

ACA Individual Market: Recent Developments

ACSW, Austin, TX – November 13, 2015



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Agenda

- Overview of ACA individual market dynamics for 2014-2016
 - Use Oregon & Texas rate filings as case study
- 3R Developments
- Looking Forward

2014 ACA Individual Market

- Huge growth potential in ACA market
 - As of Feb 2013, CBO projected Individual market to grow by 30% in 2014 due to ACA, with additional significant growth thereafter
- Premium & cost sharing subsidies
- Individual mandate penalties

2014 ACA Individual Market (cont.)

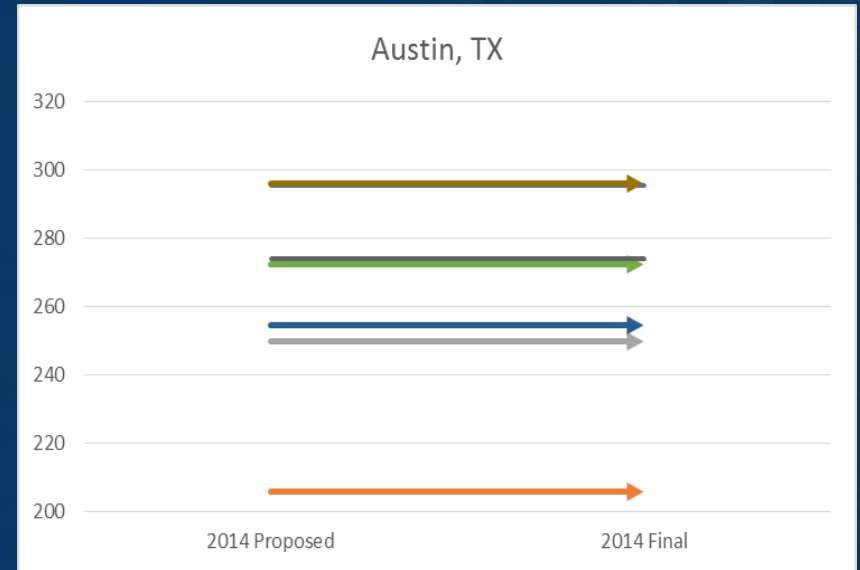
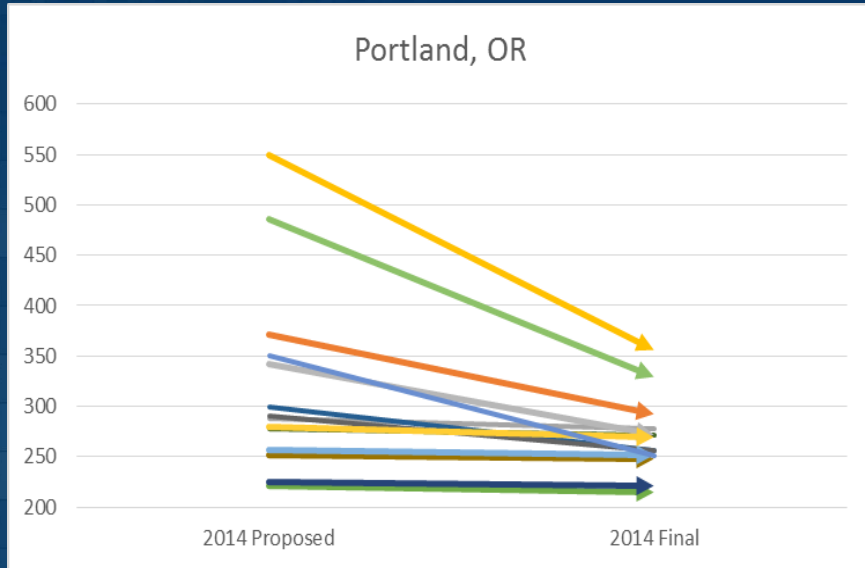
- Huge uncertainty around population morbidity
- No ACA-market experience

Case Study: Oregon & Texas

November 12, 2015

Case Study: Oregon & Texas

- 2014 Proposed vs. Final Rates



* Lowest 40-Yr Old Silver Plan Rate by Issuer

... and then

- Transitional policy
- Hardship exemptions
- Exchange website troubles

2015 pricing

- *Minimal 2014 experience available*
- Still large potential for enrollment growth
 - Penalties increasing
 - Exchange working better
- Still huge uncertainty around market morbidity level
- Market sees just how price sensitive ACA market consumers are

Individual Marketplace Subsidies

■ Who is eligible for Assistance?

Household Income (2015)	EMPLOYER SPONSORED-PLAN: EMPLOYEE PREMIUM CONTRIBUTION AS A PERCENT OF INCOME		
	FPL	0.0% - 9.5%	9.5%+
Single: >\$47,100 Family of Four: >\$97,000	Tier III 400%+	Not Eligible for Premium Tax Subsidy	
Single: \$16,200-\$47,100 Family of Four: \$33,500-\$97,000	Tier II 138% to 400%	Not Eligible for Premium Tax Subsidy due to employee contribution not exceeding >9.5%	Eligible for Premium Tax Subsidy
Single: ≤\$16,200 Family of Four: ≤\$33,500	Tier I 0% to 138%	Medicaid Eligible	

Notes:

1. If a state elects not to carry out the Medicaid expansion, population from 100% to 138% potentially eligible for premium subsidies.
2. Population previously eligible for Medicaid or Medicare not eligible for premium subsidies.

Individual Marketplace Subsidies

- Subsidy Level:
 - Calculated such that 2nd lowest cost Silver plan costs:

Income Level	Premium as a Percent of Income
Up to 133% FPL	2% of income
133-150% FPL	3 – 4% of income
150-200% FPL	4 – 6.3% of income
200-250% FPL	6.3 – 8.05% of income
250-300% FPL	8.05 – 9.5% of income
300-400% FPL	9.5% of income

Subsidized Premium Example

- 30 Year Old Individual
- Income @ 200% of FPL

Metal Level	Full Premium	Premium After Subsidy
Bronze Min	\$231	\$60
Silver Min	268	96
Silver 2nd Lowest	295	124
Bronze Max	326	154
Gold Min	332	160
Platinum Min	393	221
Silver Max	398	226
Gold Max	502	330
Platinum Max	694	522

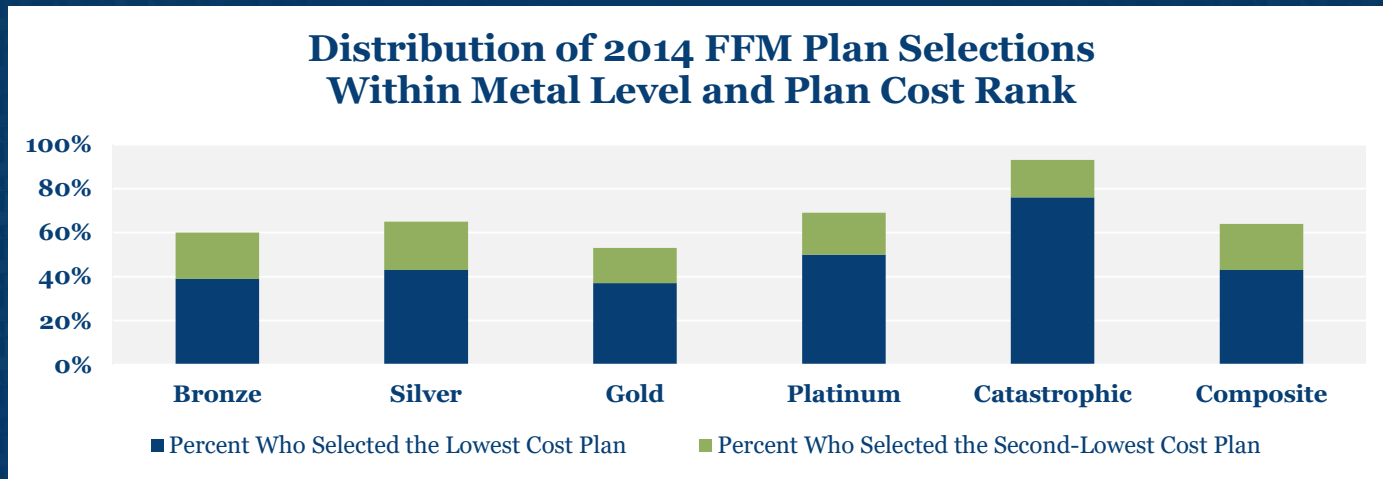
Subsidized Premium Example

- 40 Year Old Couple with 2 kids
- Income @ 150% of FPL

Metal Level	Full Premium	Premium After Subsidy
Bronze Min	\$780	\$0
Silver Min	902	28
Silver 2nd Lowest	996	121
Bronze Max	1,099	224
Gold Min	1,120	246
Platinum Min	1,325	450
Silver Max	1,343	468
Gold Max	1,692	818
Platinum Max	2,339	1,464

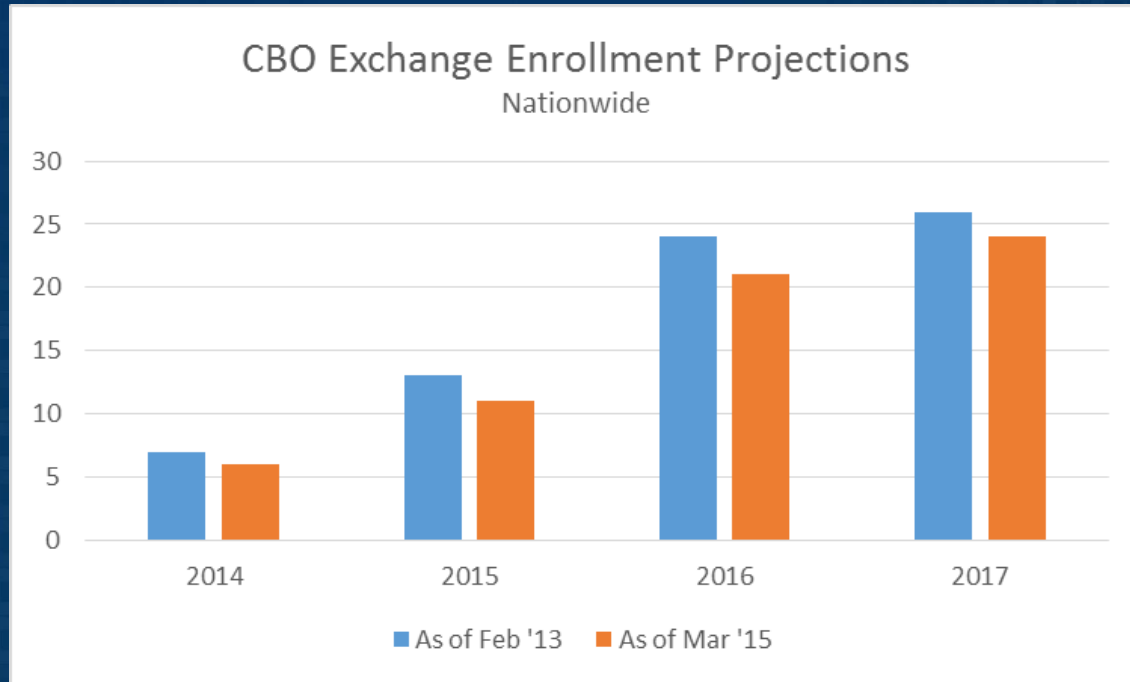
Price Sensitivity: 2014 Plan Selections

- 87% of FFM plan selections received an Advanced Premium Tax Credit (APTC).
- 64% of FFM plan selections were for either the lowest or second lowest cost plans at the applicable metal level.



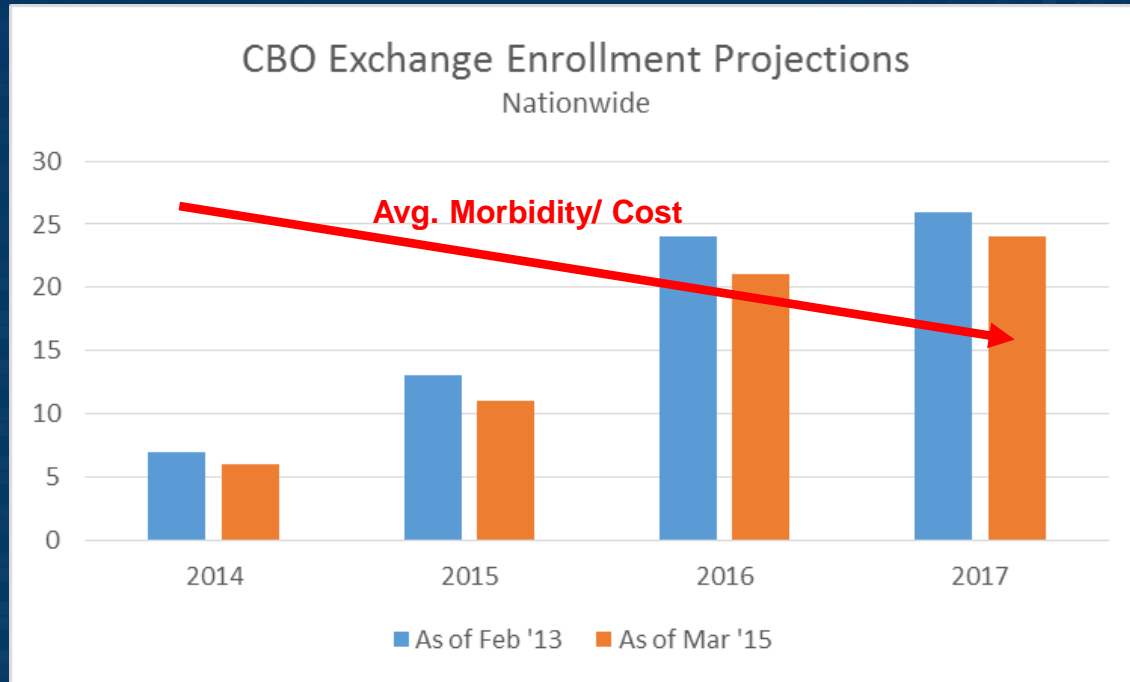
Source: <http://aspe.hhs.gov/sites/default/files/pdf/76896/2014MktPlacePremBrf.pdf>

Enrollment Growth Potential



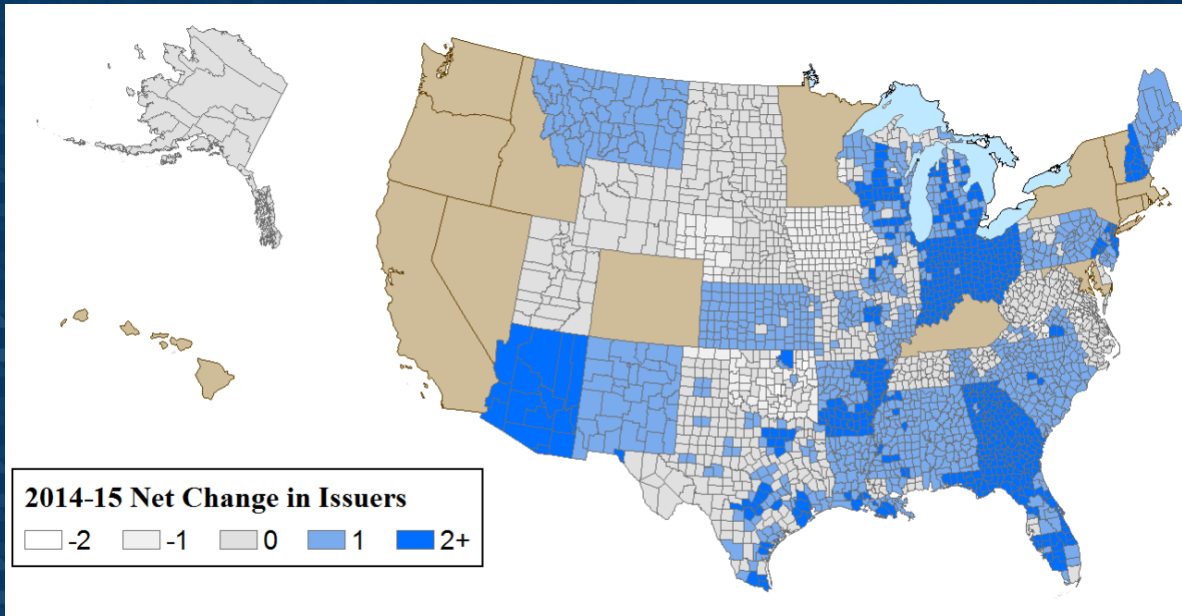
- Source: <https://www.cbo.gov/publication/43900>

Enrollment Growth vs. Morbidity



Price Sensitivity: Carrier Competition

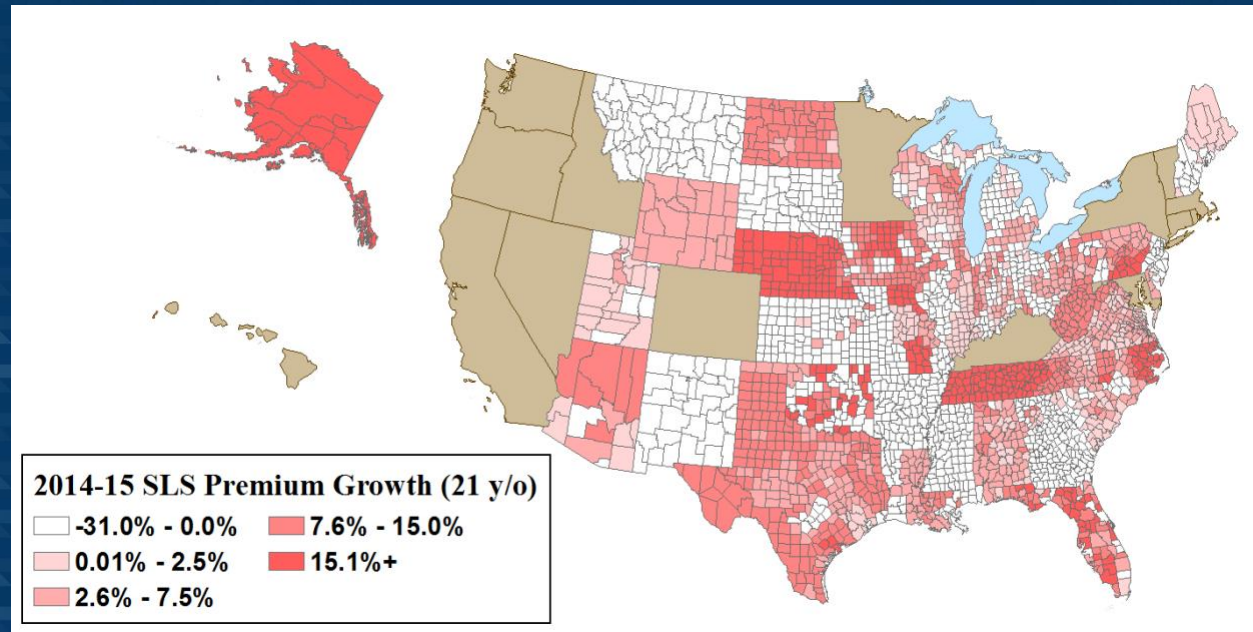
- Net Change in Issuers Between 2014 and 2015, FFM States



Source: http://aspe.hhs.gov/sites/default/files/pdf/108466/rpt_MarketplaceCompetition.pdf

Price Sensitivity: Premium Growth

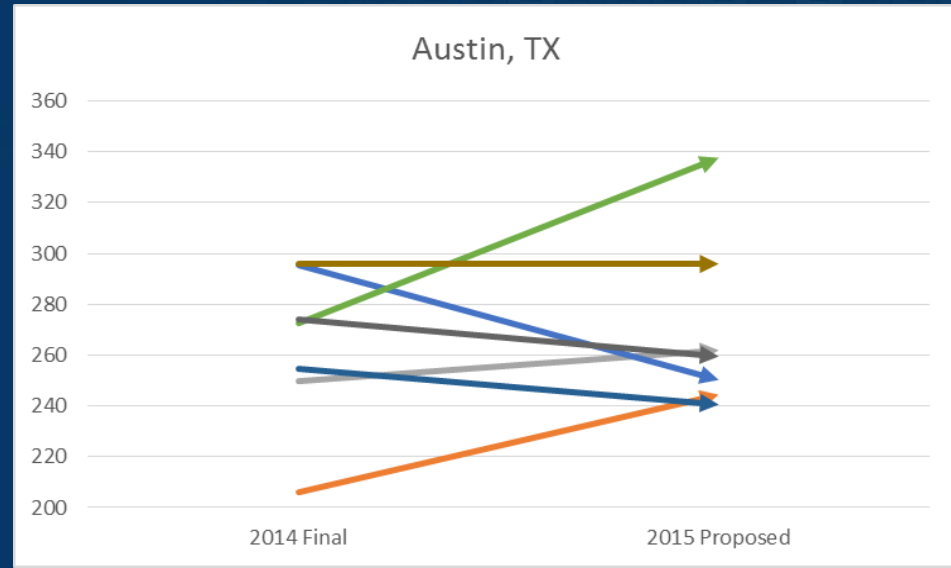
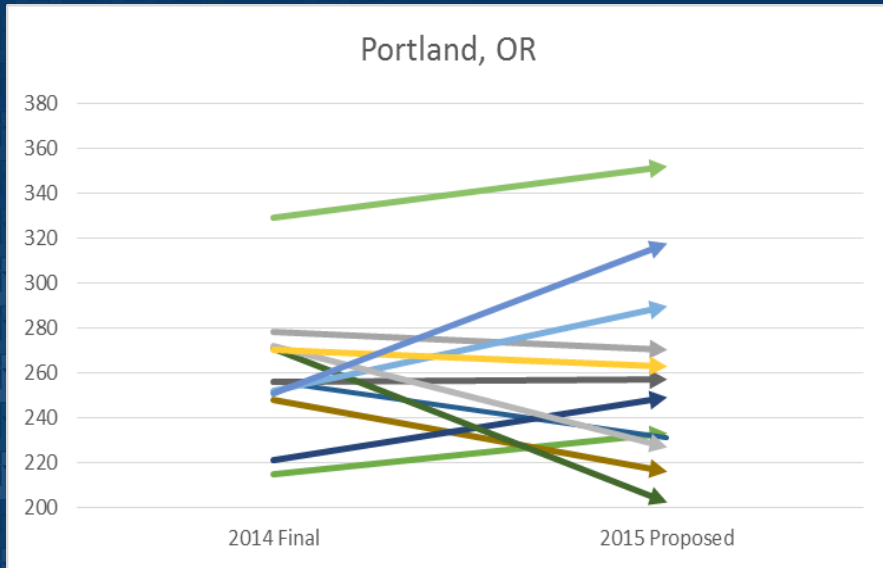
- Second-Lowest Cost Silver (SLS) Premium Growth, FFM States



Source: http://aspe.hhs.gov/sites/default/files/pdf/108466/rpt_MarketplaceCompetition.pdf

Case Study: Oregon & Texas

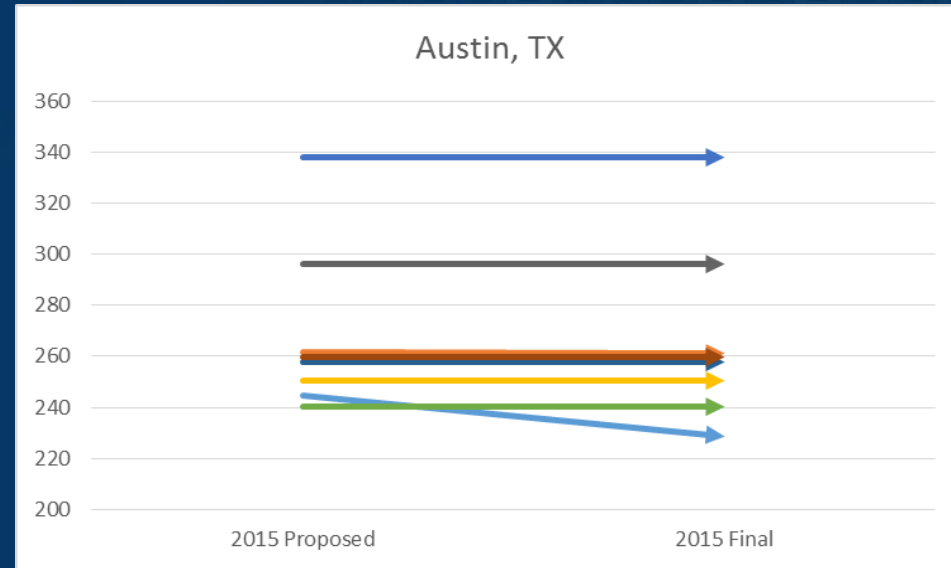
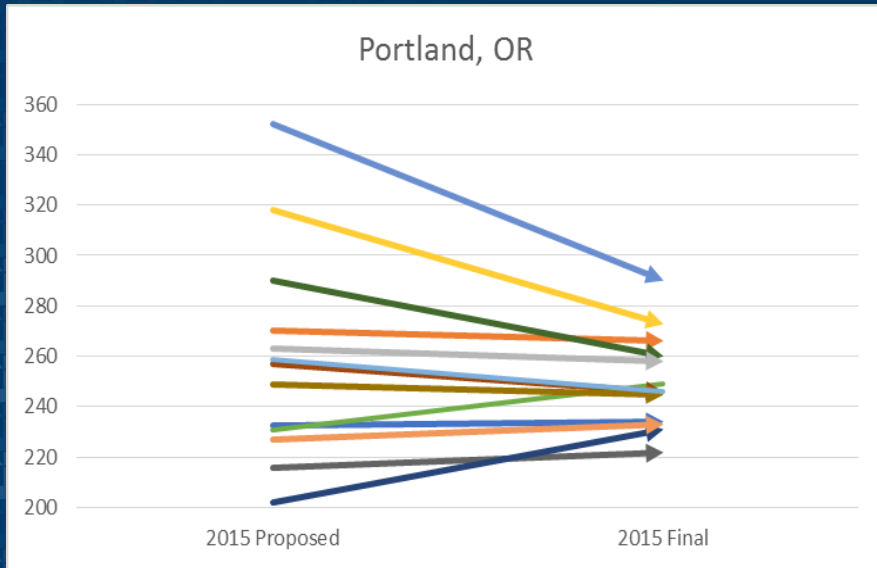
- 2014 Final vs. 2015 Proposed Rates



* Lowest 40-Yr Old Silver Plan Rate by Issuer

Case Study: Oregon & Texas

- 2015 Proposed vs. 2015 Final Rates



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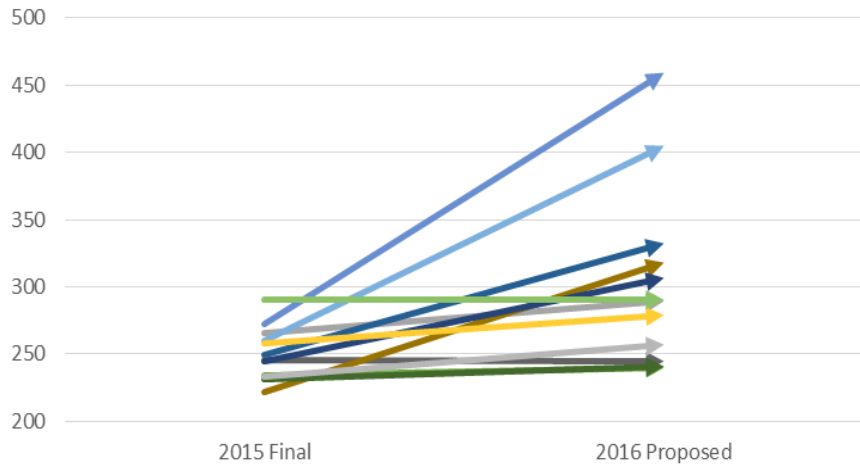
2016 Pricing

- More enrollment growth opportunity
- Still huge uncertainty around population morbidity
- 2014 ACA-market experience available, but data is incomplete at time of initial filing
- Risk Corridor funding in question

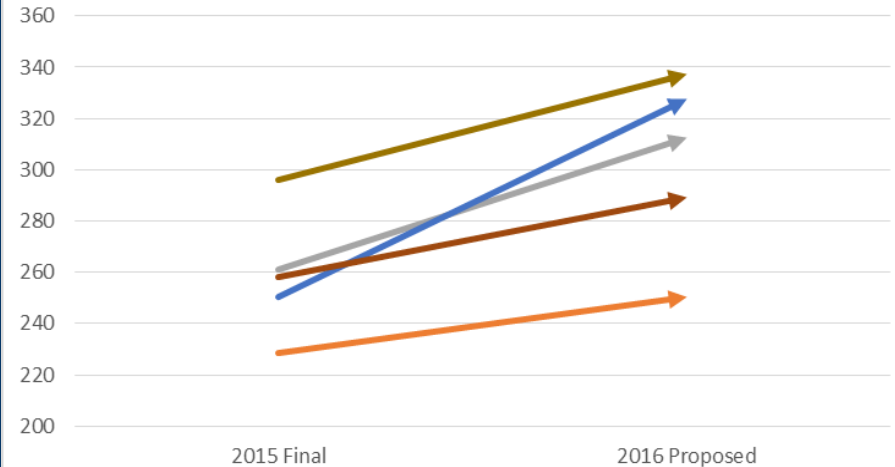
Case Study: Oregon & Texas

- 2015 Final vs. 2016 Proposed Rates

Portland, OR



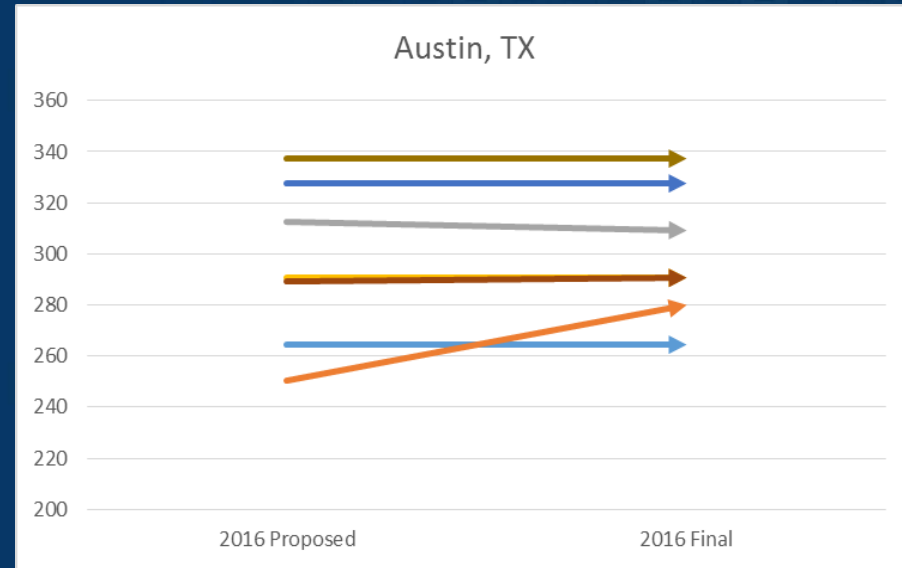
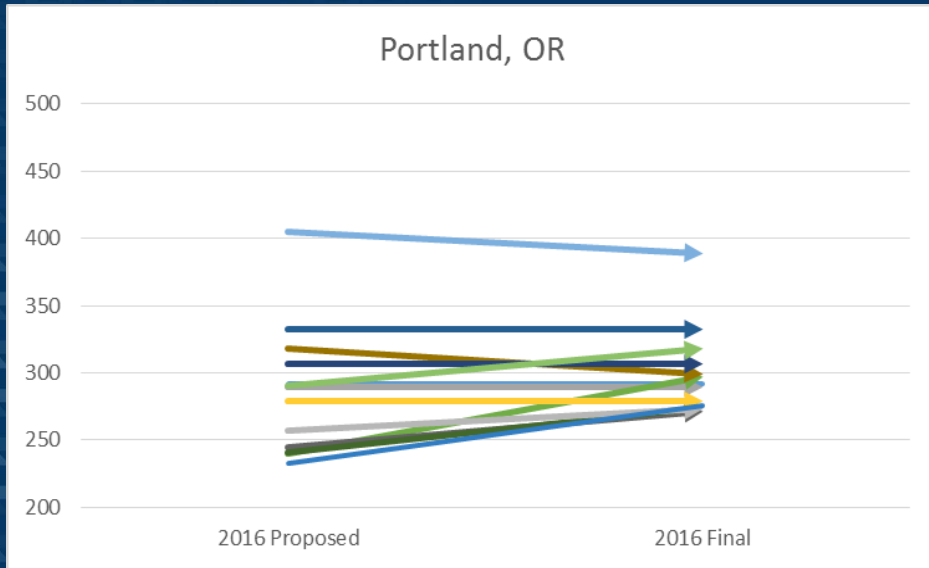
Austin, TX



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Case Study: Oregon & Texas

- 2016 Proposed vs. 2016 Final Rates



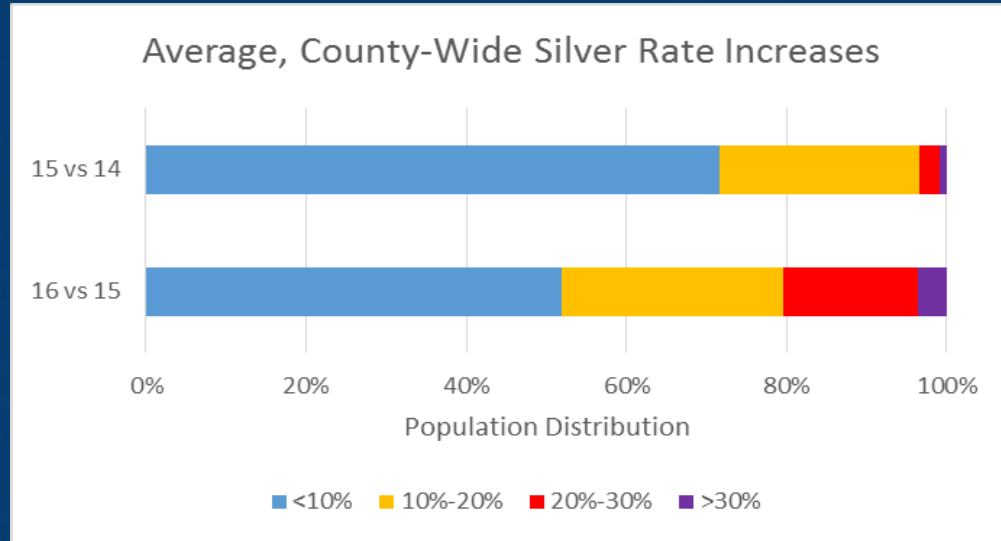
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Case Study: Oregon

- 2016 Rate Filing Headlines: "Man Bites Dog" or "Insurance Commissioner Raises Insurance Rates"
- In Oregon Insurance Division letter on 2016 rate increases, OID states: "nearly 40% of Oregonians qualified for a tax credit in 2015, and this may help offset some of the rate increase for eligible individuals"

2015 vs. 2016 Rate Increases

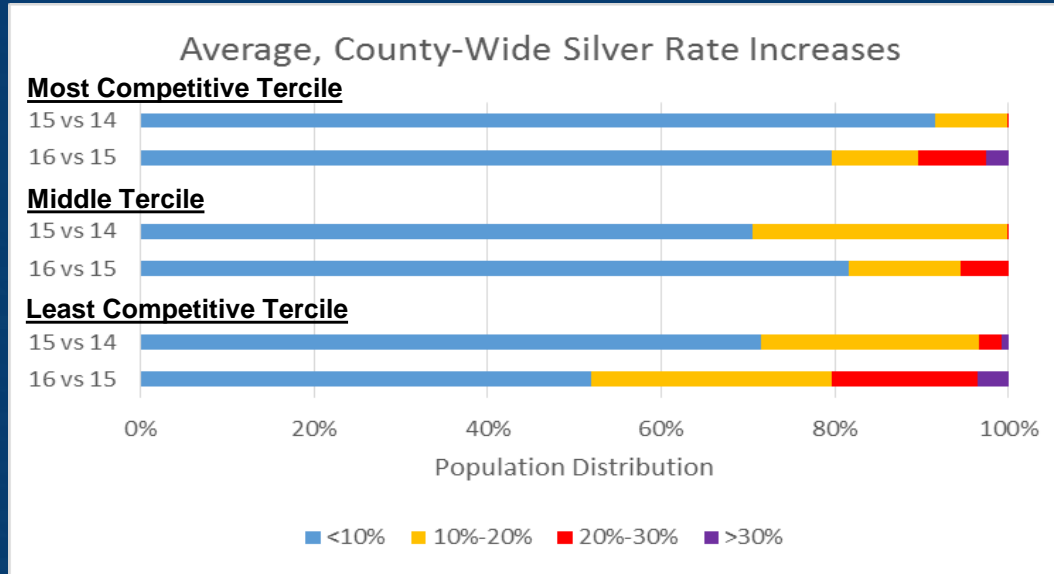
County-wide rate increase distribution across all Federal Exchange States:



* Percent of counties with average rate increase indicated. Percentage distribution based on population.

2015 vs. 2016 Rate Increases

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3Rs Developments

- Reinsurance
 - Program allocates a “fixed” program budget among ACA individual market
 - Actual ACA individual enrollment has come in lower than expected
 - Result: Increased per capita reinsurance recoveries than initially anticipated for both 2014 and 2015
 - Increased recoveries offset some of the higher average cost levels due to transitional policy, exchange hiccups, etc.
 - Program ends after 2016

3Rs Developments

- Risk Adjustment
 - Final 2014 risk adjustment results released 6/30/2015, after initial 2016 rate filings were submitted
 - 2014 risk adjustment transfers moved \$1.8 billion in revenue between carriers nationwide, or about 5% of total market premiums

3Rs Developments

- Risk Corridors
 - December 2014 Cromnibus bill imposed budget neutrality on program for 2014 plans
 - 2014 receivables currently funded at only 12.6% of full value
 - Funding for 2015 & 2016 are uncertain
 - Budget neutrality
 - Policy year pecking order (2014 first, then 2015 and 2016)
 - Program ends after 2016

Looking Forward

- 2017
 - Market-wide enrollment growth potential much smaller than previous years
 - 2 years of ACA-market experience available
 - No reinsurance protection
 - No risk corridor protection

Contact Information



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