

Exchange Auto-Enrollment Method(s) and Implications

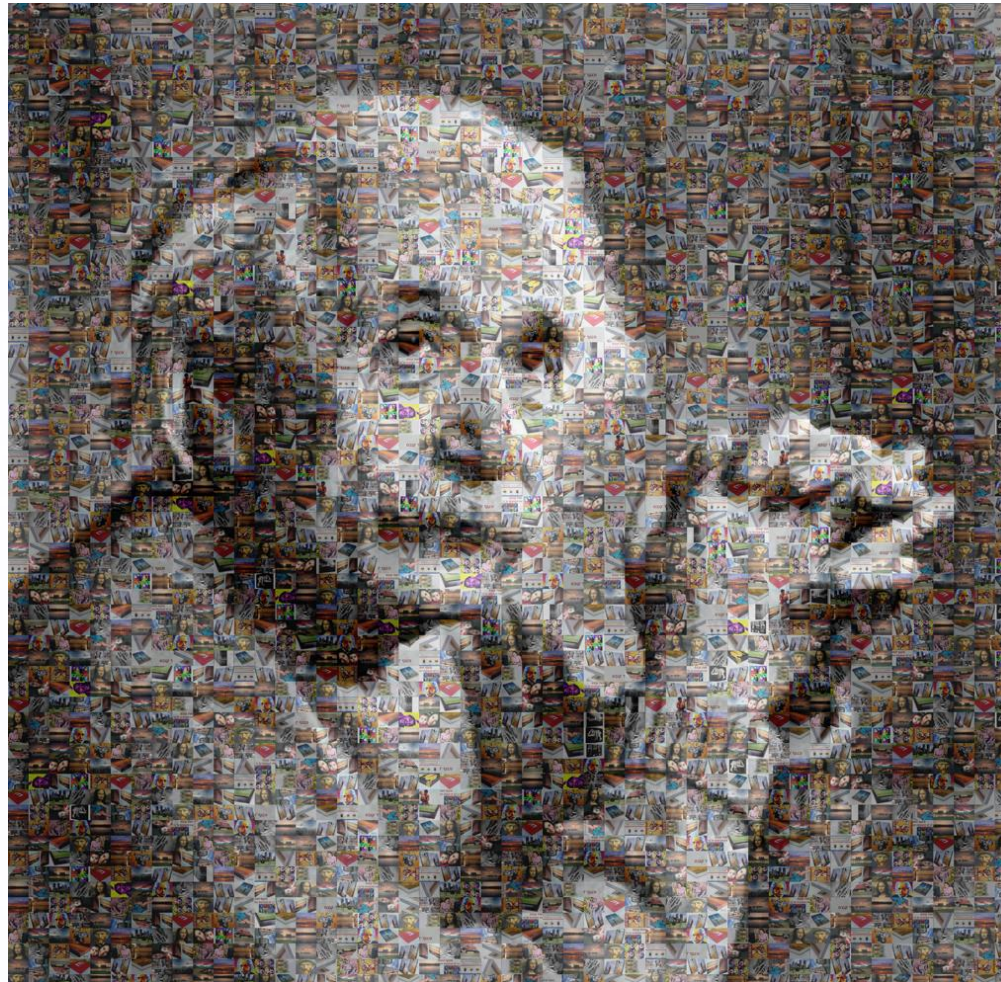
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The Federal Exchange (or FFM)

The screenshot shows the HealthCare.gov website. At the top left is the logo "HealthCare.gov". To its right are navigation links: "Learn", "Get Insurance", and "Log in". Further right is a "Español" language selector. Below these is a dark blue navigation bar with "Individuals & Families", "Small Businesses", and "All Topics" (with a dropdown arrow). A search bar with the text "Search" and a "SEARCH" button is on the right. The main content area features a large image of a smiling woman. Overlaid on the left side of the image is the text "The Health Insurance Marketplace is Open!" in white. Below this is the subtext "Enroll now in a plan that covers essential benefits, pre-existing conditions, and more." and "Plus, see if you qualify for lower costs." A prominent green button with the text "APPLY NOW" is centered below the subtext. At the bottom of the main content area, there is a dark blue bar with the text "WANT TO LEARN MORE FIRST?" and a "START HERE" button. Below this is a horizontal carousel of five navigation items: "Get covered: A one-page guide", "Find the Marketplace in your state", "Get lower costs on health insurance", "See what Marketplace insurance covers", and "Get help with your application".

What's so complicated?



What's so complicated?

Hypothetical Employer Insurance Auto-Enrollment

- No action, no problem
 - Tiered rates are calculated for each plan
 - Auto-enroll employees into same plan and tier
- What if rates varied by salary?
 - Tiered rates are calculated for each plan and salary level
 - Auto-enroll employees into same plan and tier and charge salary-specific rate
- What if some employees don't provide their salary information?

The Subsidy Calculation

Formula and Explanation

- Subsidy (APTC) = Benchmark Premium – X% of Income
- Benchmark plan is the 2nd lowest-cost silver plan available to an individual
- X% is the “affordability”
 - Percentage of household income that will be used to pay health insurance premiums (for benchmark plan)
 - Household Income as % of FPL (100% - 400%)
 - X% = 2% to 9.5%* depending on the household income
 - If Bob’s income is 150% FPL, he would use 4% of his income to pay for coverage with the benchmark plan

*2014 percentages shown, but these are indexed

The Subsidy Calculation

Calculating Bob's Subsidy and 2014 Net Premium

Benchmark plan premium	\$325
4% of Bob's monthly income	\$57
<hr/>	
Subsidy Amount	\$268

Lowest-cost silver plan premium	\$300
Bob's 2014 subsidy (APTC)	\$268
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Bob's 2014 net premium	\$32

Bob's 2015 Net Premium

Assuming he takes no action and carrier's rates increase 6.7%

2014 plan premium	\$300
2015 plan premium	\$320 (6.7% increase)
Bob's subsidy (2015 APTC*)	\$268
Bob's 2015 Net Premium**	\$52 (62.5% increase over 2014 net premium of \$32)

*2015 APTC is equal to 2014 APTC amount

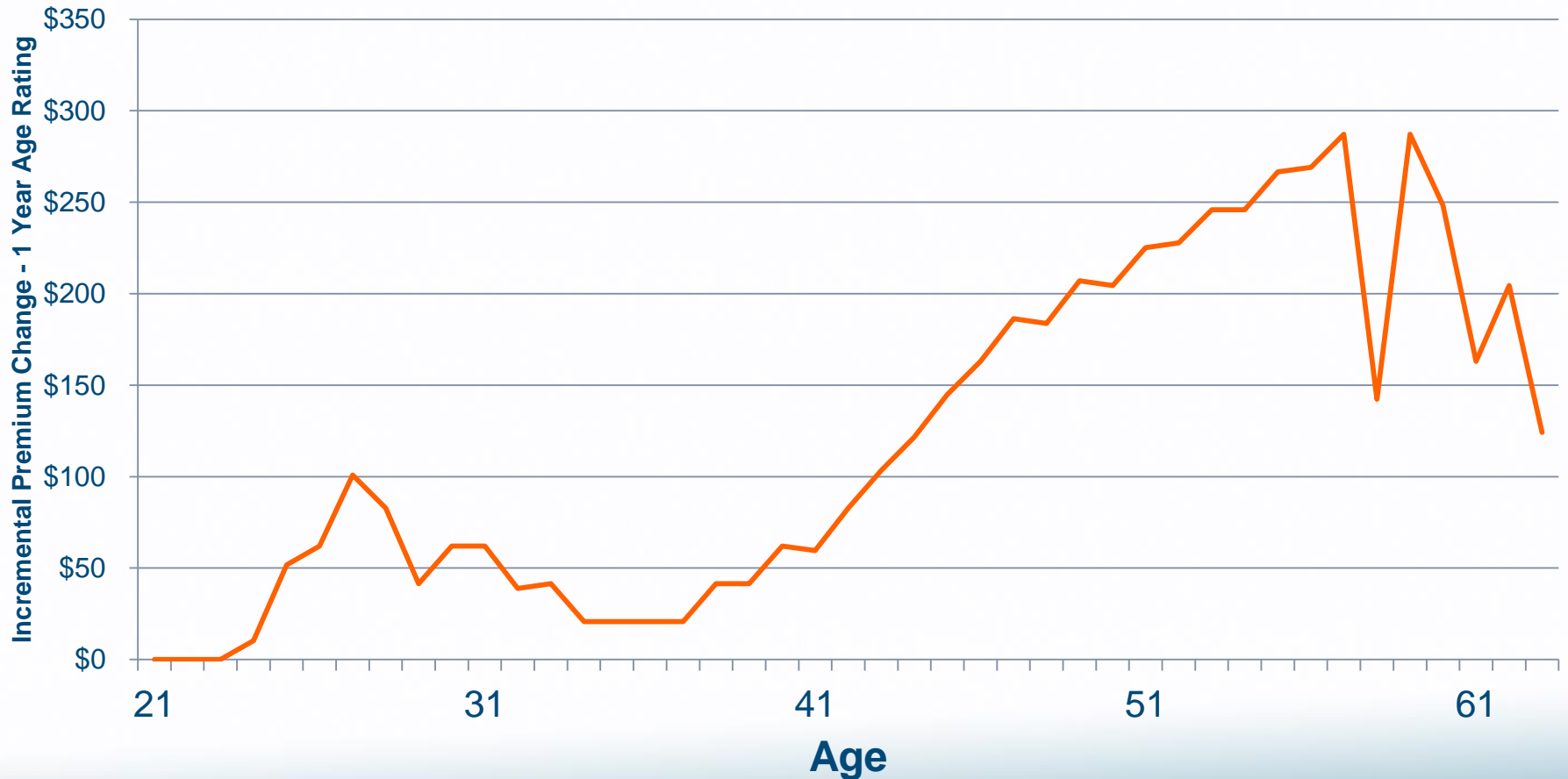
**Prior to reconciliation at 2015 tax filing

How old is Bob?



Annual Cost Impact of Age Rating

Based on 2014 Average Silver Benchmark Plan, Fed. Age Curve



Bob's 2015 Net Premium

Assuming he is 35 in 2014 and automatically re-enrolled in 2015 coverage

Bob's Age in 2014	35
<hr/>	
2014 premium	\$300
2015 premium	\$322
2015 APTC	\$268
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2015 Net Premium	\$54
Gross Premium Increase	7.3%
Net Premium Increase	68.8%

Bob's 2015 Net Premium

Bob was 35 in 2014 and actively re-enrolls in 2015 coverage

2015 Benchmark plan premium \$340 (2014 value: \$325)

4% of Bob's monthly income \$58

Subsidy Amount \$282

2015 premium for Bob's plan \$322 (2014 value: \$300)

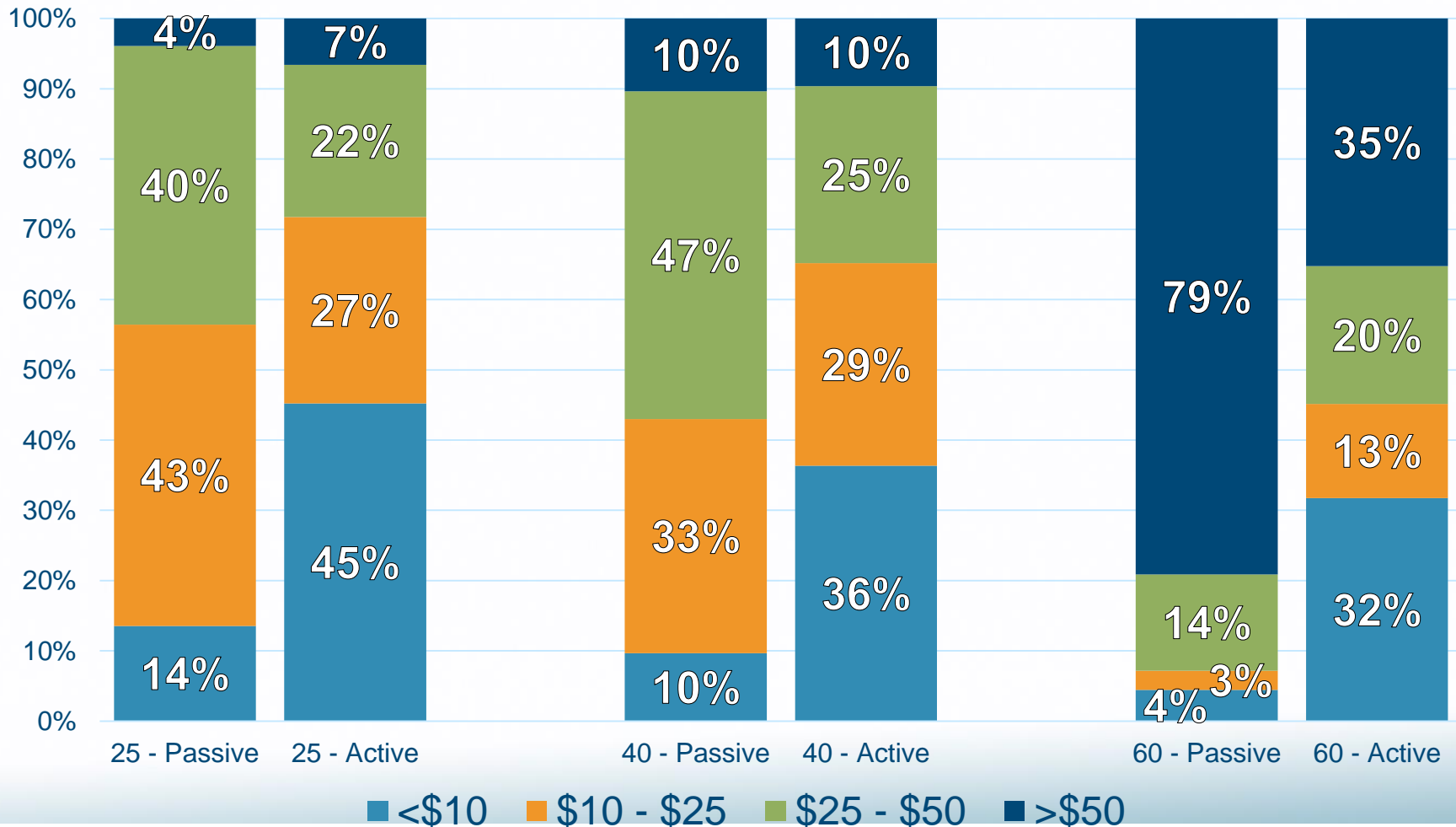
2015 Subsidy (APTC) \$282

Bob's Net Premium \$40 (2014 value: \$32)

	2015 Net Premium	Change from 2014
Active Re-enrollment	\$40	\$8 (25% increase)
Passive Re-enrollment	\$54	\$22 (68.8% increase)

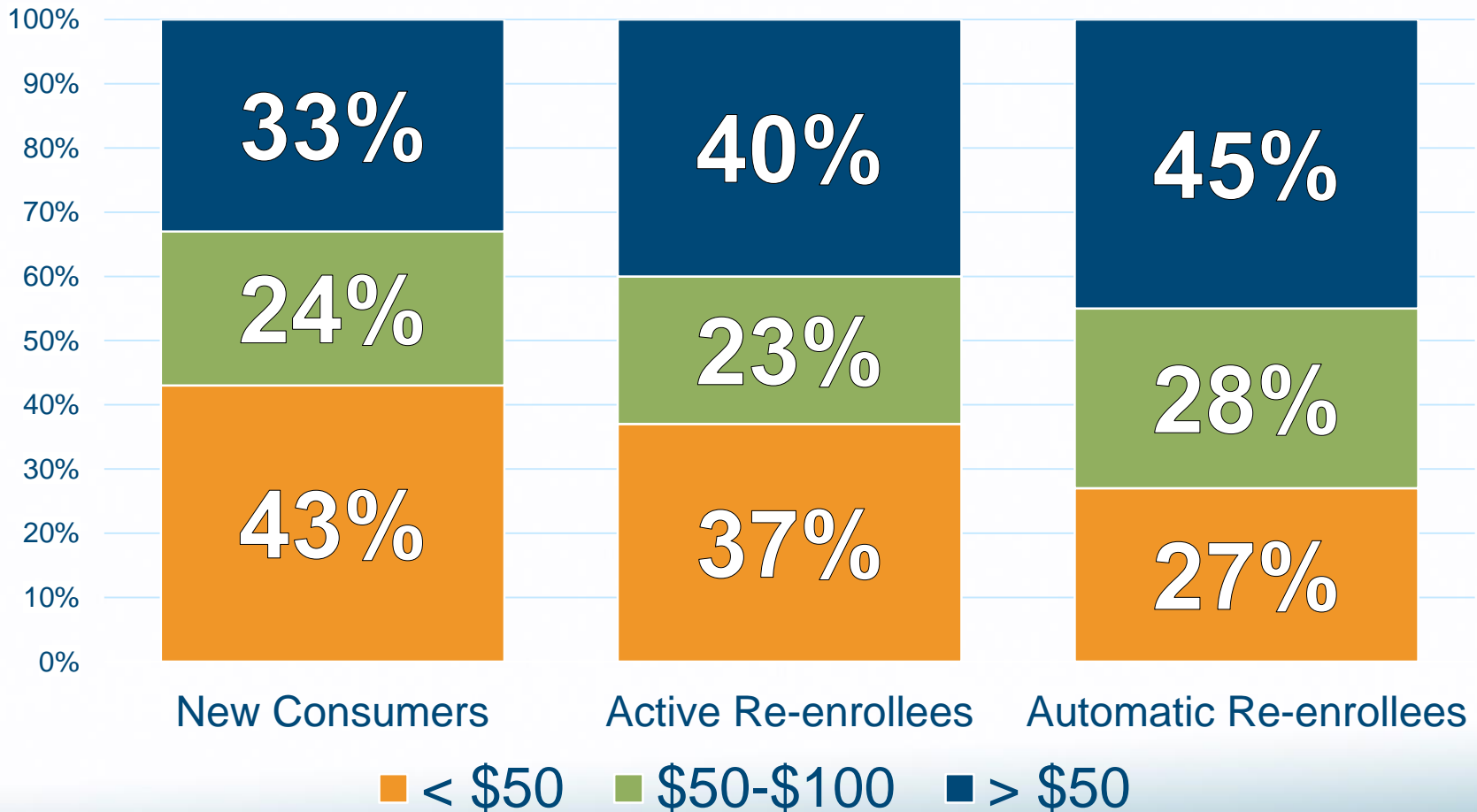
2015 Passive Vs. Active Enrollment

Net Premium Change, 2014 Subsidy Benchmark Plan



2015 FFM Plan Selections

Net Premium after Subsidy (APTC)

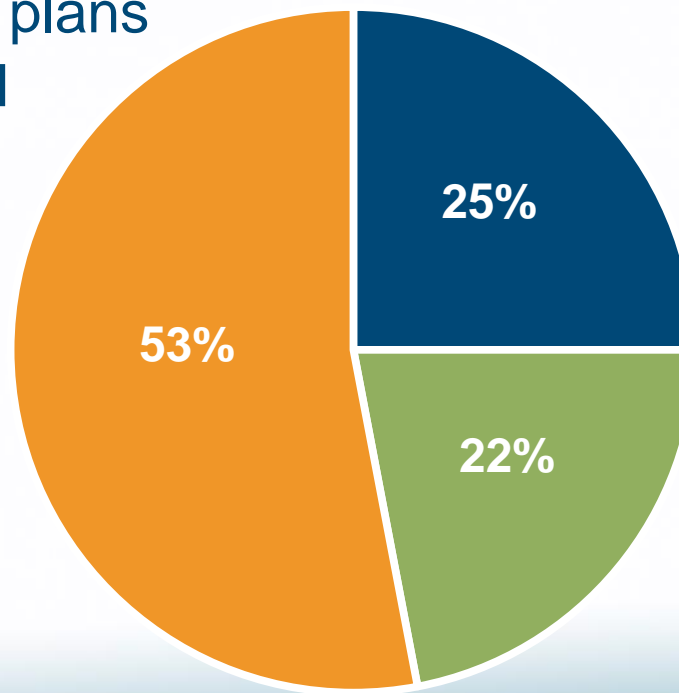


March Enrollment Report

Prevalence of Auto-enrollment

- More than 8.84 million people selected or were automatically re-enrolled in 2015 plans through the FFM

- Active Re-enrollees
- Automatic Re-enrollees
- New Consumers

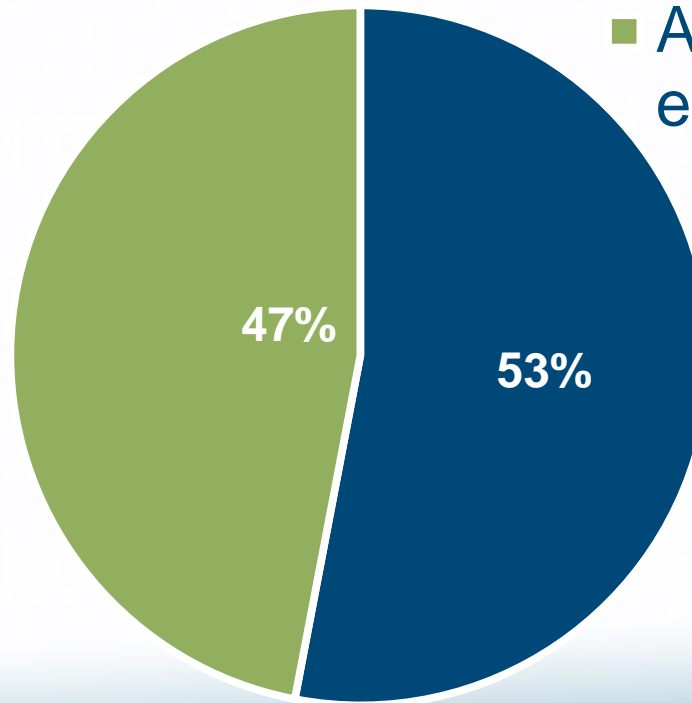


March Enrollment Report

Prevalence of Auto-enrollment

- Approximately 2 million of the 4.2 million consumers who re-enrolled in 2015 coverage were auto-enrollees
- 84% of auto-enrollees were receiving financial assistance

- Active Re-enrollees
- Automatic Re-enrollees



March Enrollment Report

2015 Average Gross Premium	\$364
Average Monthly APTC	\$263
Average Net Premium	\$101

2016 Assumed Gross Premium Increase	5%	10%
2016 Gross Premium	\$382	\$400
2015/2016 Subsidy (APTC)*	\$263	\$263
2016 Net Premium	\$119	\$137
% Change in Net Premium	17.8%	35.6%

*Assuming 2015 auto-enrollment method still applies

2016 Auto-Enrollment

Lower Net Premium Increases

- The major change is that the 2016 APTC will not be set equal to the 2015 APTC
- APTC will be re-calculated using:
 - Most recent income and family size info
 - Updated FPL tables
 - 2016 benchmark plan premium
- Assuming that the consumer's income is still the same %FPL as it was in 2015, the APTC will be the same as if the consumer actively re-enrolled

Future Auto-Enrollment

Possible Changes

- Proposed HHS Notice of 2016 Benefit and Payment Parameters
 - “Default enrollment in the same or similar plan may sometimes encourage consumers to remain in plans that are significantly more expensive than the lowest cost plans in the market.”
- Consumers could choose “low cost” auto-enrollment method
 - Consumers would be enrolled in the plan of the same metallic tier with the lowest premium
 - Alternative option of randomly assigning consumers to one of the three lowest-cost QHPs at same metallic tier
 - Consumers would only switch plans if their current plan’s premium increased above a threshold (suggested 5% or 10%)
- Proposal was not adopted

Sources/References

- Houchens, P.R. & Pantely, S.E. (July 2014). The proposed federal exchange auto-enrollment process: Implications for consumers and insurers.
- Houchens, P.R. & Clarkson, J.A. & Gibula, W.A. (February 2015). Federal exchange auto-enrollment: Emerging data and new proposals.
- CCIIO, CMS (June 2014). Guidance on Annual Redeterminations for Coverage for 2015.
- CCIIO, CMS (April 2015). Guidance on Annual Eligibility Redeterminations and Re-enrollments for Marketplace Coverage for 2016.
- ASPE, HHS (March 2015). Health Insurance Marketplaces 2015 Open Enrollment Period: March Enrollment Report.

Questions?