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 [website link]
      • 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?
### Figure 1: Gross Monthly Premium

<table>
<thead>
<tr>
<th>Age</th>
<th>A Bronze</th>
<th>A Silver</th>
<th>B Bronze</th>
<th>B Silver</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>270</td>
<td>315</td>
<td>300</td>
<td>350</td>
</tr>
<tr>
<td>64</td>
<td>810</td>
<td>945</td>
<td>900</td>
<td>1050</td>
</tr>
</tbody>
</table>

### Figure 2: Subsidy Calculation

<table>
<thead>
<tr>
<th>Age</th>
<th>Income</th>
<th>Maximum Contribution Percentage</th>
<th>Maximum Contribution</th>
<th>Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>48,000</td>
<td>7.50%</td>
<td>300</td>
<td>50</td>
</tr>
<tr>
<td>64</td>
<td>48,000</td>
<td>7.50%</td>
<td>300</td>
<td>750</td>
</tr>
</tbody>
</table>

### Figure 3: Net Monthly Premium

<table>
<thead>
<tr>
<th>Age</th>
<th>A Bronze</th>
<th>A Silver</th>
<th>B Bronze</th>
<th>B Silver</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>220</td>
<td>265</td>
<td>250</td>
<td>300</td>
</tr>
<tr>
<td>64</td>
<td>60</td>
<td>195</td>
<td>150</td>
<td>300</td>
</tr>
</tbody>
</table>
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**

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

Pre-ACA  Silver  Price Alt  Upton Atl
Age 24 Bronze Level Coverage
Age 64 Silver Level Coverage

Pre-ACA  Silver  Price Alt  Upton Atl
Age 64 Bronze Level Coverage

Pre-ACA

Bronze

Price Alt

Upton Alt

10/31/2016

Axene Health Partners, LLC
Bronze Premium Rates by Age

Graph showing Bronze Premium Rates by Age for different age groups (Age 24, Age 44, and Age 64). The x-axis represents the percentage increase, while the y-axis represents the premium rates. The graph displays the premium rates for Bronze plans for each age group, with Age 24 having the lowest premiums, followed by Age 44, and then Age 64. The rates are shown with blue, black, and dark blue lines, respectively, for each age group.
**Expected Total Cost (ETC) Comparisons**

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

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