State Responses to the Evolving Individual Health Insurance Market

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Three Takeaways

- Factors impacting health insurance premiums in the individual insurance market
- Recent Federal policy developments impacting the individual market & what they mean for consumers
- Challenges regarding market affordability and risk adjustment
Where Does the Premium $ Go?

Factors Affecting Health Insurance Premiums
2019 Individual Market Rates: Key Dates

- Development of 2019 products and rates based on current market rules
- State and Federal deadlines to submit rates
- CMS releases preliminary rate changes
- Final issuer decisions on market participation
- Open Enrollment 11/1 - 12/15

Policy Developments & Premiums

<table>
<thead>
<tr>
<th>Premium Policy Levers</th>
<th>Potential Impact on Individual Market Premiums</th>
<th>Known</th>
<th>Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Mandate</td>
<td>3-10%</td>
<td>Repealed 2019</td>
<td>State mandate or federal continuous coverage alternatives</td>
</tr>
<tr>
<td>Cost-Sharing Reductions</td>
<td>60% on average 7-30% for silver plans</td>
<td>Not funded as of 10/17, “silver-loading” strategies in place in most states</td>
<td>CSR legal challenge outcome</td>
</tr>
<tr>
<td>Reinsurance</td>
<td>4-12%</td>
<td>In place in a limited number of states, no national reinsurance program</td>
<td>Limited number of states with 1332: Implemented: AK, OR, MN</td>
</tr>
<tr>
<td>Health Insurer Tax</td>
<td>7%</td>
<td>2018 benchmark</td>
<td>Future relief for 2020 and beyond</td>
</tr>
<tr>
<td>Association Plans</td>
<td>Expected increase</td>
<td>Goal is to significantly expand availability of association plans</td>
<td>Full impact</td>
</tr>
<tr>
<td>Short Term Plans</td>
<td>Expected increase</td>
<td>Proposed rule content</td>
<td>Full impact/timing/duration/renewals</td>
</tr>
<tr>
<td>Medical Trend</td>
<td>6.5%</td>
<td>2017 claims experience</td>
<td>2018 medical trend</td>
</tr>
</tbody>
</table>

1 Estimated 2019 premium impacts: individual mandate—5% chosen for AHIP data work as a conservative estimate, based on recent analysis estimating an impact of between 3-10% (Wyman); CSR rule (CMS and HHS); reinsurance – 12% chosen for AHIP data work based on $15 billion in reinsurance funding, based on recent analysis estimating an impact between 4-12% depending on program type and funding amount: Avalere, AHIP (Wyman); and medical trend (PWC).
### How Do Alternatives Plans Compare?

<table>
<thead>
<tr>
<th></th>
<th>Exchange</th>
<th>Short-Term</th>
<th>Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can you be charged a higher premium for pre-existing condition?</td>
<td>No</td>
<td>Varies by state</td>
<td>No</td>
</tr>
<tr>
<td>Can you be declined coverage for a pre-existing condition?</td>
<td>No</td>
<td>Varies by state</td>
<td>No</td>
</tr>
<tr>
<td>Is this type of plan available to every American?</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Are prescription drugs covered?</td>
<td>Yes – required</td>
<td>Varies</td>
<td>Varies</td>
</tr>
<tr>
<td>Is mental health care covered?</td>
<td>Yes – required</td>
<td>Varies</td>
<td>Varies</td>
</tr>
<tr>
<td>Is care for pre-existing conditions covered?</td>
<td>Yes – required</td>
<td>Varies</td>
<td>Varies</td>
</tr>
<tr>
<td>Can the plan include a lifetime limit?</td>
<td>No</td>
<td>Varies by state</td>
<td>No</td>
</tr>
<tr>
<td>Is federal premium assistance available?</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

### 2019 Participation Outlook

**2019 Exchange Participation as of 7/16**

- No counties without Exchange participation
- New exchange entrants
  - AZ, FL, MI – Oscar
  - IA – Wellmark (reentry)
  - ME – Anthem (pending)
  - NC – Centene
  - NM – Presbyterian
  - OK – Medica
  - TN – Bright
  - UT, WI – Molina
  - VA – Virginia Premier
Affordability in the Individual Market

8 million Americans buy their own insurance without any premium subsidies.

Coverage Source (APX. 320 million people)

- Medicaid: 19%
- Medicare: 14%
- Other Public: 2%
- Individual Market: 7%
- Uninsured: 9%

Employed: 49%

Individual Market (APX. 18 million people)

- Exchange - APTC: 50%
- Exchange - NO APTC: 14%
- Off Exchange: 36%

Approximate number of Americans who buy their own insurance with no help with premiums: 8 million

Note: Solutions identified to help unsubsidized Americans who buy their own insurance may also help 3.9 million uninsured people with income >400% of FPL.

Risk Adjustment

United States District Court Ruling Puts Risk Adjustment On Hold

On February 26, 2016, the United States District Court for the District of New Mexico issued a decision invalidating use of the statewide average premium by the Center for Medicare & Medicaid Services (CMS) in the risk adjustment transfer formula established under section 1520 of the Patient Protection and Affordable Care Act for the 2014 – 2016 benefit years, pending further explanation of CMS’s reasons for operating the program in a budget neutral manner in those years. The ruling prevents CMS from making further collections or payments under the risk adjustment program, including amounts for the 2017 benefit year, until the litigation is resolved.

In light of a contrary decision by the United States District Court for the District of Massachusetts, the government removed the New Mexico district court’s decision. CMS is currently appealing the court’s ruling. CMS is seeking a quick resolution to the legal issues raised and will inform stakeholders of any updates to the status of collections or payments at an appropriate future date. The calculated risk adjustment transfer amounts for the 2017 benefit year are $13.4 billion, which includes transfers across catastrophic, small group, and individual non-catastrophic risk pools.

We were disappointed by the court’s recent ruling. As a result of this litigation, billions of dollars in risk adjustment payments and collections are now on hold. CMS has asked the court to suspend its ruling, and hopes for a prompt resolution that allows CMS to prevent negative impacts on Americans who receive their insurance in the individual and small group markets,” said CMS Administrator Seema Verma.
AHIP’s Vision

We will shape and drive market-based solutions and public policy strategies to improve health, affordability and financial security by:

- Promoting consumer choice and market competition
- Simplifying the health care experience for individuals and families
- Supporting constructive partnerships with all levels of government
- Partnering with health care providers on the journey from volume to value
- Addressing the burden of chronic disease and social factors that impact health
- Pursuing the promise of clinical innovations while ensuring value
- Harnessing data and technology to drive quality, efficiency and consumer satisfaction

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