ACA 2014 Exchange Update

Sue Hart, FSA, MAAA
Principal and Consulting Actuary
Milliman

Raleigh Skaggs, ASA, FCAS, MAAA
Consulting Actuary
Milliman

November 7, 2013

Milliman

Talking Points

- How The Exchanges Work
- How Rates are Filed
- What Do We Know Now
- Where Do We Go From Here

Milliman

How The Exchanges Work

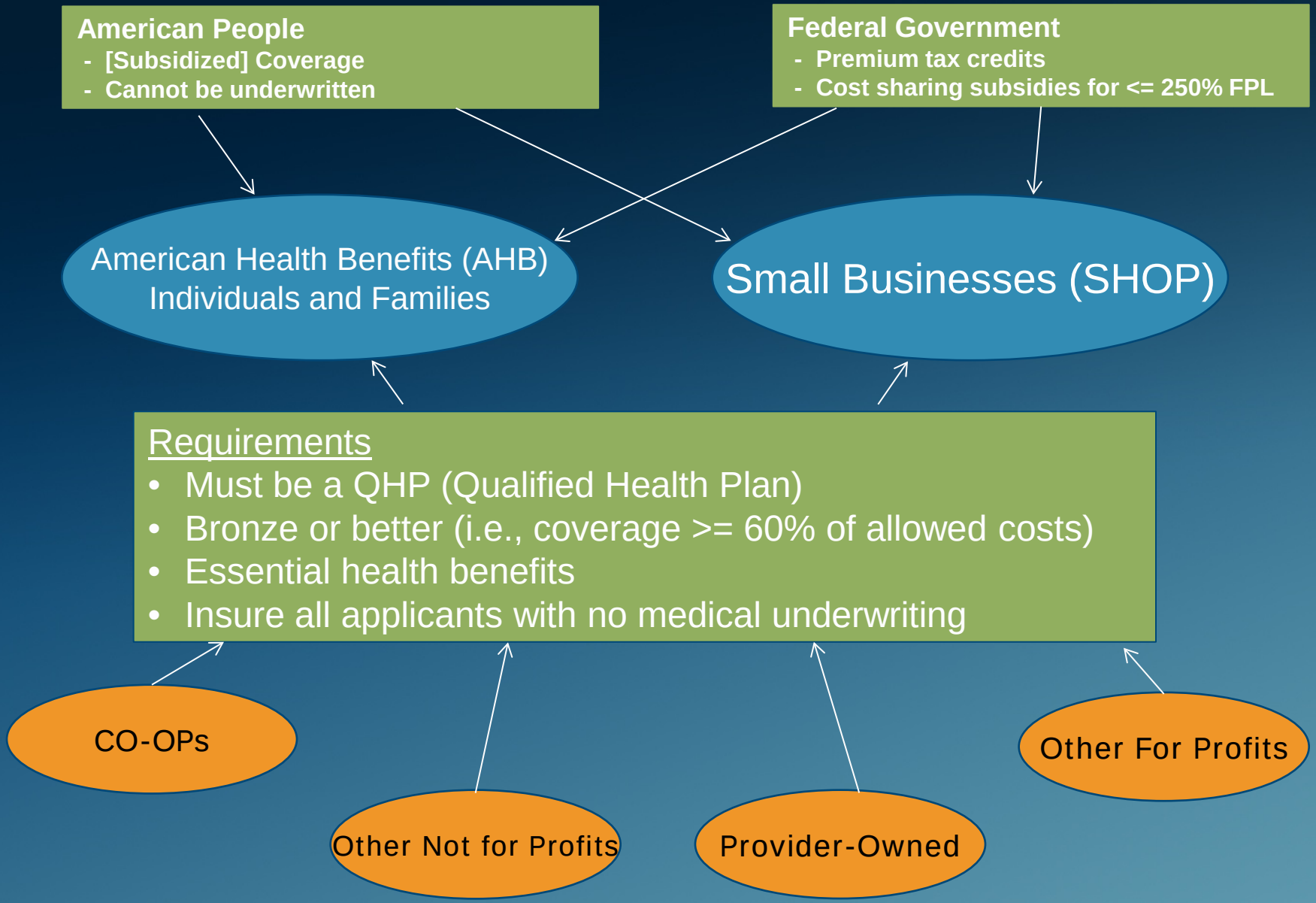
Milliman

ACA Summary

- Individual Mandate
- Employer Requirements
- Expansion of Public Programs
- Premium and Cost Sharing Subsidies
- Tax Changes
- **Exchanges**
- Health Benefit Plans
- Temporary High-Risk Pool
- Medical Loss Ratio Reporting and Rebates
- Premium Rate Reviews
- Dependent Coverage Up to Age 26
- Insurance Market Rules
- Cost Containment
- Improving Quality/Health System Performance
- Prevention/Wellness
- Elimination of cost-sharing for preventive services
- Wellness Programs
- Long-Term Care
- Other (Medicare and Workforce)

Milliman

Health Insurance Exchanges



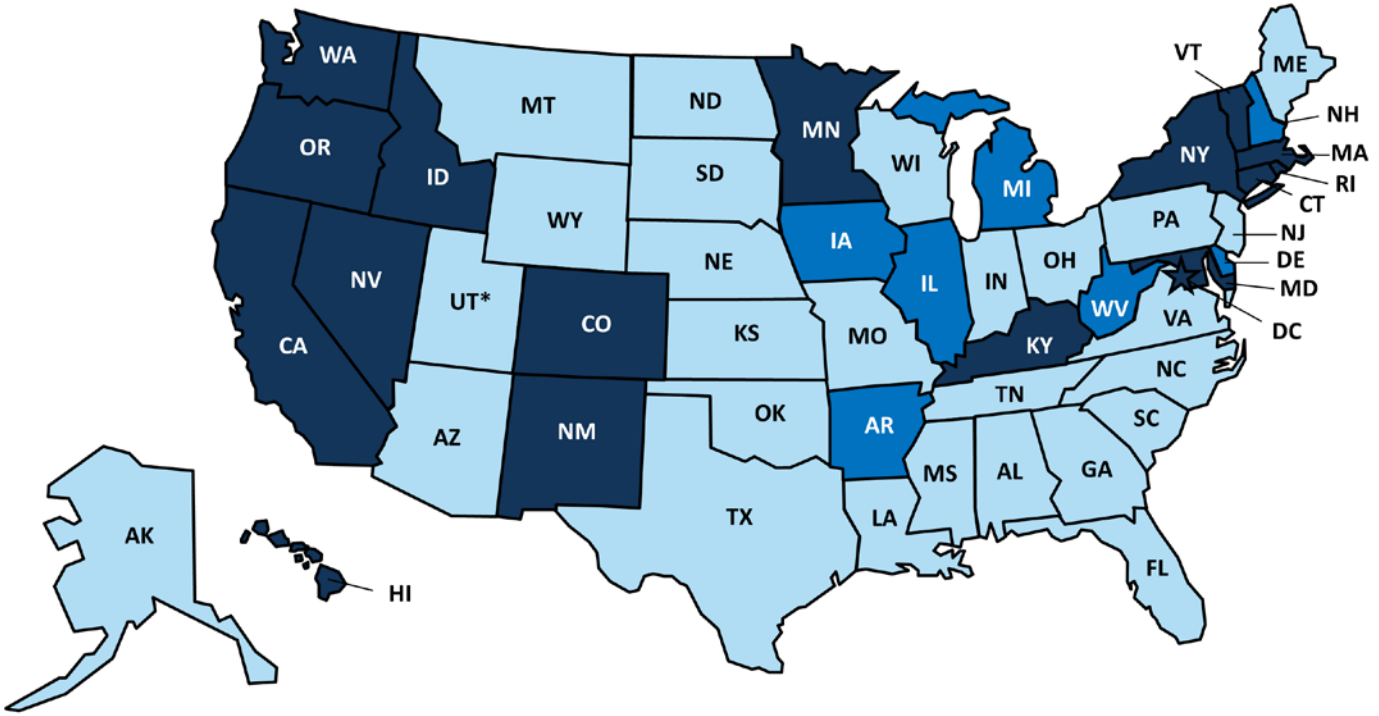
Milliman

Premium and Cost Sharing Subsidies

- Individuals
  - Eligibility
  - Premium Credits (Premium Contribution Limits as % of Income)
    - < 133% FPL 2% of income
    - 133-150% FPL 3 - 4%
    - 150-200% FPL 4 - 6.3%
    - 200-250% FPL 6.3 - 8.05%
    - 250-300% FPL 8.05 - 9.5%
    - 300-400% FPL 9.5%
  - Cost-Sharing Subsidies (Actuarial Value of Basic Benefit Plan)
    - 100-150% FPL 94%
    - 150-200% FPL 87%
    - 200-250% FPL 73%
    - 250-400% FPL 70%
- Employers
  - Small Business Tax Credits
  - Reinsurance Program

Milliman

States Health Insurance Marketplace Decisions, May 10, 2013



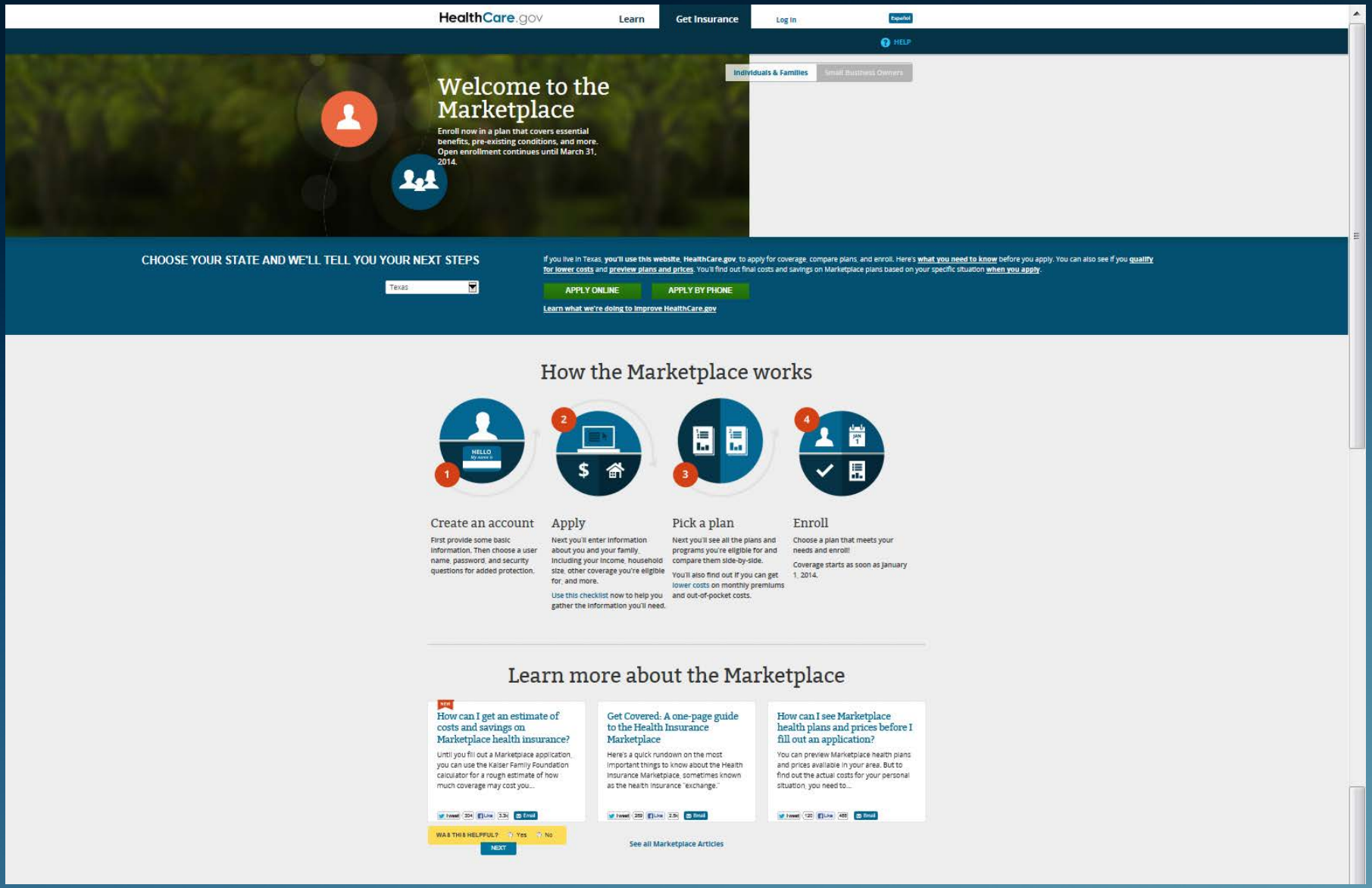
* In Utah, the federal government will run the marketplace for individuals while the state will run the small business, or SHOP, marketplace.

THE HENRY J. KAISER FAMILY FOUNDATION

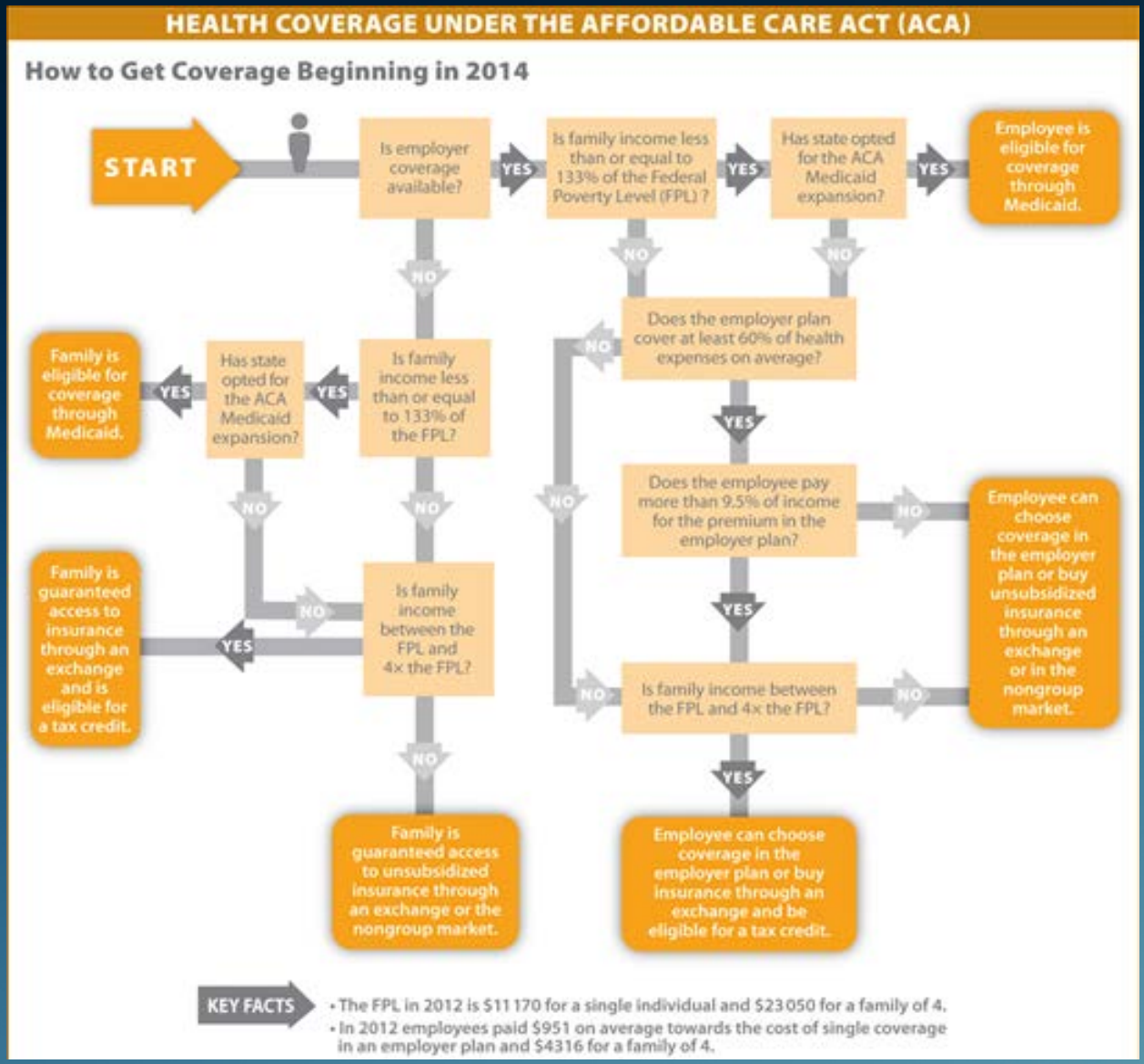
http://kff.org/health-reform/slide/state-decisions-for-creating-health-insurance-exchanges/

Milliman

HealthCare.gov



Milliman



http://jama.jamanetwork.com/article.aspx?articleid=1487506/

Milliman

How Rates are Filed

Milliman

2014 Rate Development Process

- Project statewide market members and health status
  - age, gender, income, and exchange status
- Project statewide and plan risk scores
- Estimate 2014 statewide average claims
- Project plan's 2014 claim costs
- Add administrative expenses
- Add estimated transitional reinsurance expenses/recoveries
- Estimate plan risk adjustment transfer payment
- Calculate composite required premium
- Calculate premiums by rate cell

Milliman

Summary of ACA's 3 Main Risk Mechanisms

	Reinsurance	Adjusters	Corridors
Goal	Reimburse individual carriers for likely adverse selection.	Ensure plans compete based on efficiency (e.g., discounts, admin costs, etc.), not health status.	Give carriers comfort when participating in new markets on 1/1/14.
Mechanism	All plans (including self-funded) will pay into a pool from which individual carriers will draw based on a percent of individual claims between $60,000 and $250,000.	HHS will use a distributive approach to collect diagnoses (HCCs) and calculate a zero-sum payment transfer among the carriers based on a concurrent basis for their risks insured.	Government will collect from (or reimburse) qualified health plans based on their financial results beyond a 3% loss ratio corridor after the reinsurance and risk adjustment calculations.
Starts	January 1, 2014		
Ends	December 31, 2016	Indefinite	December 31, 2016
Authority	State Option		HHS
Markets	Payors: Commercial FI/SI plans; Receivers: Ind non-GF	Individual and Small Group	
	Exchange and Non-Exchange (excl. Grandfathered)		Qualified Health Plans Only

Milliman

2014 Rate Filing Process

- Significant overhaul of rate development and rate filing process:
  - Actuarial Memorandum and Certification requirements
  - Required Forms:
    - Unified Rate Review Template
    - Rates Template
    - Plan Benefits Template
    - Other State-required forms that are new for 2014

Milliman

Unified Rates Review Template

Data Collection Template

Company Legal Name: State:
HIOS Issuer ID: Market:
Effective Date of Rate Change(s):

Market Level Calculations (Same for all Plans)

Section I: Experience period data

Experience Period: to 12/30/1900

	Experience Period Aggregate Amount	PMPM	% of Prem
Premiums (net of MLR Rebate) in Experience Period:		#DIV/0!	#DIV/0!
Incurred Claims in Experience Period		#DIV/0!	#DIV/0!
Allowed Claims:		#DIV/0!	#DIV/0!
Index Rate of Experience Period			
Experience Period Member Months			

Section II: Allowed Claims, PMPM basis

Projection Period: 1/0/1900 to 12/30/1900 Mid-point to Mid-point, Experience to Projection: -6 months

	Experience Period on Actual Experience Allowed				Adj't. from Experience to Projection Period				Annualized Trend Factors		Projections, before credibility Adjustment			Credibility Manual		
Benefit Category	Utilization Description	Utilization per 1,000	Average Cost/Service	PMPM	Pop'l risk Morbidity	Other	Cost	Util			Utilization per 1,000	Average Cost/Service	PMPM	Utilization per 1,000	Average Cost/Service	PMPM
Inpatient Hospital				$0.00							#DIV/0!	#DIV/0!	#DIV/0!			$0.00
Outpatient Hospital				0.00							#DIV/0!	#DIV/0!	#DIV/0!			0.00
Professional				0.00							#DIV/0!	#DIV/0!	#DIV/0!			0.00
Other Medical				0.00							#DIV/0!	#DIV/0!	#DIV/0!			0.00
Capitation				0.00							#DIV/0!	#DIV/0!	#DIV/0!			0.00
Prescription Drug				0.00							#DIV/0!	#DIV/0!	#DIV/0!			0.00
Total				$0.00									#DIV/0!			$0.00

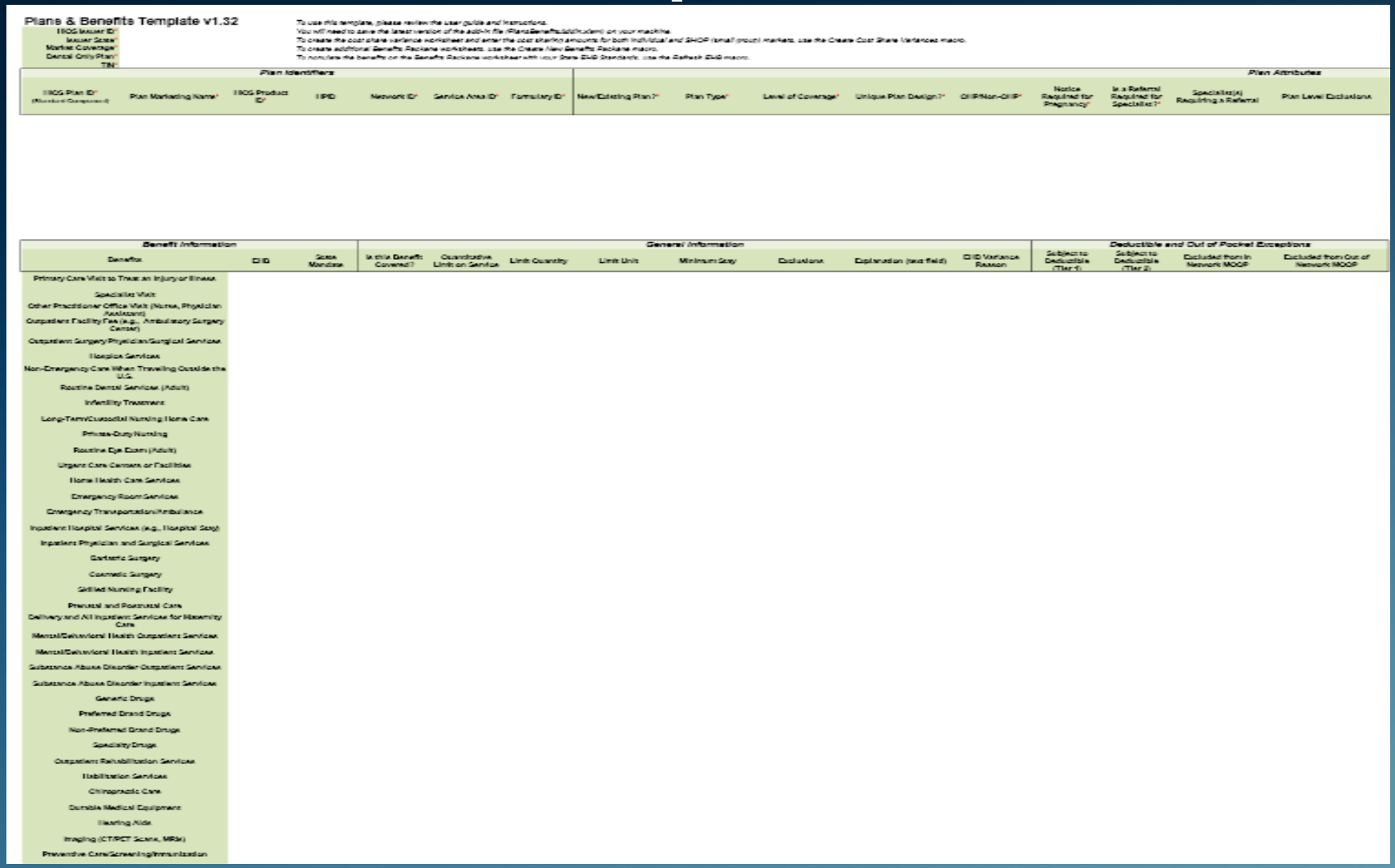
Section III: Projected Experience:

		After Credibility	Projected Period Totals
Projected Allowed Experience Claims PMPM (w/applied credibility if applicable)	100.00%	#DIV/0!	#DIV/0!
Paid to Allowed Average Factor in Projection Period			
Projected Incurred Claims, before ACA rein & Risk Adj't, PMPM		#DIV/0!	#DIV/0!
Projected Risk Adjustments PMPM			0
Projected Incurred Claims, before reinsurance recoveries, net of rein prem, PMPM		#DIV/0!	#DIV/0!
Projected ACA reinsurance recoveries, net of rein prem, PMPM			0
Projected Incurred Claims		#DIV/0!	#DIV/0!
Administrative Expense Load		#DIV/0!	#DIV/0!
Profit & Risk Load		#DIV/0!	#DIV/0!
Taxes & Fees		#DIV/0!	#DIV/0!
Single Risk Pool Gross Premium Avg. Rate, PMPM		#DIV/0!	#DIV/0!
Index Rate for Projection Period			
% increase over Experience Period		#DIV/0!	
% increase, annualized:		#DIV/0!	
Projected Member Months			

Information Not Releasable to the Public Unless Authorized by Law: This information has not been publically disclosed and may be privileged and confidential. It is for internal government use only and must not be

Milliman

Plan Benefits Template



Plans & Benefits Template v1.32

To use this template, please review the User guide and Instructions.
You will need to save the latest version of the add-in file (PlansBenefitsEditor.xlam) on your machine.
To create the cost share variance worksheet and enter the cost sharing amounts for both Individual and SHOP (small group) markets, use the Create Cost Share Variances macro.
To create additional Benefits Package worksheets, use the Create New Benefits Package macro.
To populate the benefits on the Benefits Package worksheet with your State EHB Standards, use the Refresh EHB macro.

HIOS Issuer ID*
Issuer State*
Market Coverage*
Dental Only Plan*
TIN*

Plan Identifiers							Plan Attributes								
HIOS Plan ID* (Standard Component)	Plan Marketing Name*	HIOS Product ID*	EHB	Network ID*	Service Area ID*	Formulary ID*	New/Existing Plan?*	Plan Type*	Level of Coverage*	Unique Plan Design?*	Off/Non-Off Ex*	Notice Required for Pregnancy*	Is a Referral Required for Specialist?*	Specialist(s) Requiring a Referral	Plan Level Exclusions

Benefit Information			General Information								Deductible and Out of Pocket Exceptions			
Benefits	EHB	State Mandate	Is this Benefit Covered?	Quantitative Limit on Service	Limit Quantity	Limit Unit	Minimum Stay	Exclusions	Explanation (text field)	EHB Variance Reason	Subject to Deductible (Tier 1)	Subject to Deductible (Tier 2)	Excluded from In Network MOOP	Excluded from Out of Network MOOP
Primary Care Visit to Treat an Injury or Illness														
Specialist Visit														
Other Practitioner Office Visit (Nurse, Physician Assistant)														
Outpatient Facility Fee (e.g., Ambulatory Surgery Center)														
Outpatient Surgery Physician/Surgical Services														
Hospice Services														
Non-Emergency Care When Traveling Outside the U.S.														
Routine Dental Services (Adult)														
Infertility Treatment														
Long-Term/Custodial Nursing Home Care														
Private-Duty Nursing														
Routine Eye Exam (Adult)														
Urgent Care Centers or Facilities														
Home Health Care Services														
Emergency Room Services														
Emergency Transportation/Ambulance														
Inpatient Hospital Services (e.g., Hospital Stay)														
Inpatient Physician and Surgical Services														
Bariatric Surgery														
Cosmetic Surgery														
Skilled Nursing Facility														
Prenatal and Postnatal Care														
Delivery and All Inpatient Services for Maternity Care														
Mental/Behavioral Health Outpatient Services														
Mental/Behavioral Health Inpatient Services														
Substance Abuse Disorder Outpatient Services														
Substance Abuse Disorder Inpatient Services														
Generic Drugs														
Preferred Brand Drugs														
Non-Preferred Brand Drugs														
Specialty Drugs														
Outpatient Rehabilitation Services														
Habilitation Services														
Chiropractic Care														
Durable Medical Equipment														
Hearing Aids														
Imaging (CT/PET Scans, MRIs)														
Preventive Care/Screening/Immunization														

Milliman

Rates Template

Rates Table Template v2.2	To validate press Validate button or Ctrl + Shift + V. To finalize, press Finalize button or Ctrl + Shift + F.
	If you are a community rating state, select Family Option under Age and fill in all columns.
	If you are not community rating state, select 0-20 under Age and provide an Individual Rate for every age band.
	If Tobacco is Tobacco User/Non-Tobacco User, you must give a rate for Tobacco Use and Non-Tobacco Use.
	To add a new sheet, press the Add Sheet button, or Ctrl + Shift + S. All plans must have the same dates on a sheet.
HIOS Issuer ID*	12345
Federal TIN*	
Rate Effective Date*	1/1/2014
Rate Expiration Date*	12/31/2014

Plan ID*	Rating Area ID*	Tobacco*	Age*	Individual Rate*	Individual Tobacco Rate*
Required: Enter the 14-character Plan ID	Required: Select the Rating Area ID	Require: Select if Tobacco use of subscriber is used to determine if a person is eligible for a rate from a plan	Required: Select the age of a subscriber eligible for the rate	Required: Enter the rate of an Individual Non-Tobacco or No Preference enrollee on a plan	Required: Enter the rate of an individual tobacco enrollee on a plan
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	0-20		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	21		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	22		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	23		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	24		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	25		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	26		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	27		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	28		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	29		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	30		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	31		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	32		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	33		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	34		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	35		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	36		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	37		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	38		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	39		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	40		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	41		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	42		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	43		
12345TX0010001	Rating Area 4	Tobacco User/Non-Tobacco User	44		

Milliman

CMS AV Calculator

User Inputs for Plan Parameters

Use Integrated Medical and Drug Deductible?	☑
Apply Inpatient Copay per Day?	☐
Apply Skilled Nursing Facility Copay per Day?	☐
Use Separate OOP Maximum for Medical and Drug Spending?	☐
Indicate if Plan Meets CSR Standard?	☐
Desired Metal Tier	Platinum

HSA/HRA Options		Narrow Network Options	
HSA/HRA Employer Contribution?	☐	Blended Network/POS Plan?	☐
Annual Contribution Amount:		1st Tier Utilization:	
		2nd Tier Utilization:	

	Tier 1 Plan Benefit Design			Tier 2 Plan Benefit Design		
	Medical	Drug	Combined	Medical	Drug	Combined
Deductible ($)						
Coinsurance (%, Insurer's Cost Share)						
OOP Maximum ($)						
OOP Maximum if Separate ($)						

Click Here for Important Instructions

Type of Benefit	Tier 1 Subject to Deductible?	Tier 1 Subject to Coinsurance?	Tier 1 Coinsurance, if different	Tier 1 Copay, if separate	Tier 2 Subject to Deductible?	Tier 2 Subject to Coinsurance?	Tier 2 Coinsurance, if different	Tier 2 Copay, if separate
Medical	☑ All	☑ All			☑ All	☑ All		
Emergency Room Services	☑	☑			☑	☑		
All Inpatient Hospital Services (inc. MHSA)	☑	☑			☑	☑		
Primary Care Visit to Treat an Injury or Illness (exc. Preventive, and X-rays)	☑	☑			☑	☑		
Specialist Visit	☑	☑			☑	☑		
Mental/Behavioral Health and Substance Abuse Disorder Outpatient Services	☑	☑			☑	☑		
Imaging (CT/PET Scans, MRIs)	☑	☑			☑	☑		
Rehabilitative Speech Therapy	☑	☑			☑	☑		
Rehabilitative Occupational and Rehabilitative Physical Therapy	☑	☑			☑	☑		
Preventive Care/Screening/Immunization	☐	☐	100%	$0.00	☐	☐	100%	$0.00
Laboratory Outpatient and Professional Services	☑	☑			☑	☑		
X-rays and Diagnostic Imaging	☑	☑			☑	☑		
Skilled Nursing Facility	☑	☑			☑	☑		
Outpatient Facility Fee (e.g., Ambulatory Surgery Center)	☑	☑			☑	☑		
Outpatient Surgery Physician/Surgical Services	☑	☑			☑	☑		
Drugs	☑ All	☑ All			☑ All	☑ All		
Generics	☑	☑			☑	☑		
Preferred Brand Drugs	☑	☑			☑	☑		
Non-Preferred Brand Drugs	☑	☑			☑	☑		
Specialty Drugs (i.e. high-cost)	☑	☑			☑	☑		

Options for Additional Benefit Design Limits:

Set a Maximum on Specialty Rx Coinsurance Payments?	☐
Specialty Rx Coinsurance Maximum:	
Set a Maximum Number of Days for Charging an IP Copay?	☐
# Days (1-10):	
Begin Primary Care Cost-Sharing After a Set Number of Visits?	☐
# Visits (1-10):	
Begin Primary Care Deductible/Coinsurance After a Set Number of Copays?	☐
# Copays (1-10):	

Output

Status/Error Messages:
Actuarial Value:
Metal Tier:

Milliman

What Do We Know Now

- Insurers
- Rates
- Benefit Plans
- Enrollment (?)
- Focus on Texas

Milliman

Texas Insurers in Exchange (Marketplace)

Carrier	# of Rating Areas	Plan Type	2012 Individual Market Share
BCBS of TX	26	Both	59%
Humana Health Plan / Ins Co	7/1	HMO/EPO	0%/10%
Aetna	8	PPO	7%
CIGNA	6	PPO	4%
Scott & White	8	HMO	<1%
Firstcare	9	HMO	<1%
Ambetter (Superior)	7	HMO	0%
Community Health Choice	2	HMO	0%
Community First	1	HMO	0%
Molina	8	HMO	0%
Sendero	2	HMO	0%

Milliman

Texas Individual Insurers Not In Marketplace

Carrier	2012 Individual Market Share
Golden Rule	8%
Time	4%
New York Life	1%
MEGA L&H	1%
Others with <1% Market Share	4%

Milliman

Premiums and Offerings by Area (Age 27 Before Tax Credits)

County (City)	Lowest Bronze	Lowest Silver	2nd Lowest Silver	Lowest Silver PPO
Travis (Austin)	$144 (BC)	$169 (Hum)	$205 (BC)	$223 (Cig)
Dallas (Dallas)	$153 (BC)	$217 (BC)	$223 (BC)	$246 (Cig)
Harris (Houston)	$138 (BC)	$195 (BC)	$201 (BC)	$237 (Cig)
Bexar (San Antonio)	$138 (BC)	$168 (Hum)	$196 (BC)	$220 (Aet)
Non-MSAs	$133 (BC)	$169 (Hum)	$189 (BC)	$233 (BC)
Texas Average	$139	$189	$201	
Avg 36 States	$163	$203	$214	

Milliman

Rates by Age

- Standardized age slopes for all carriers
- Single ages
- Add up family members (max of 3 children included)

Milliman

Rates by Age – Sample Ages

Age	Factor	Lowest Bronze – Travis County	2nd Lowest Silver – Travis County
Children (to age 20)	0.635	$87	$124
Age 21	1.000	$137	$196
Age 27	**1.048**	**$144**	**$205**
Age 37	1.238	$170	$242
Age 47	1.563	$215	$306
Age 57	2.437	$335	$477
Family of 4 – Adults age 37 and 2 children		$514	$732

Milliman

Calculate Rates After Tax Credit (Travis County Individual)

- 27 year old with income of $25,000
- Second lowest cost silver before tax credits: $205
- $25,000 is 218% of FPL
- Premium cap is 6.93% of income or $144 a month – this is the cost to this individual to buy the 2nd lowest cost silver plan
- Tax credit: $205 - $144 = $61
- Lowest bronze before tax credits: $144
- Lowest bronze after tax credits: $144 - $61 = $83
- If purchase “Silver” will have lower cost-sharing (73% AV instead of 70%

Milliman

Calculate Rates After Tax Credit (Travis County Family)

- Family of 4 with income of $50,000
- Second lowest cost silver before tax credits: $732
- $50,000 is 212% of FPL
- Premium cap is 6.72% of income or $280 a month – this is the cost to this family to buy the 2nd lowest cost silver plan
- Tax credit: $732 - $280 = $452
- Lowest bronze before tax credits: $514
- Lowest bronze after tax credits: $514 - $452 = $62
- If purchase “Silver” will have lower cost-sharing (73% AV instead of 70%

Milliman

Benefit Designs

- Essential health benefits primarily
- Not all silvers (or gold, bronze, and platinum) are created equal
- Sample silvers (Travis)

Deductible	Office Visits	Rx
$0	$30/60	$4/25/60/40 – 50%
$0	50%	50%
$1,500	$30/$60	$4/20/60/30% -50% after ded
$3,400	0%	0%/0%/0%/50%
$4,600	$25/$35	$20/40/100/50% after ded
$6,000	$30/$50	$0/100/200/300

- Limited platinum offerings (Humana only)

Milliman

Sources – Insurers / Rates / Market Share

- Sep 25, 2013 ASPE Issue Brief – focus on lowest rates, number of QHPs http://aspe.hhs.gov/health/reports/2013/MarketplacePremiums/ib_premiumslandscape.pdf
- ASPE Issue Brief - Supplemental Tables showing lowest and second lowest rates with drop-down for age, state: http://aspe.hhs.gov/health/reports/2013/MarketplacePremiums/longdesc/tx.cfm
- All counties/carriers/plan rates (individual exchange) https://www.healthcare.gov/health-plan-information/ Sample age rates, but can calculate all off of those
- SHOP all counties/carriers/plan rates (small employers) https://www.healthcare.gov/shop-health-plan-information/?utm_source=buffer&utm_campaign=Buffer&utm_content=buffer0331d&utm_medium=twitter sample ages as well
- 2012 Annual Statement Supplemental Healthcare Exhibits
- ehealthinsurance.com or carrier sites for benefits

Milliman

Where Do We Go From Here

- Integrate new knowledge
- Start prepping for 2015 rate submissions

Milliman

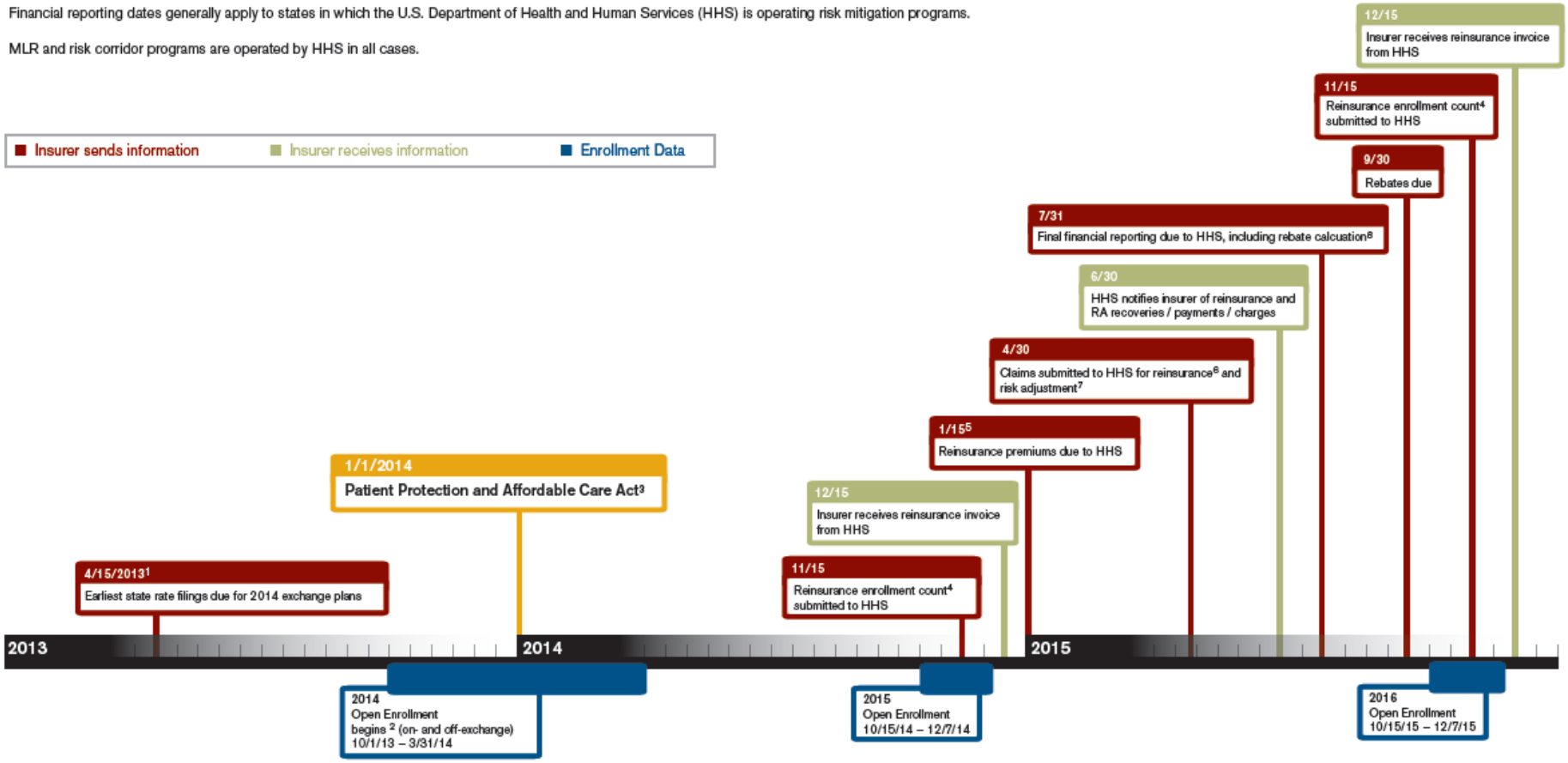
What will we know for 2015 rating that we didn't know for 2014 rating?

- Not much!
- Competitors' 2014 premium rates
- Enrollment during 2014 open enrollment period
  - Previously insured or uninsured
  - Demographic info
  - Impact of state/national politics on enrollment
- Very early claims experience
  - May have 3 months of claims
  - Prescription drug experience may be the most useful

The Affordable Care Act: Timeline of key deadlines between now and 2016

Financial reporting dates generally apply to states in which the U.S. Department of Health and Human Services (HHS) is operating risk mitigation programs.

MLR and risk corridor programs are operated by HHS in all cases.



NOTES

1 Actual rate filing deadline will vary by state; off-exchange plans are still current DOI timing
2 45 CFR 155.410, 155.420(d)
3 Patient Protection and Affordable Care Act, U.S. Public Law 111-148
4 45 CFR 153.405
5 30 days after invoice received
6 45 CFR 153.420
7 45 CFR 153.710
8 45 CFR 153.500, 153.530

SOURCES

http://cciio.cms.gov/resources/files/proposed-payment-notice-technical-summary-11-30-20.pdf
http://www.gpo.gov/fdsys/pkg/FR-2012-12-07/pdf/2012-29184.pdf
http://www.gpo.gov/fdsys/pkg/FR-2012-03-27/pdf/2012-6125.pdf

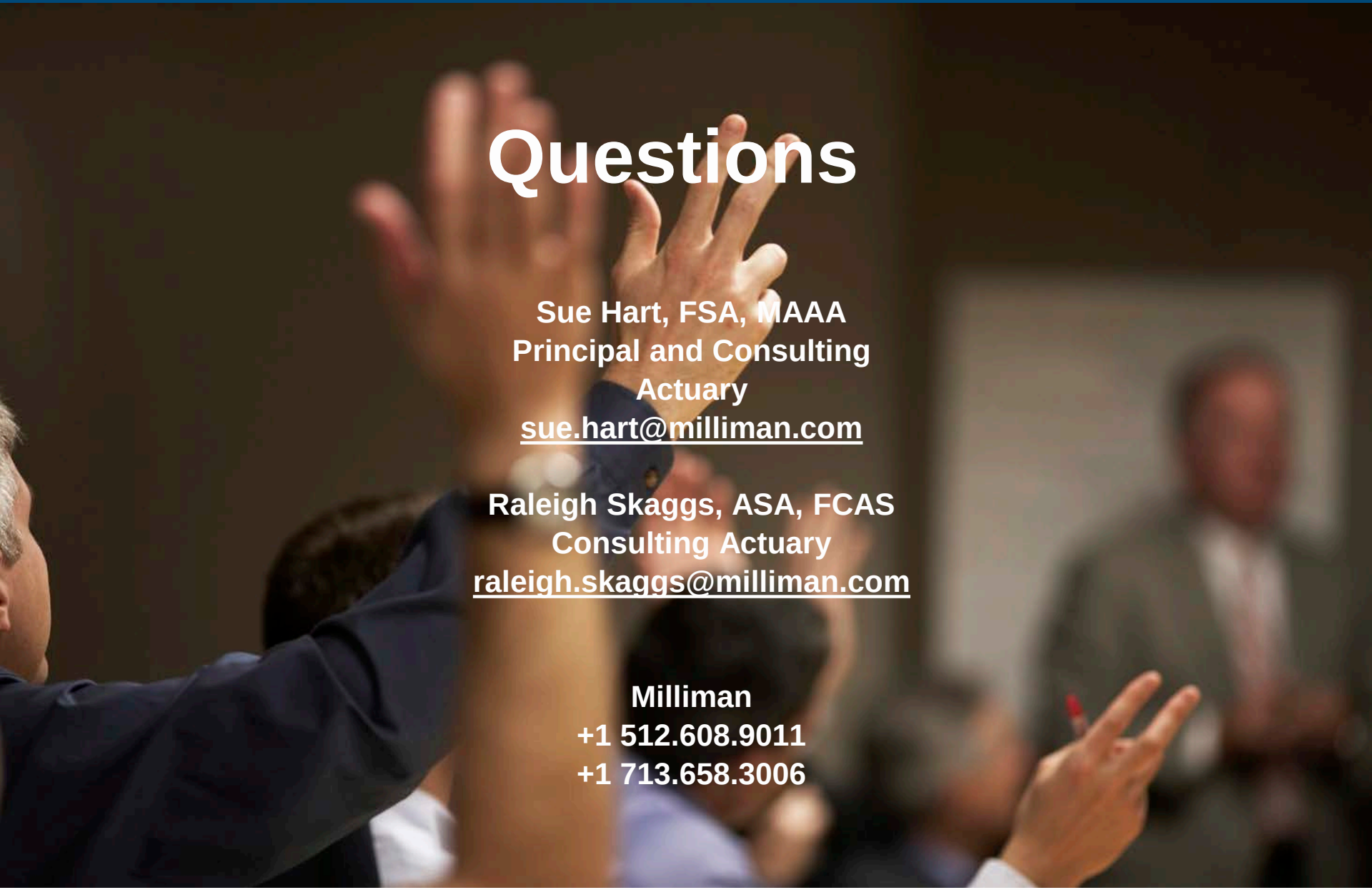
Deadlines used in this timeline are based on regulatory guidance are as of Feb. 1, 2013.

CONTACT
Andy Large,
FSA, CERA, MAAA

andy.large@milliman.com
Tel +1 404 254 6733

Milliman

Milliman



Questions

Sue Hart, FSA, MAAA
Principal and Consulting Actuary
sue.hart@milliman.com

Raleigh Skaggs, ASA, FCAS
Consulting Actuary
raleigh.skaggs@milliman.com

Milliman
+1 512.608.9011
+1 713.658.3006

Milliman