60	195	150	300

# Exchange Enrollment Results

- State Variations
- Age 18-34: 28% of market vs. 40% targeted/required
- Little enrollment above 400% of Federal Poverty Level (FPL) where subsidies are not available
- High enrollment at lowest incomes where subsidies are greatest

**Figure 3. Plan Selection Rates by Income Level and State Group**



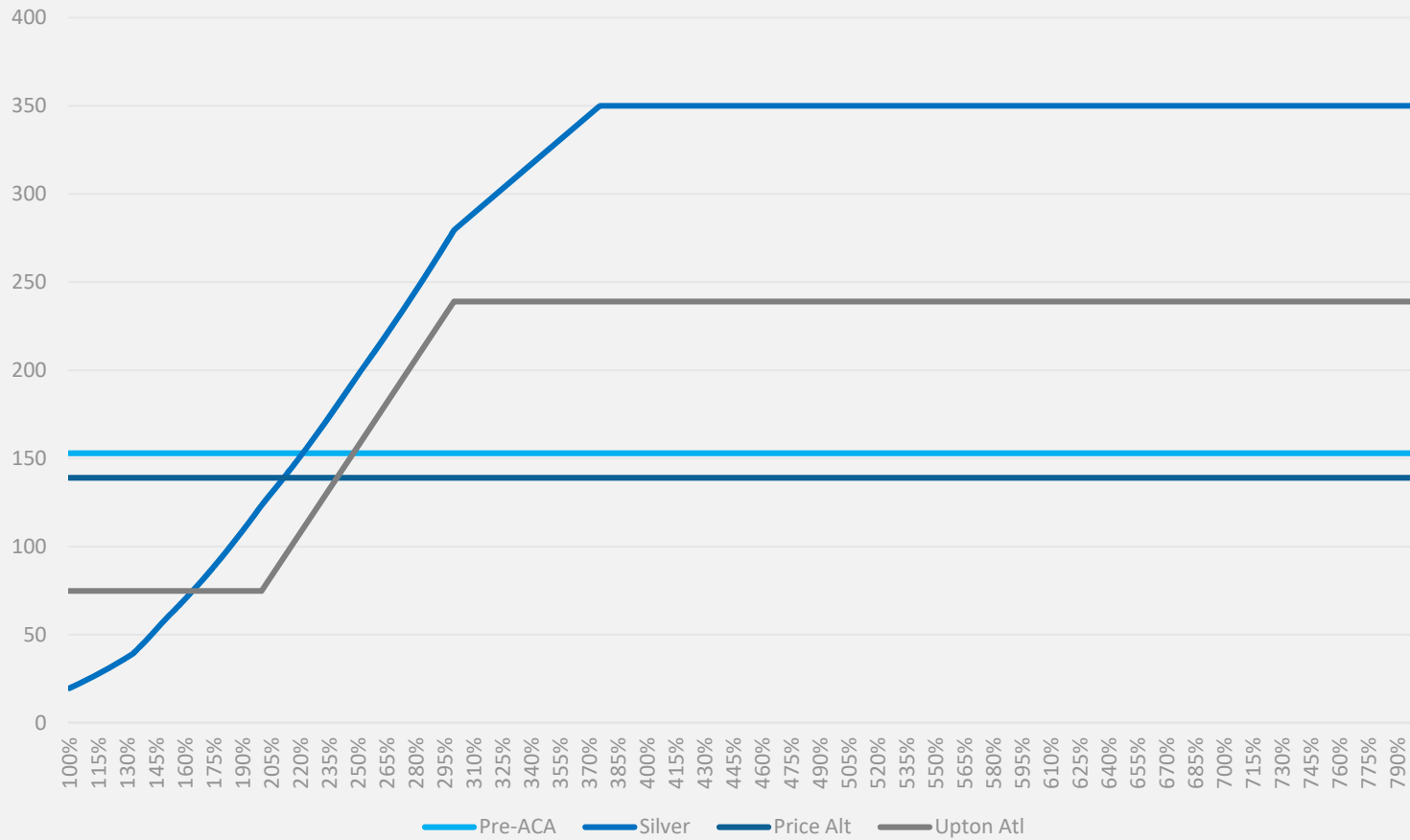
Source: The Urban Institute. HIPSMS-ACS 2015, Plan Selection and Enrollment Counts from CMS. <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheet-items/2015-09-08.html>



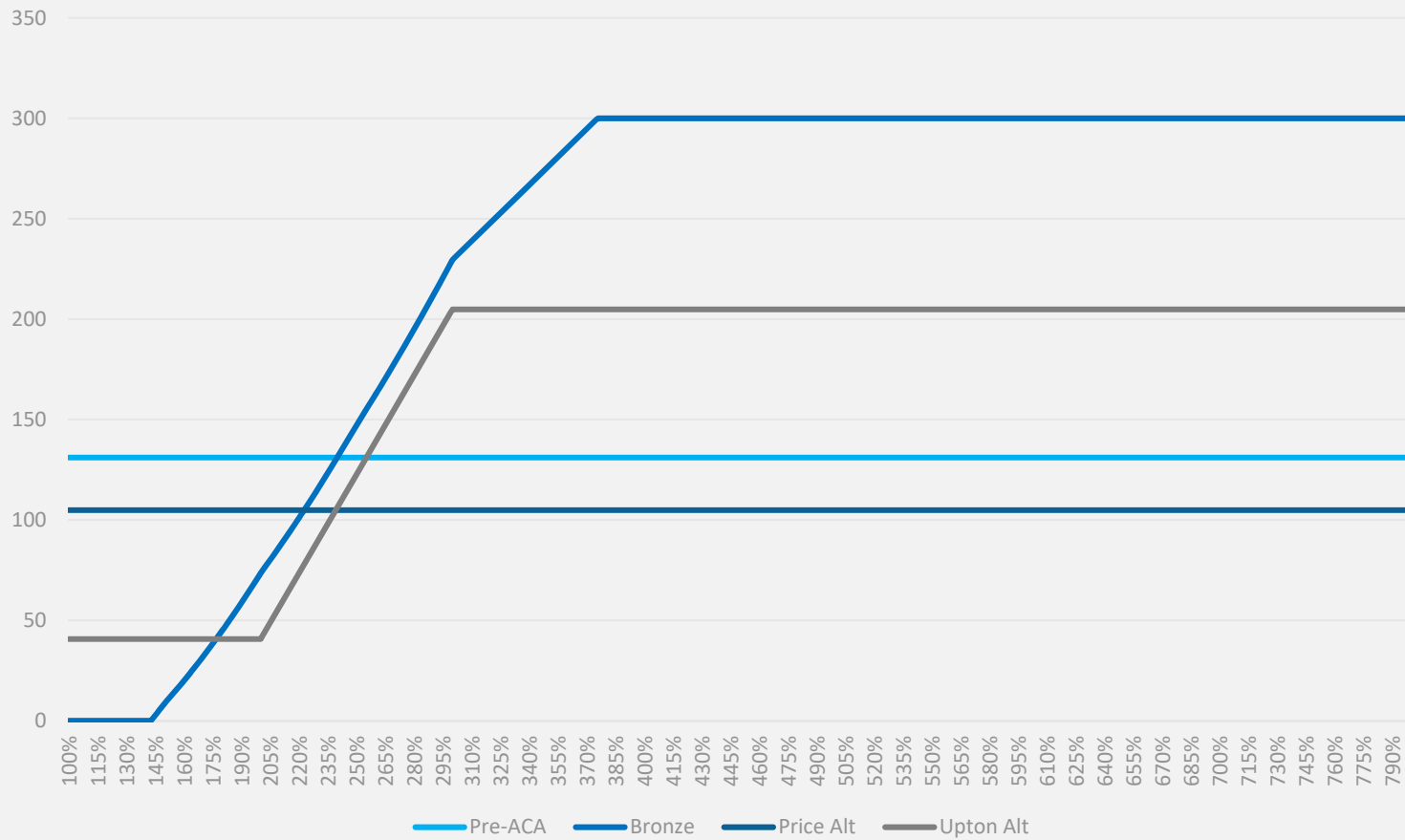
# Federal Legislative Proposals

- Political posturing: “Improve and expand” vs. “Repeal and replace”
  - Solutions are not as different as the rhetoric
- Two Congressional proposals feature age-based tax credits
  - 5:1 age band rather than ACA 3:1
  - Remove “family-glitch”
- *Empowering Patients First Act* (Tom Price)
  - \$1,200 for those between 18 to 35 years of age
  - \$2,100 for those between 35 and 50 years of age
  - \$3,000 for those who are 50 years and older
- *Patient Choice, Affordability, Responsibility, and Empowerment Act* (Fred Upton)
  - Phased-out from 200% FPL to 300% FPL
  - \$1,970 for those between 18 to 34 years of age
  - \$3,190 for those between 35 and 49 years of age
  - \$4,690 for those who between 50 and 64 years of age

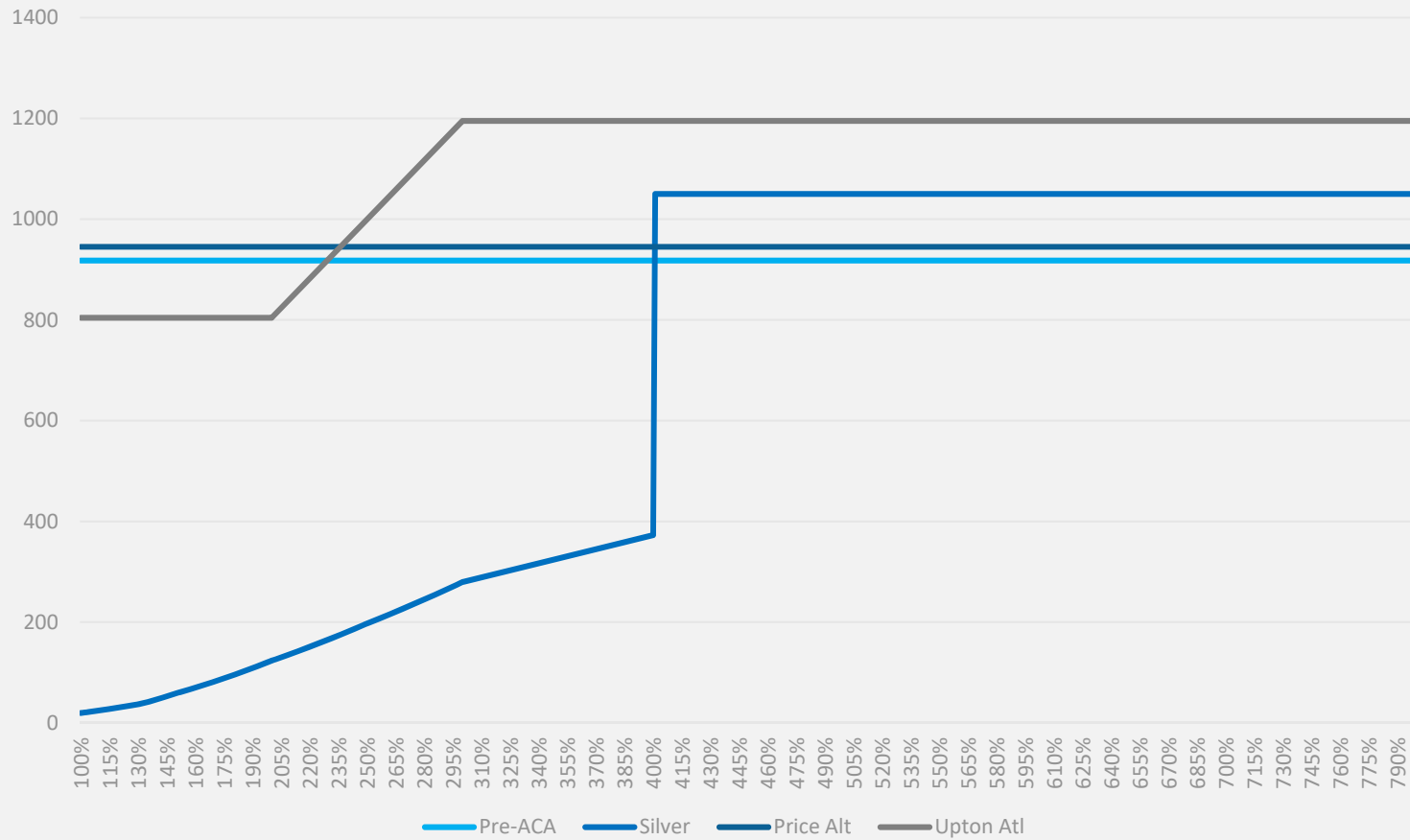
# Age 24 Silver Level Coverage



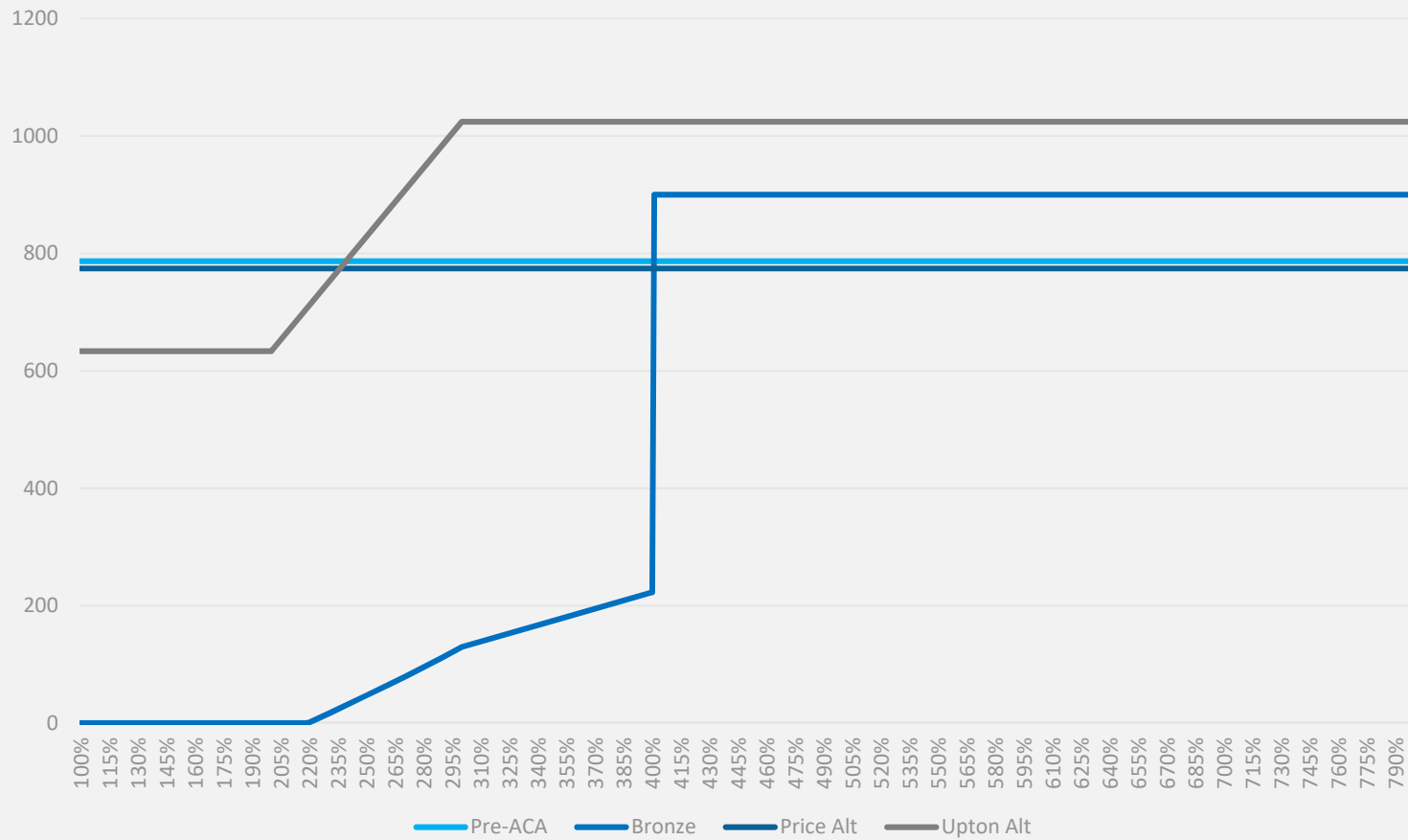
# Age 24 Bronze Level Coverage



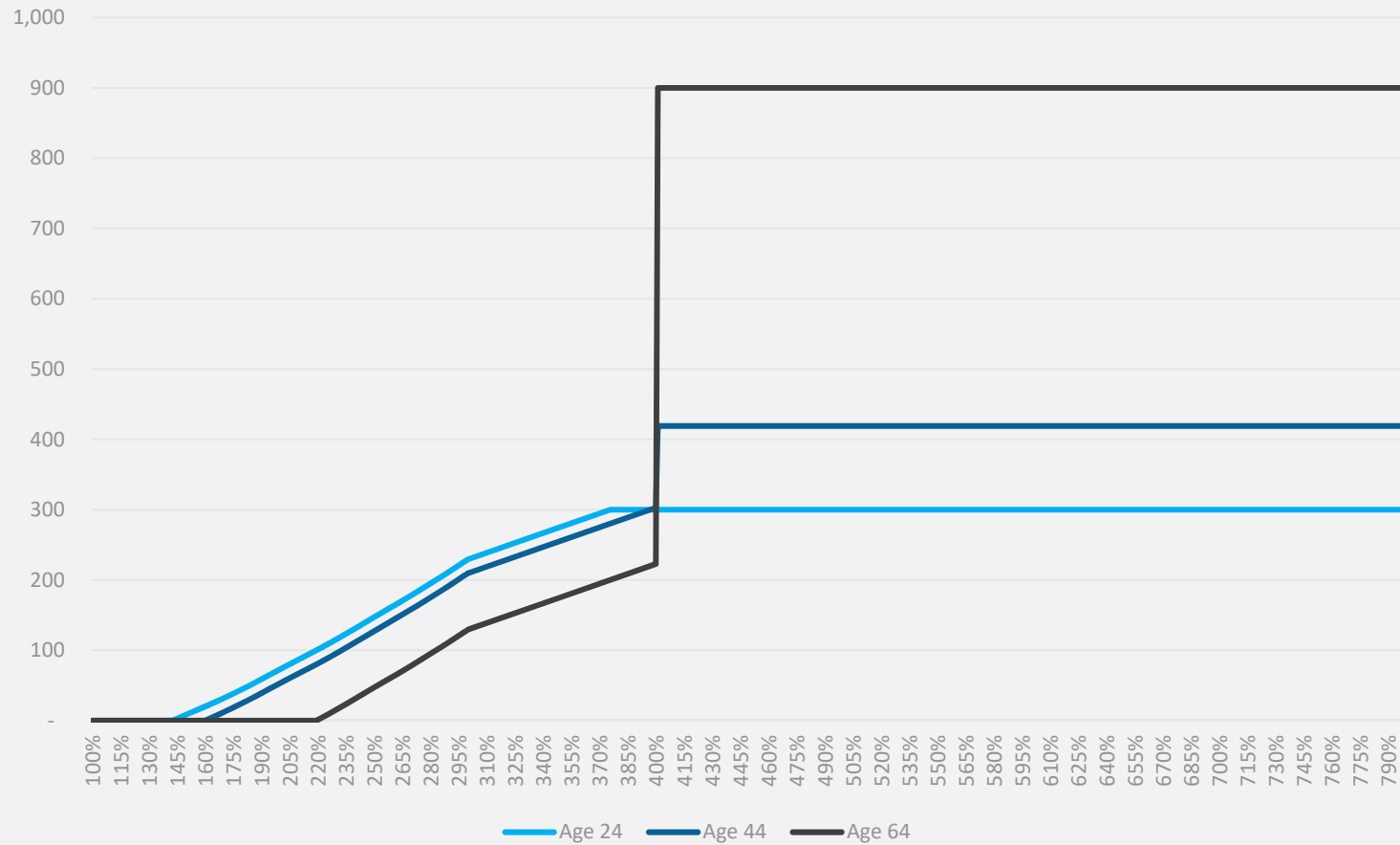
# Age 64 Silver Level Coverage



# Age 64 Bronze Level Coverage



# Bronze Premium Rates by Age



# Expected Total Cost (ETC) Comparisons

- Comparison of (Net Premiums + Net Cost-Sharing) to (Cost with No Coverage + Individual Mandate Penalty)

<b>ETC Relation to No Coverage</b>				
	Bronze	Silver	Price	Upton
<b>Age 24</b>				
175% FPL	49%	46%	41%	31%
275% FPL	116%	124%	36%	65%
375% FPL	103%	111%	32%	77%
<b>Age 44</b>				
175% FPL	39%	26%	56%	36%
275% FPL	72%	74%	53%	80%
375% FPL	90%	92%	50%	91%
<b>Age 64</b>				
175% FPL	22%	14%	78%	61%
275% FPL	45%	46%	76%	93%
375% FPL	56%	57%	74%	102%

# Risk Adjustment – the permanent R

- Pricing is complex. Insurer Revenue includes:
  - Member Premium
  - Premium Subsidy
  - Risk Adjustment Transfer Payment
- Pre-ACA: rating based on average risk, and adjusted for health status
- ACA: Pricing actuary's predictions include:
  - Risk profile of eligible enrollees
  - Risk profile of who enrolls in market versus who does not enroll
  - Insurer's relative risk to the market
  - Premium rates of all other insurers
  - Enrollment by benefit plan and region of all insurers
  - Health status of each insurer
  - Coding efficiency of each insurer



# Real Solutions...as Promised

- Federal Regulation - President Obama's final annual update (2018)
  - Substantive proposals, expected to be finalized before end of year
  - Material Changes to stabilize Risk Adjustment – unclear if enough
  - Does not directly address structural issues in individual market
    - Caveat: limitations to federal regulations
    - Tightens enforcement of Special Enrollment Periods
    - More funding for outreach
- Federal Legislation
- State Legislation - State Innovation Waivers (Section 1332)
  - Allowable for the first time in 2017
  - States can use ACA federal funds in a more efficient manner
  - Funds can be tailored to attract a broader market
  - Final guidance released December 2015

## Related Resources

- “Annual ACA Check Up: Stabilizing the New Marketplaces” – Inspire, October 2016  
<http://www.axenehp.com/inspire>
- “ASOPs, Antiselection, Affordability, and ACA Alternatives” - Health Watch, October 2016  
<https://www.soa.org/health/> (delayed release)
- “The Sustainability of the New American Entitlement: Actuarial Values and the ACA” - In the Public Interest, September 2016 <https://www.soa.org/sipf/>
- Section 1332 Waivers: Coming Soon to a State Near You?" - Health Watch, May 2016  
<https://www.soa.org/health>
- “The True Cost of Care” - The Actuary, December 2015/January 2016  
<http://theactuarymagazine.org/the-true-cost-of-coverage>
- “Implications of Individual Subsidies in the Affordable Care Act: What Stakeholders Need to Understand” - Health Watch, May 2014 (Featured Article of Society of Actuaries Health Section) <https://www.soa.org/professional-interests/health/health-pricing-resources.aspx>
- Health Section Podcast September 6, 2016: "ACA Sustainability: Are the Solutions at the State Level?" <https://www.soa.org/prof-dev/podcasts/health-podcasts/>
- Health Section Podcast June 30, 2015: "2015 Health Meeting: Session 12 Latest on the ACA: From the Industry, Congress, and the Supreme Court" <https://www.soa.org/prof-dev/podcasts/health-podcasts/>
- Health Section Podcast January 26, 2015: "If We Knew Then What We Know Now" <https://www.soa.org/prof-dev/podcasts/health-podcasts/>