



# The Future of the ACA

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# Caveat

- Any views and opinions expressed during this presentation are my own and do not necessarily reflect the position of Milliman.

# **ACA: How it changed insurance**

Focus on Individual Market

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# ACA: How it changed insurance

## Individual Market

- Guaranteed Issue
- Individual Mandate
- No more underwriting
- Subsidies to make insurance “affordable” for low-income individuals
- Established Marketplace aka Exchange
- 3 R’s: Reinsurance, Risk Corridors, Risk Adjustment

# It's all connected



# Subsidy Calculation (2016 Basis)

Step 1- Determine what is affordable

Federal Poverty Level	Income (1 person)	Affordability (%)	Affordability (\$)
133%	\$15,800	3.05%	\$482
150%	\$17,820	4.07%	\$725
200%	\$23,760	6.41%	\$1,523
250%	\$29,700	8.18%	\$2,429
300%	\$35,640	9.66%	\$3,443
400%	\$47,520	9.66%	\$4,590

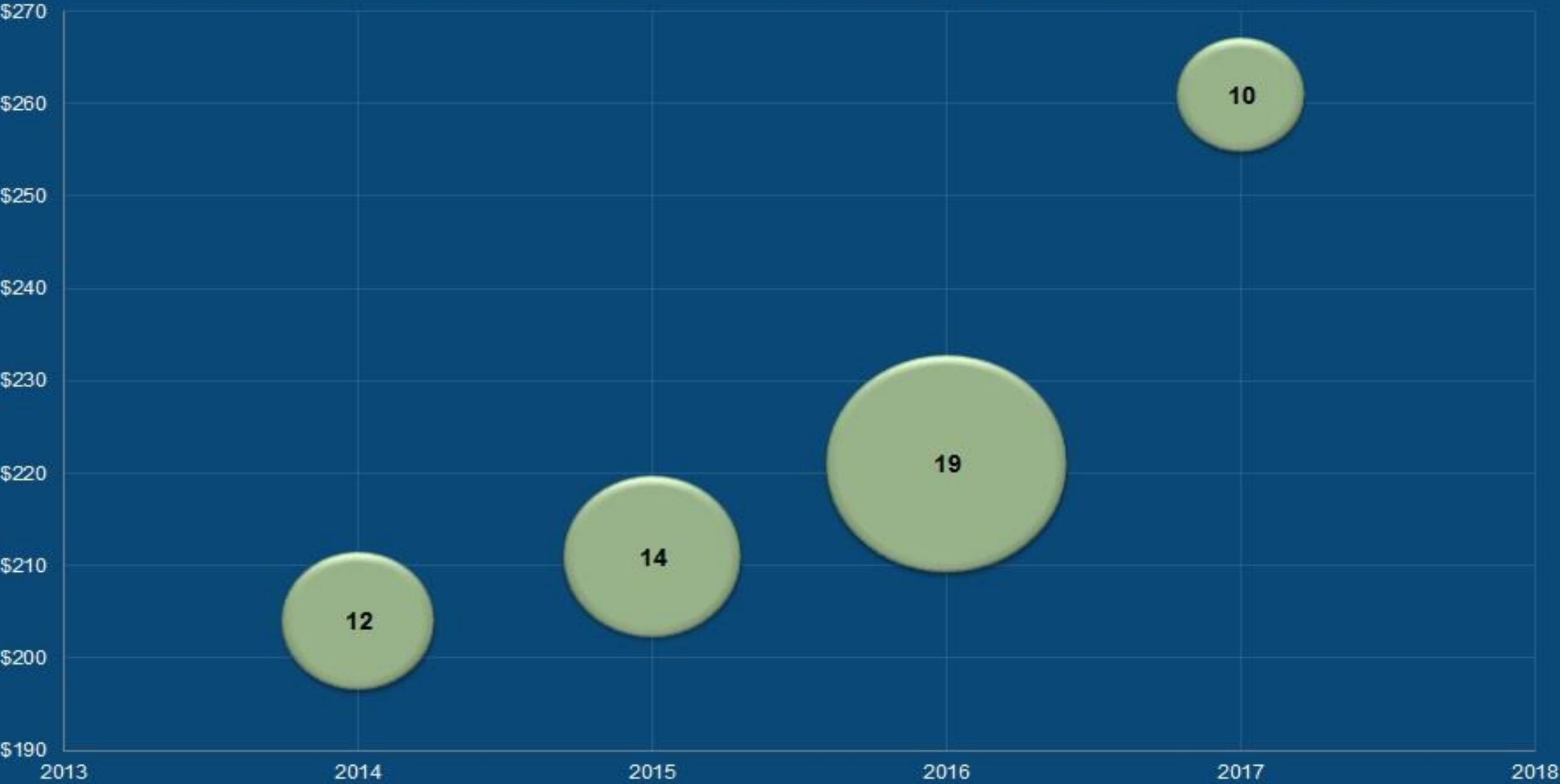
# Subsidy Calculation (2016 Basis)

Step 2- Calculate the subsidy

Federal Poverty Level	Income (1 person)	Affordability (Annual)	Affordability (Monthly)
250%	\$29,700	\$2,429	\$202

	<u>30 year-old</u>	<u>45 year-old</u>	<u>60 year-old</u>
2 <sup>nd</sup> lowest-cost silver plan (benchmark) =	\$302	\$384	\$722
Amount Individual can “afford” to pay =	\$202	\$202	\$202
Subsidy is the difference: \$352 - \$202 =	\$100	\$182	\$520

# Texas Health Insurance Marketplace Average 2nd Lowest Silver Premium\* (Age 27) with Count of Issuers



# Market Stabilization Rule

Focus on Individual Market

“While these steps will help stabilize the individual and small group markets, they are not a long-term cure for the problems that the Affordable Care Act has created in our healthcare system.”

-CMS Administrator Seema Verma

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# Market Stabilization Rule

## Affect 2018 Market

- Open Enrollment period is shortened (ends 12/15/17 instead of 1/31/18)
- Special Enrollment Periods will use more stringent eligibility verification
- Insurers may require payment of past-due premiums before re-enrolling members
- Widened AV range
- Relaxed the standards for network adequacy

# **AHCA: How it differs from ACA**

Focus on Individual Market

# AHCA: How it differs from ACA

## Individual Market

Reform Policy	ACA	AHCA
Guaranteed Issue	Yes	Yes
Individual Mandate	Yes	Replaced with continuous coverage requirement
No more underwriting	3:1 age factor limit	5:1 age factor limit, states have options if continuous coverage requirement is not met

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# Continuous Coverage Penalties

Macarthur Amendment (April 26)

- States can waive 30% penalty
- Use health status as a rating factor for up to 12 months
- Still prohibits rating by gender, and ensures guaranteed issue

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# Continuous Coverage Penalties

Upton Amendment (May 3)

- \$8 billion fund, available from 2018 through 2023
- Only available to states that waive the 30% enrollment penalty and use health status rating
- States must use funds to reduce premiums or OOP costs to members whose rates are increased due to health status

# AHCA: How it differs from ACA

## Individual Market

<b>Reform Policy</b>	<b>ACA</b>	<b>AHCA</b>
Subsidies	Based only on Income	Based on Age, and phased out at higher income levels
Marketplace	Yes, with metal levels	Yes but less meaningful and without metal levels
3 R's: Protections for Insurers	Risk Adjustment	Risk Adjustment and 4 other funds

# AHCA Tax Credits (subsidies)

2020 Basis

Age group	Annual Tax Credit
Younger than 30 years old	\$2,000
30-39 years old	\$2,500
40-49 years old	\$3,000
50-59 years old	\$3,500
60+ years old	\$4,000

- Tax credits would be phased out beginning at \$75,000 for individuals, \$150,000 for joint filers.
- Credit would be lowered by 10% of income in excess of \$75,000
- 60 year-old individual with incomes above \$105,000 would receive no subsidy

## Subsidy Comparison

2016 Basis (250% FPL)	30 year-old	45 year-old	60 year-old
Benchmark Premium	\$302	\$384	\$722
Subsidy	\$100	\$182	\$520
<b>Member Premium</b>	<b>\$202</b>	<b>\$202</b>	<b>\$202</b>

2020 Basis (< \$75,000)	30 year-old	45 year-old	60 year-old
Benchmark Premium	\$302	\$384	\$722
Subsidy	\$208	\$250	\$333
<b>Member Premium</b>	<b>\$94</b>	<b>\$134</b>	<b>\$389</b>

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# AHCA Protections for Insurers

## Promoting Market Stability

- Risk Adjustment
- Patient and State Stability Fund
  - \$100 billion (2018-2026)
- Maternity and Newborn Care, Mental Health and Substance Abuse
  - \$15 billion (2020-2026)
- Federal Invisible Risk Sharing Program
  - \$15 billion (2018-2026)
- Funds for states using MacArthur waiver
  - \$8 billion (2018-2023)

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## Next Steps

### Two Options

- Senate passes a version of the AHCA, reconciliation goes smoothly, and it eventually becomes law
- If the AHCA fails to become law, we may see more Section 1332 waivers
  - HHS Secretary Tom Price sent a letter to governors on 3/13/2017 encouraging them to consider Section 1332 waivers, and provided a checklist for waiver applications in 5/11/2017

“[HHS]... is interested in working with states on Section 1332 waivers that would lower premiums for consumers, improve market stability, and increase consumer choice... we welcome the opportunity to work with states to pursue Section 1332 waivers incorporating a high-risk pool/state-operated reinsurance program. State-operated reinsurance programs have a demonstrated ability to help lower premiums, and if the state shows a reduction in federal spending on premium tax credits a state could receive Federal pass-through funding to help fund the state’s reinsurance program. –from checklist for waiver applications, 5/11/2017

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## Sources

- <https://www.irs.gov/pub/irs-drop/rp-14-62.pdf> (slide 6)
- <https://aspe.hhs.gov/pdf-report/health-plan-choice-and-premiums-2016-health-insurance-marketplace> (slide 8)
- <https://aspe.hhs.gov/pdf-report/health-plan-choice-and-premiums-2017-health-insurance-marketplace> (slide 8)
- <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2017-Press-releases-items/2017-04-13-2.html> (slide 10)
- <https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Checklist-for-Section-1332-State-Innovation-Waiver-Applications-5517-cpdf.pdf> (slide 20)



# Thank you

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