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# Hot Topics in Health Insurance

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The following slides were presented by Jan Graeber,  
Chief Actuary of the Rate and Form Review Office at a recent SOA meeting.

Comments are my own, and do not necessarily reflect the views of  
Texas Department of Insurance or the Society of Actuaries  
R. Michael Markham

# Hot Topics in Health Insurance

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Long-Term Care and other NAIC Activities

Affordable Care Act Market Trends

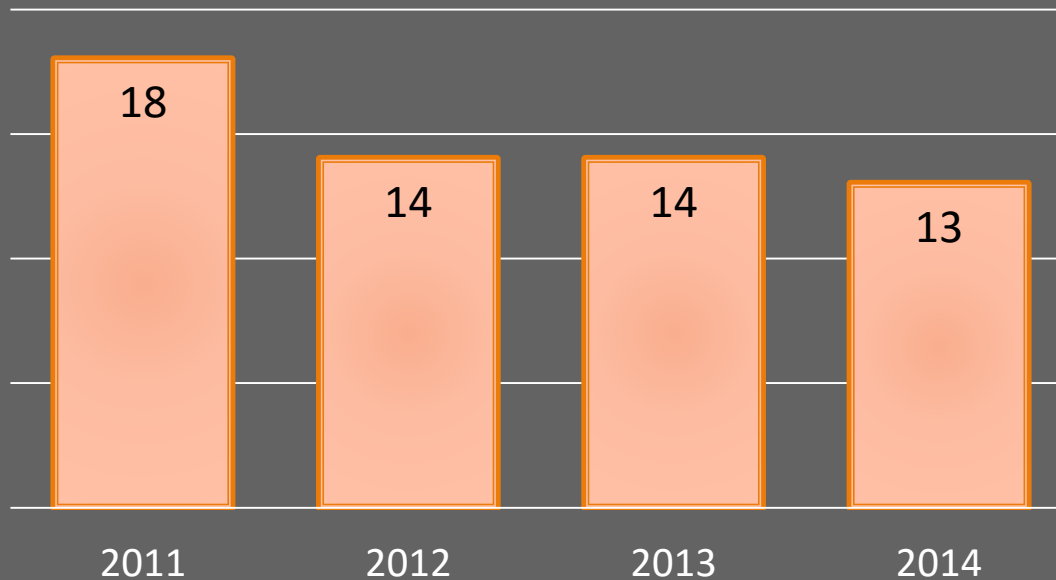
Innovations and Issues in Health Insurance

# Long-Term Care Insurance (LTCI)

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## LTCI Market in Texas

The number of carriers marketing LTC insurance in Texas continues to decline.



# Long-Term Care Insurance (LTCI)

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## LTCI Rate Increases Approved in Texas

	Pre-Rate Stabilized		Rate-Stabilized	
Year	Carriers	Rate Increase (%)	Carriers	Rate Increase (%)
2011	22	6-80	1	28-28
2012	15	2-39	2	45-100
2013	13	10-67	8	25-90
2014	15	7-58	1	13-18
2015	10	7-114	2	12-128

# Long-Term Care Insurance (LTCI)

## NAIC Activities

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- Long-Term Care Pricing Subgroup
- Long-Term Care Consumer Disclosure Subgroup
- Long-Term Care Valuation Subgroup
- Joint Long-Term Care Guidance Manual Subgroup

# Long-Term Care Insurance (LTCI)

## Summary of Changes to the LTC Model Regulation

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- Establishes a minimum composite moderately adverse experience (MAE) margin of 10 percent
- Requires submission of an annual actuarial certification regarding the sufficiency of the current premium rate schedule
- Permits consideration of a lower rate increase than required under the rate stabilization certification
- Requires the insurer to replace the “58” with the greater of 58 percent and the original lifetime loss ratio for purposes of the 58/85 test
- Strengthens consumer disclosure requirements at the time of a rate increase
- Reduces contingent nonforfeiture benefit triggers for older policies, and lowers the maximum rate increase trigger to 100 percent

# Health Actuarial Task Force

## Proposed 2016 Charges

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- Work with the Society of Actuaries (SOA) and the American Academy of Actuaries (AAA) to develop a replacement for the 1985 Commissioners Individual Disability Income Table. Ensure the Health Insurance Reserves Model Regulation (#10) remains open to accommodate the new table.—Important
- Work with the AAA and SOA to develop a replacement for the 1985 NAIC Cancer Claim Cost Tables as the basis for the valuation of individual cancer policies. Request Model #10 be opened to accommodate the new table.—Important
- Revise model rules for appropriate long-term care rates, rating practices and rate changes.—Important
- Study the minimum standards applicable to statutory reserves for long-term care insurance. Ensure Model #10 remains open to accommodate any necessary changes to the standards. Begin developing a principle-based framework for a set of minimum standards.—Important



# Health Actuarial Task Force

## Proposed 2016 Charges

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- Review the Medicare supplement refund formula.—Important
- Provide support for issues related to implementation of the federal Affordable Care Act (ACA).—Essential
- Begin to develop health insurance reserving requirements (VM-25) using a PBR methodology. Long-term care should be a priority. Request Model #10 be opened to accommodate the new requirements.—Important
- Submit VM-25 changes to the Life Actuarial (A) Task Force for publication in the Valuation Manual.—Important
- Develop LTC experience reporting requirements in VM-50 and VM-51 of the Valuation Manual.—Important
- Provide recommendations as appropriate to address issues and provide actuarial assistance and commentary to other NAIC committees relative to their work on actuarial matters.—Important

# Affordable Care Act

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## 2016 Market Outlook in Texas

### *Small Group Market*

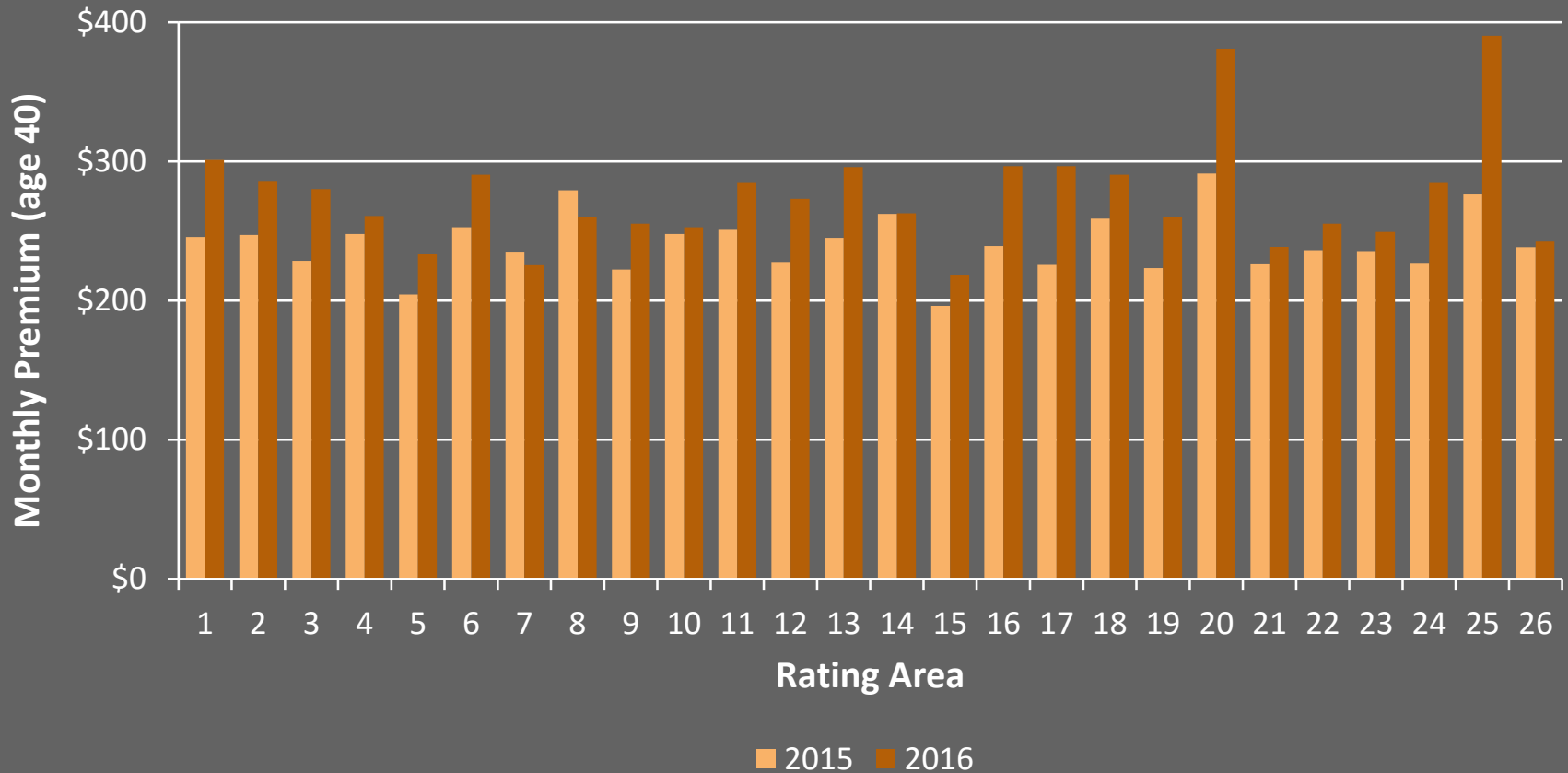
- Premiums in the small group market appear stable. Rate increases for most plans will be below 5 percent, and rate decreases will be common.

### *Individual Market*

- There will be significant rate increases in the individual market. Rates for most individual plans will increase by over 20 percent.

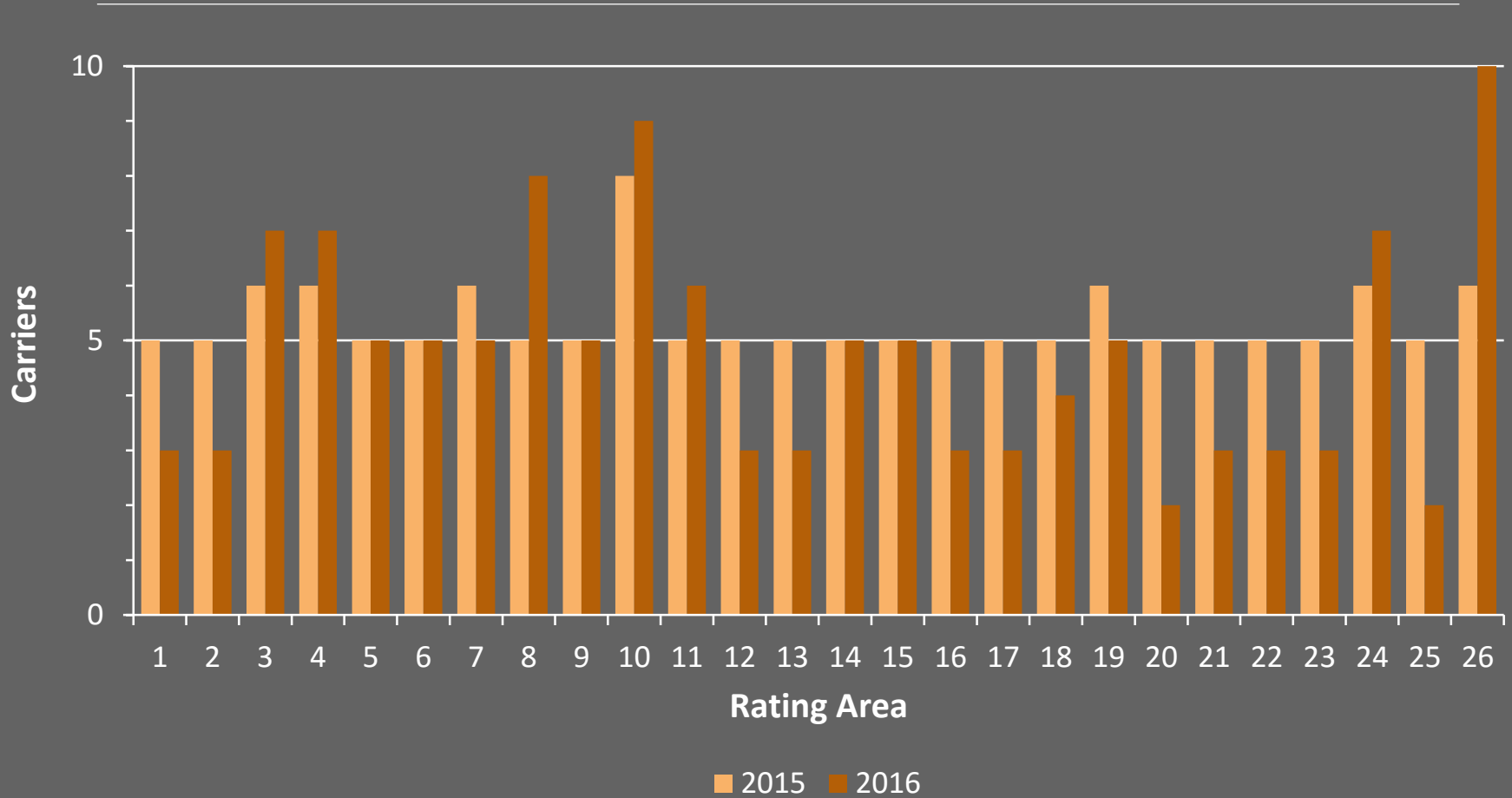
# Affordable Care Act

## Cost of Cheapest Silver Plan by Rating Area (Texas)



# Affordable Care Act

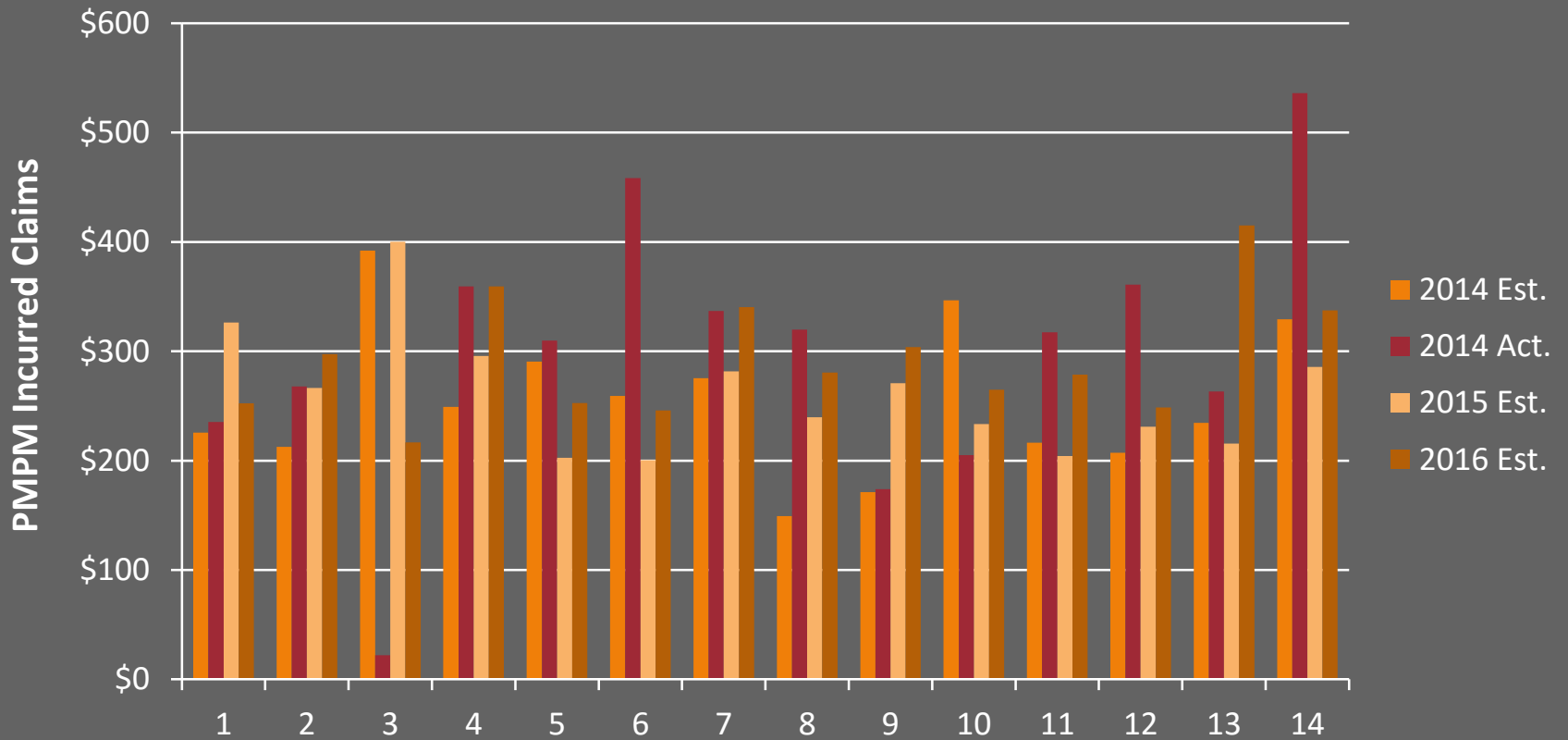
## Carriers in the Marketplace by Rating Area (Texas)



# Affordable Care Act

## PMPM Incurred Claims: 2014-2016

### Texas Individual Market

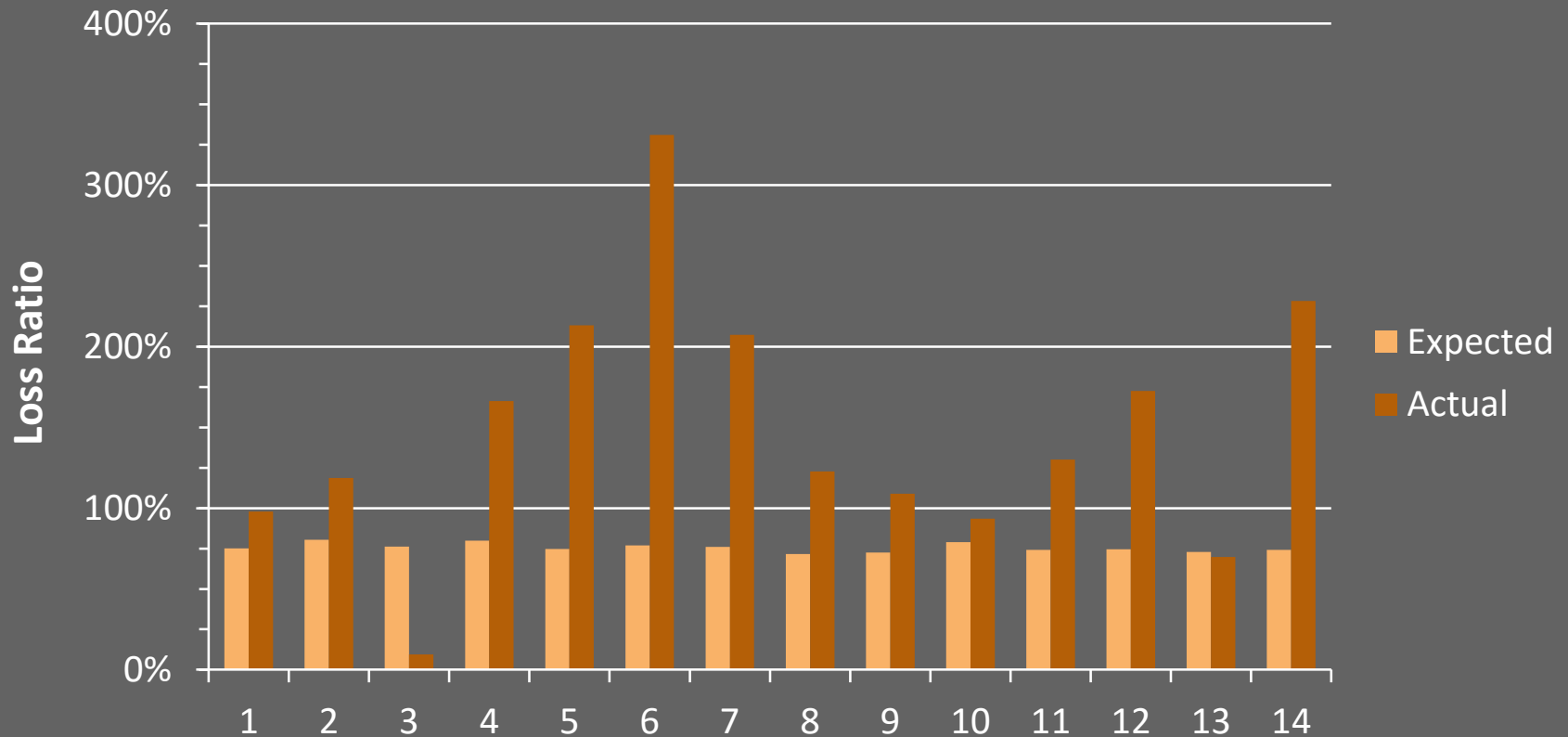


Note: Carriers 3, 5, 6, and 7 had limited enrollment.

# Affordable Care Act

## 2014 Loss Ratio: Actual vs. Expected

### Texas Individual Market

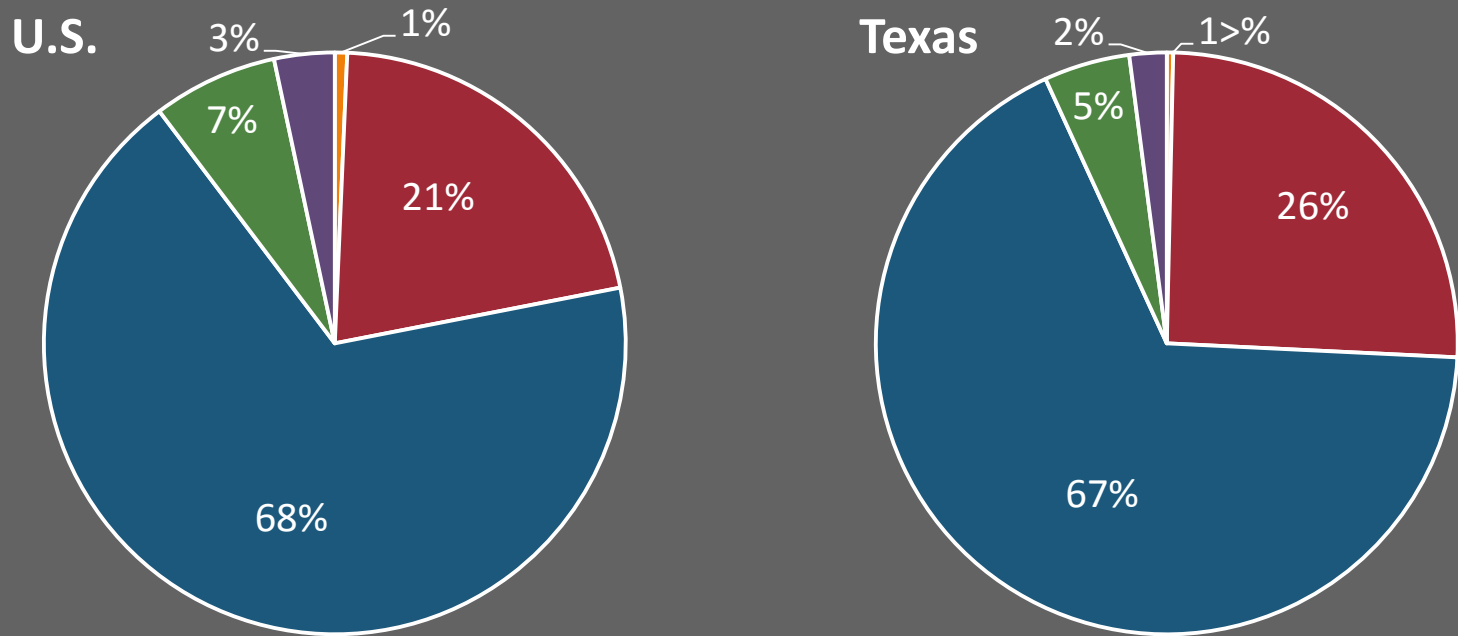


Note: Carriers 3, 5, 6, and 7 had limited enrollment.

# Affordable Care Act

## Enrollment

Health Plan Selection via the Health Insurance Marketplace



■ Catastrophic ■ Bronze ■ Silver ■ Gold ■ Platinum

# Affordable Care Act

## Enrollment

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Financial Assistance for Health Insurance Marketplace enrollees who paid their first month's premium:

### Recipients of Advanced Premium Tax Credit

- U.S. – 85.0 percent (average of \$272 per consumer per month)
- Texas – 86.1 percent (average of \$247 per consumer per month)

### Recipients of Cost Sharing Reductions

- U.S. – 57.4 percent
- Texas – 59.4 percent



# Affordable Care Act

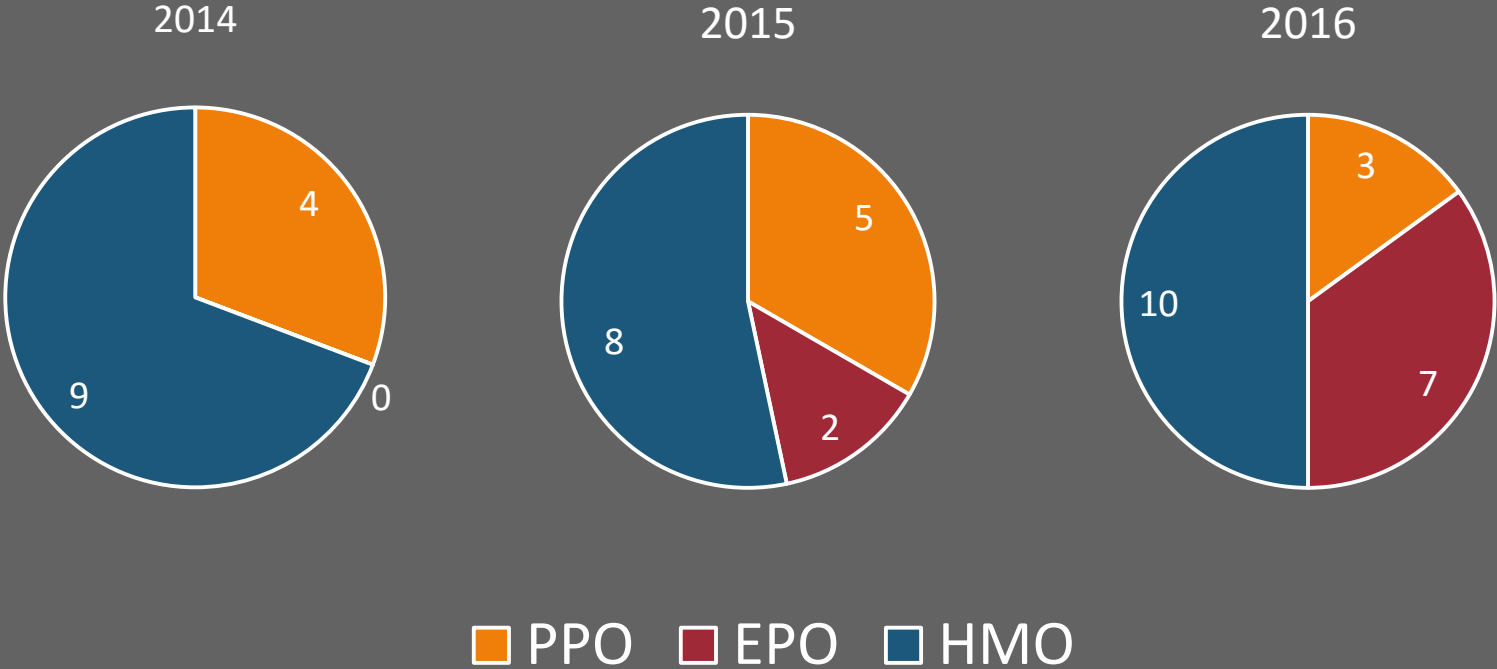
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## Anti-selection

- Anti-selection is a significant problem, as sicker individuals buy richer coverage, especially gold and platinum plans.
- Sicker individuals also tend to buy PPO plans, which offer out-of-network coverage.
- Carriers have experienced heavy losses on individual PPO plans.
- Many carriers are discontinuing their PPO plans in the individual market.

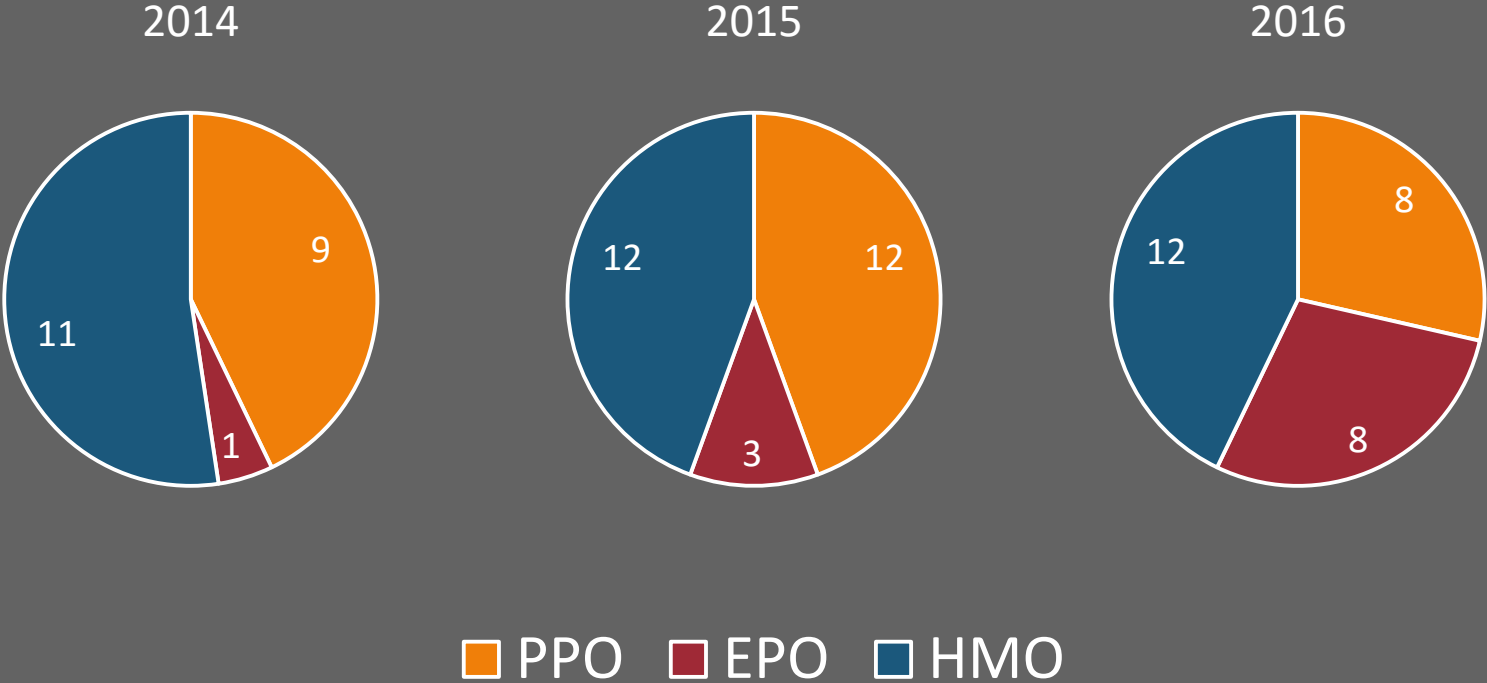
# Affordable Care Act Market Competition in Texas

Issuers with Plans in the Individual Market (on Exchange)



# Affordable Care Act Market Competition in Texas

Issuers with Plans in the Individual Market (On and Off Exchange)



# Affordable Care Act

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## Index Rates in Texas 2014-2016 (Individual Market)

- The index rate is an issuer's average (PMPM) EHB portion of projected allowed claims for the entire risk pool.
- Grandfathered plans are excluded.

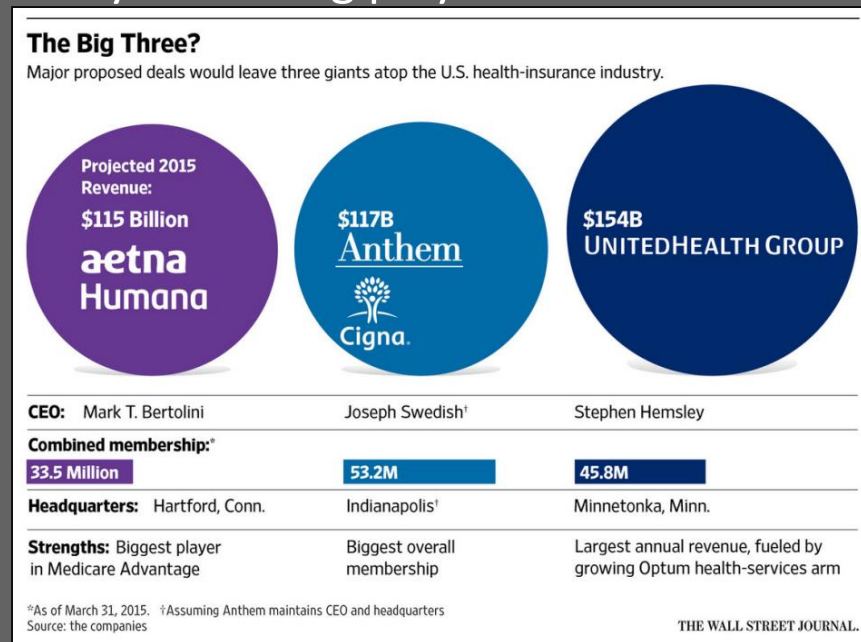
	Average Index Rate in TX
2014	\$385
2015	\$433
2016	\$412

- The expected decrease in 2016 is likely due to major carriers eliminating PPO plans, thereby reducing claims costs.

# Affordable Care Act

## Proposed Mergers

The proposed Aetna-Humana and Anthem-Cigna mergers would leave the health insurance industry with 3 big players.



# Affordable Care Act

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## 2014 CMS Report on Reinsurance and Risk Adjustment

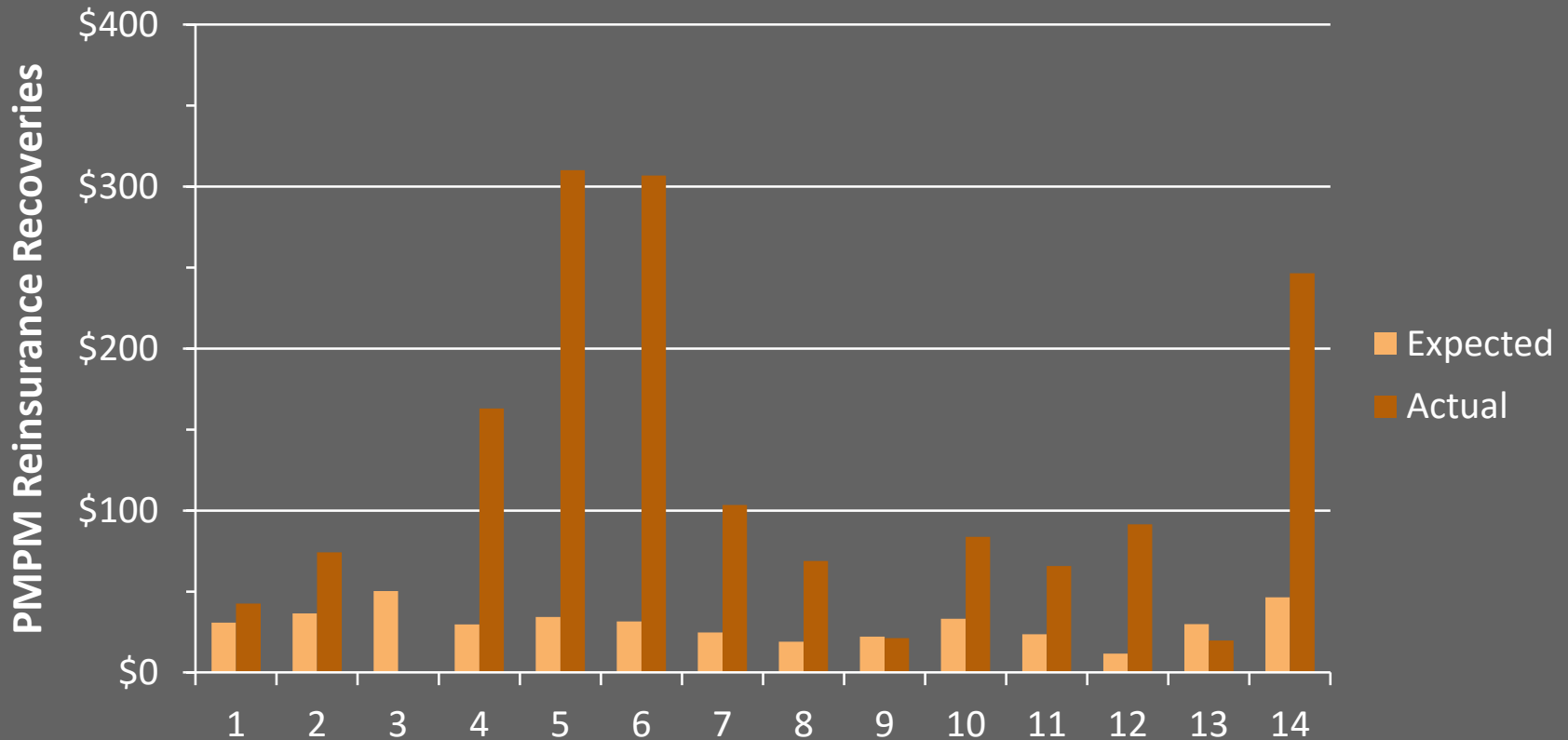
### Highlights:

- Average risk scores were reported by state for the individual and small group markets.
- Average risk scores were significantly higher in the individual market than in the small group market.
- The reinsurance parameters included a \$45,000 attachment point, \$250,000 cap, and 100 percent coinsurance.
- Nationwide, \$8.7 billion was collected in reinsurance contributions, and \$7.9 billion was paid to issuers.

# Affordable Care Act

## 2014 PMPM Reinsurance Recoveries: Actual vs. Expected

### Texas Individual Market



Note: Carriers 3, 5, 6, and 7 had limited enrollment.

# Affordable Care Act

## 2014 Risk Adjustment Transfers: CMS Summary Report

### Texas Individual Market

Issuer	Risk Adjustment	Issuer	Risk Adjustment
Aetna Life	\$7,355,592	Memorial Hermann	\$(11,422)
BCBS of Texas	\$(17,907,615)	Molina	\$723,000
Celtic	\$7,717	Scott & White	\$(1,029,126)
Cigna Health & Life	\$32,778,811	Sendero	\$(1,992,572)
Community First	\$88,351	SHA	\$2,143,996
Community Health Choice	\$798,055	Superior Health Plan	\$(933,831)
Freedom Life	\$212,352	Time	\$8,299,930
Humana Health Plan	\$(38,610,711)	UnitedHealthcare	\$767,009
Humana Ins. Co.	\$5,252,231	<b>TOTAL</b>	<b>\$0</b>

Negative numbers indicate amounts paid by the issuer to CMS.