

Health Care Reform Market Update with a Focus on the “New Game”

$g(x; \alpha, \beta) = \frac{\beta^\alpha e^{-\beta x}}{\Gamma(\alpha)}$ for $x > 0$.
Actuaries' Club of the Southwest

$$F(x) = \Pr[X \leq x] = \int_{-\infty}^x f(t) dt$$



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Audience's Goals

- Gain CE credit.
- What are the changes to the basic financial formula?
- How do you get your share of risk adjustment?
- How many signed up?
- Will the new ACA markets be sustainable?



Margin before and after ACA

ACA Compliant Products

Before

Small Group & Individual

Margin* =

Premium – Claims – Admin

After

Individual

Margin* =

**Premium – Claims – Admin + Risk
Adjustment + Reinsurance**

After

Small Group

Margin* =

**Premium – Claims – Admin + Risk
Adjustment**

*Taxes and fees are bundled within premium for this example.



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The Risk Adjustment Game

- Need 4 Volunteers to be CEO of a Health Plan
 - Outreach Effort
 - Perfect Pricing
 - Analytics Armed
 - Risk Reward



The Risk Adjustment Game

- How the game is played
 - Each CEO gets 20 chocolates
 - Each Health Plan has equal Market Share
 - We will work through a Pre-ACA and 3 Post-ACA Risk Adjustment Examples
 - Baseline
 - Outreach
 - Analytics



The Risk Adjustment Game

- Pre ACA
 - True Market Premium is 20
 - Everyone pays 2 for Administrative Costs
 - Market Claims are 16
 - Margin $\rightarrow 20 - 16 - 2 = 2$



Example 1

4 equal Market Share Health Plans	
Market True Premium	20
Market Claims	16
Admin	2

	Outreach Lift	Perfect Pricing	Analytics Armed	Risk Reward
Plan Premium	20	20	20	20



Example 2

4 equal Market Share Health Plans	
Market True Premium	20
Market Claims	16
Admin	2

	Outreach Lift	Perfect Pricing	Analytics Armed	Risk Reward
Plan Premium	20	20	20	20



Example 3

4 equal Market Share Health Plans	
Market True Premium	20
Market Claims	16
Admin	2

	Outreach Lift	Perfect Pricing	Analytics Armed	Risk Reward
Plan Premium	20	20	20	20



Health Care Plan Profiles

	Outreach Lift	Perfect Pricing	Analytics Armed	Risk Reward
Example 1				
Plan Premium	20	20	20	20
Plan Risk	0.5	0.75	1.25	1.5
Plan Claims PMPM	8	12	20	24
Pre RA surplus/shortfall	10	6	-2	-6
Transfer	-10	-5	5	10
Effective Risk Score	0.50	0.75	1.25	1.50
Prem - Claims - Admin + RA (Profit)	0	1	3	4

	Outreach Lift	Perfect Pricing	Analytics Armed	Risk Reward
Example 3				
Plan Premium	20	20	20	20
Plan Risk	0.5	0.75	1.25	1.5
Plan Claims PMPM	8	12	20	24
Plan surplus/shortfall	10	6	-2	-6
Transfer	-8	-8	9	7
Effective Risk Score	0.60	0.60	1.45	1.35
Prem - Claims - Admin + RA (Profit)	2	-2	7	1

	Outreach Lift	Perfect Pricing	Analytics Armed	Risk Reward
Example 2				
Plan Premium	20	20	20	20
Plan Risk	0.5	0.75	1.25	1.5
Plan Claims PMPM	8	12	20	24
Plan surplus/shortfall	10	6	-2	-6
Transfer	-8	-7	7	8
Effective Risk Score	0.60	0.65	1.35	1.40
Prem - Claims - Admin + RA (Profit)	2	-1	5	2

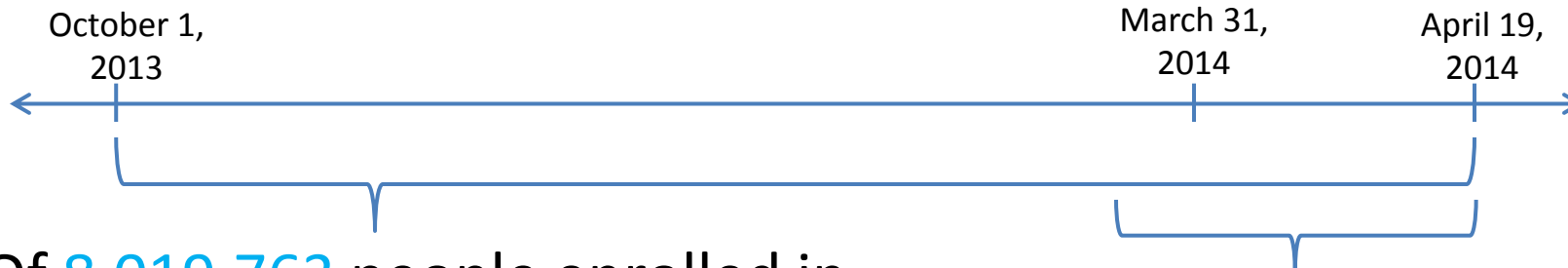
Identify and use Analytics to Execute on the need for outreach

Identify and Execute on the need for outreach



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Of **8,019,763** people enrolled in marketplace plans from 10/1/13 to 3/31/14 (including special enrollment through 4/19):

- About **32%** in State Based Marketplaces (< 2.6 million)
- About **68%** in Federally Facilitated Marketplace (> 5.4 million)

About **3.8 million** enrolled during the 6th reporting period from 3/2 to 4/19

- This represents almost **90% growth** over February's cumulative enrollment
- **32%** (1.2 million) were between ages 18-34



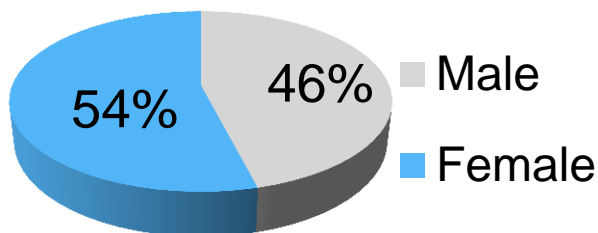
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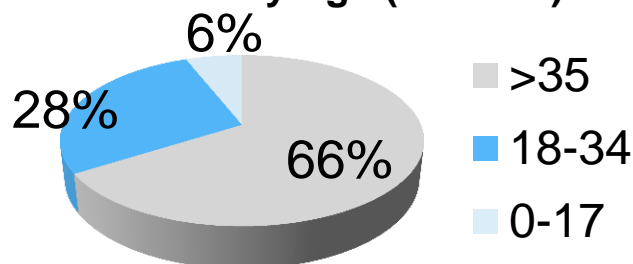
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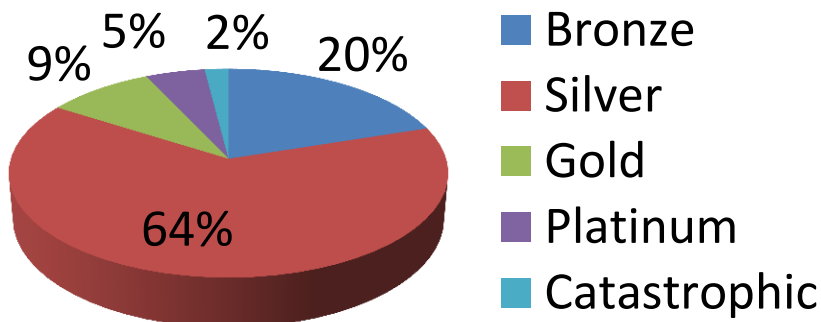
Enrollees by Gender



Enrollees by Age (In Years)

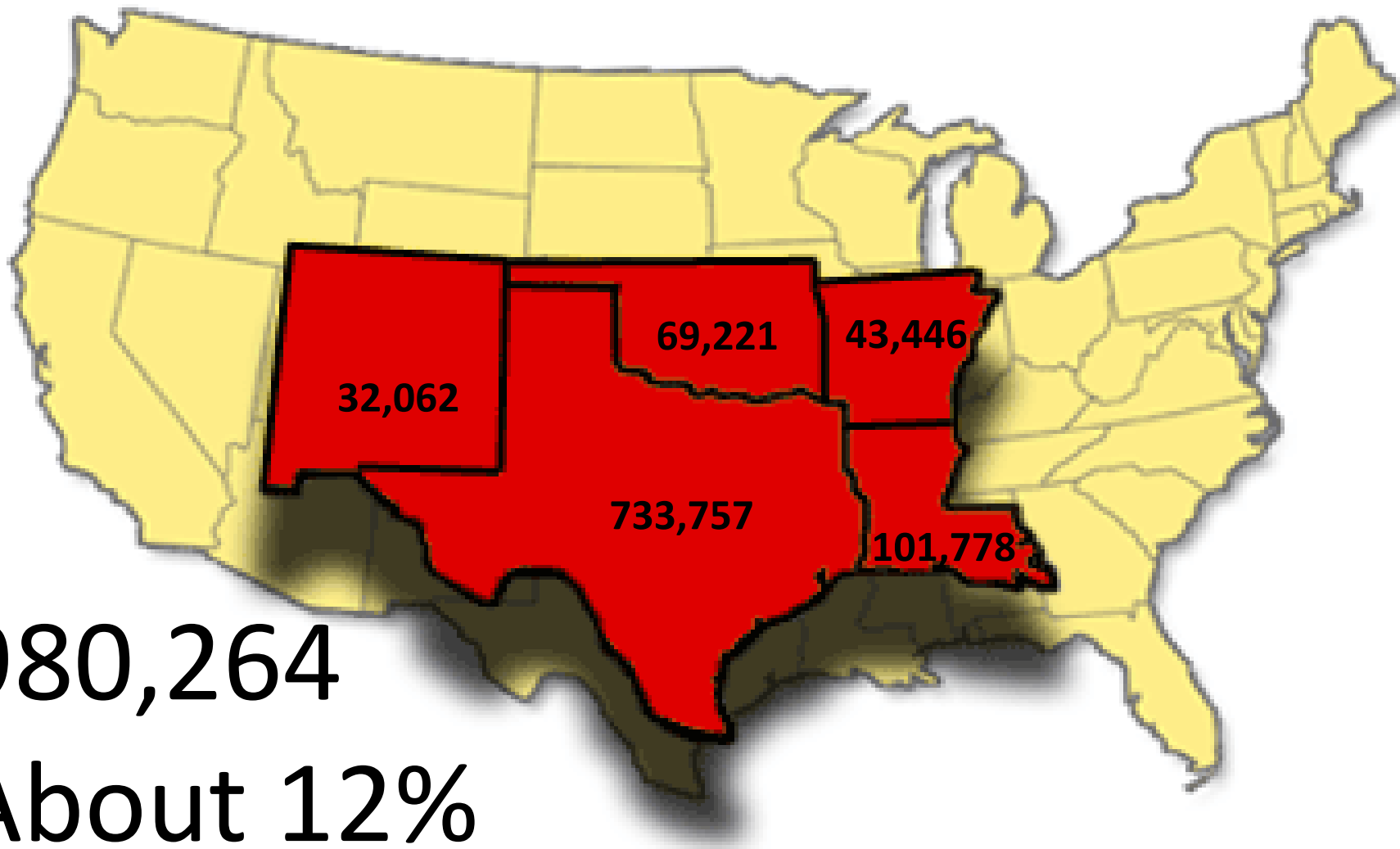


Enrollees by Metal Level



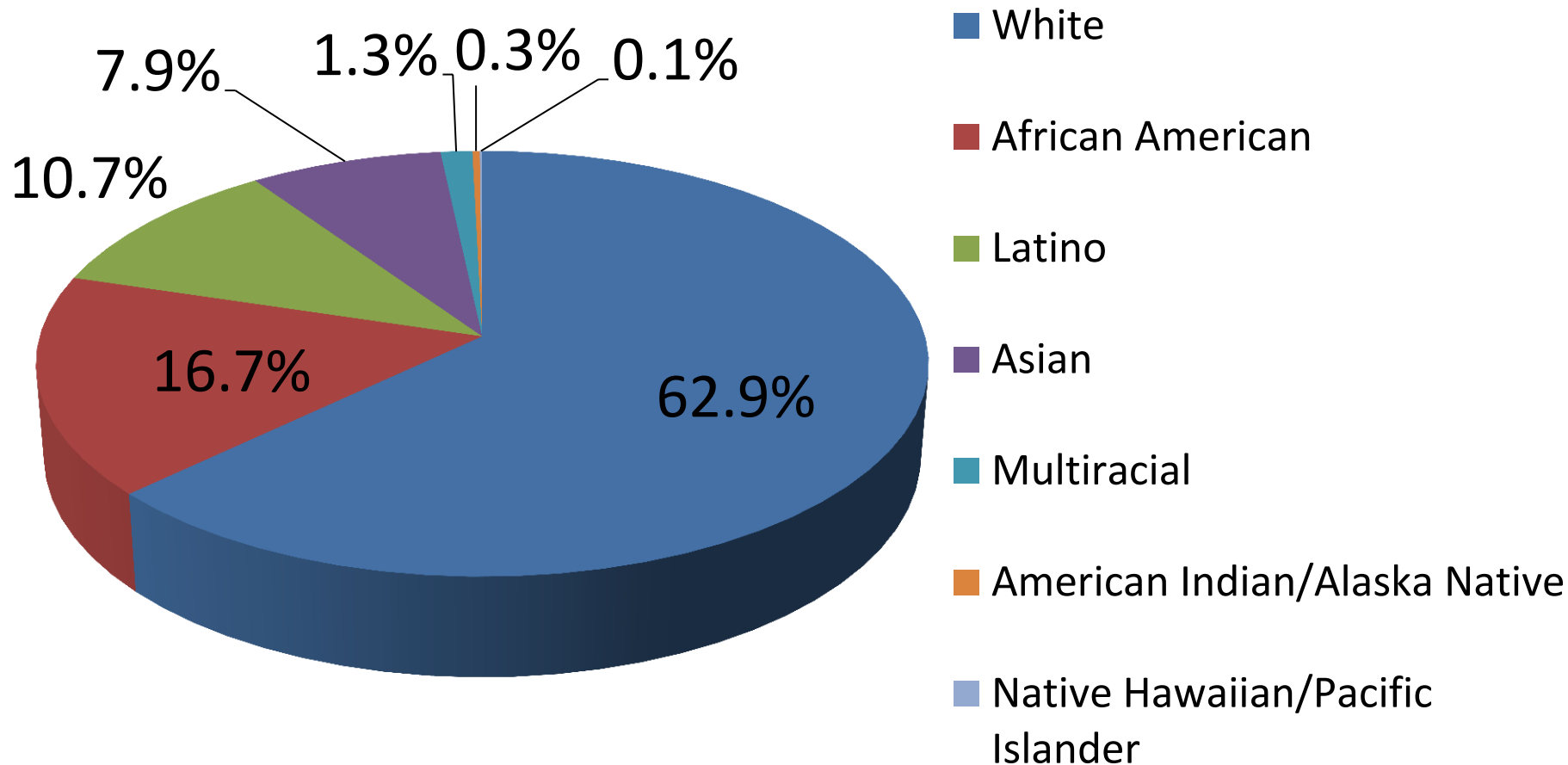


Enrollment for ACSW States



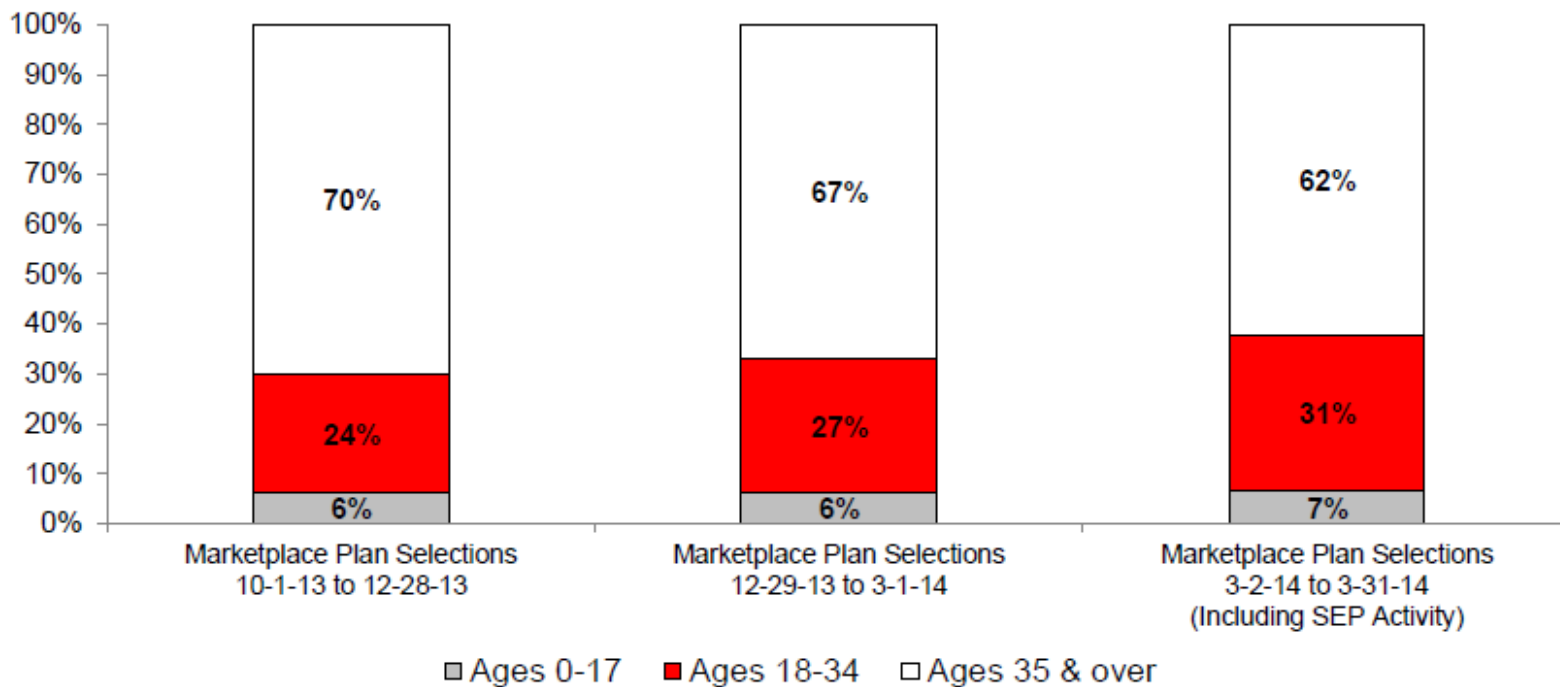


“of those enrollees who reported race and ethnicity”





Trends In Age Distribution of Marketplace Enrollees



Source: Centers for Medicare & Medicaid Services, as of 4-29-14.

- Proportion of young adult enrollment increased by 7 percentage points across the enrollment period
- Proportion of older adults decreased by 8 percentage points

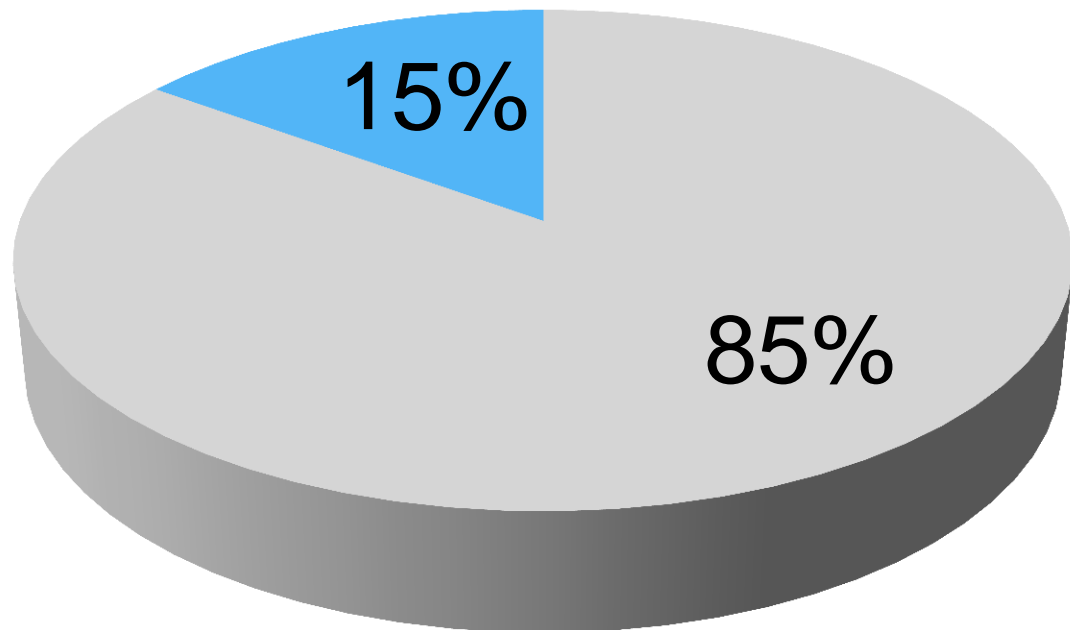


Increase in Health Insurance Coverage

- Beyond the over 8 million who enrolled in Marketplace plans from 10/31/13 to 4/19/14, the CBO estimates **5 million** people have purchased ACA-compliant **off-Marketplace** plans
 - This makes a total of about 13 million people enrolled
- BCBSA estimates that **1.7 million** people are enrolled in its ACA-compliant off-Marketplace plans
- **45%** of E-Health's off-Marketplace enrollees between January and early March 2014 were aged **18-34**



Marketplace Plan Selection by Financial Assistance Status

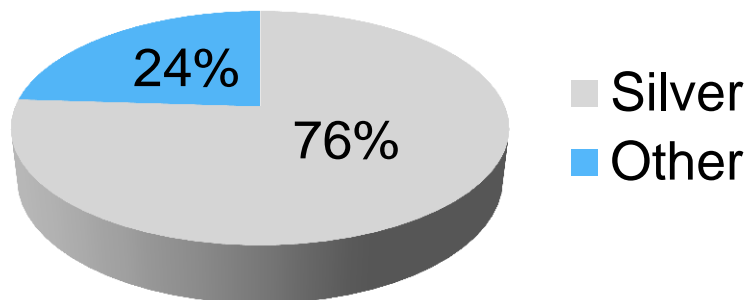


- Marketplace Plan with Financial Assistance
- Marketplace Plan without Financial Assistance

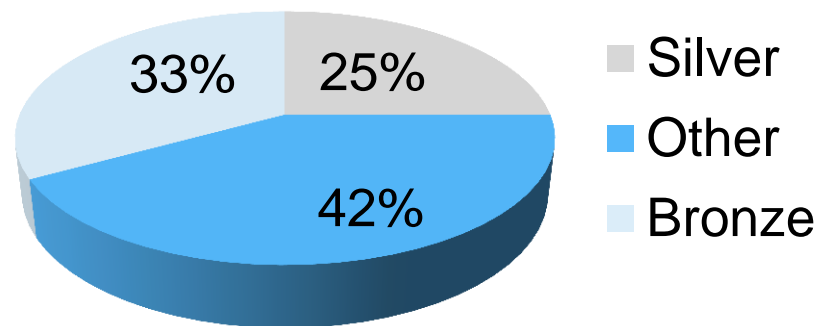


Federally Facilitated Marketplace (FFM) Plan Selection by Financial Assistance Status and Metal Level

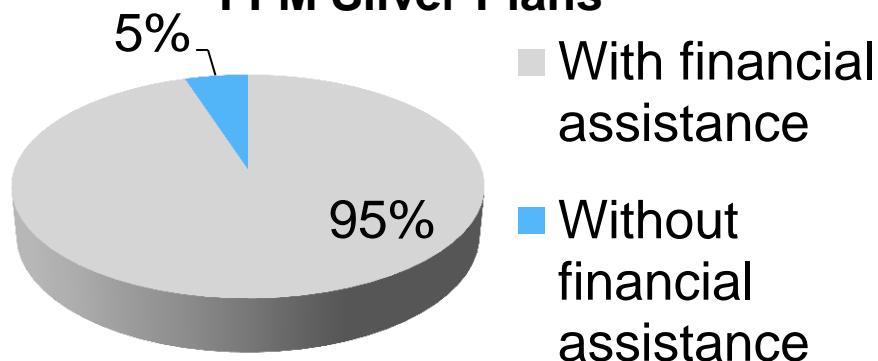
FFM Plans with Financial Assistance



FFM Plans without Financial Assistance



FFM Silver Plans





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Will the new ACA markets be sustainable?

- The Other 2Rs
 - Transitional Reinsurance
 - Risk Corridors
- What is the Risk of the Population?



Will the new ACA markets be sustainable?

- The Other 2Rs

- Transitional Reinsurance

- For 2014, attachment point changed to \$45,000 from \$60,000
 - » 80% between \$45,000 - \$250,000
 - » Pay out the 10 billion or 100%
 - Carryover to next year
 - For 2015, attachment point changed to \$45,000 from \$70,000
 - » reduces to 50% up to \$6 billion + any carryover from 2014
 - For 2016 reduces \$4 billion

- Risk Corridors

- Gains/losses from 3-8% are shared at a rate of 50%
 - Gains/losses from >8% are shared at a rate of 80%



Will the new ACA markets be sustainable?

- What is the Risk of the Population?
 - Risk has changed throughout enrollment
 - Slow start to open enrollment
 - Keep your plan
 - Stability is key



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