Open Enrollment Preview: Checking the Vitals of the Marketplaces

Alliance for Health Reform
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Covered California's Promise

Vision:
To improve the health of all Californians by assuring their access to affordable, high-quality care.

Mission:
To increase the number of insured Californians, improve health care quality, lower costs and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

Better Care • Healthier People • Lower Cost

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How Covered California Makes the Promise Real

CREATING **COMPETITIVE MARKETS**	OFFERING **AFFORDABLE PRODUCTS**	EFFECTIVELY **REACHING AND ENROLLING CONSUMERS**	ENCOURAGING **THE RIGHT CARE AT THE RIGHT TIME**
• Plan competition for enrollment (seek at least three plans) • Provider-level competition and distinction between plans • Benefit designs foster informed consumers	• High enrollment of subsidy eligible to assure good risk mix • Long term affordability through delivery system changes	• Robust and ongoing marketing • Cost effective enrollment support	• Benefit design promoting appropriate access • Requirements for plans to promote effective delivery of coordinated care

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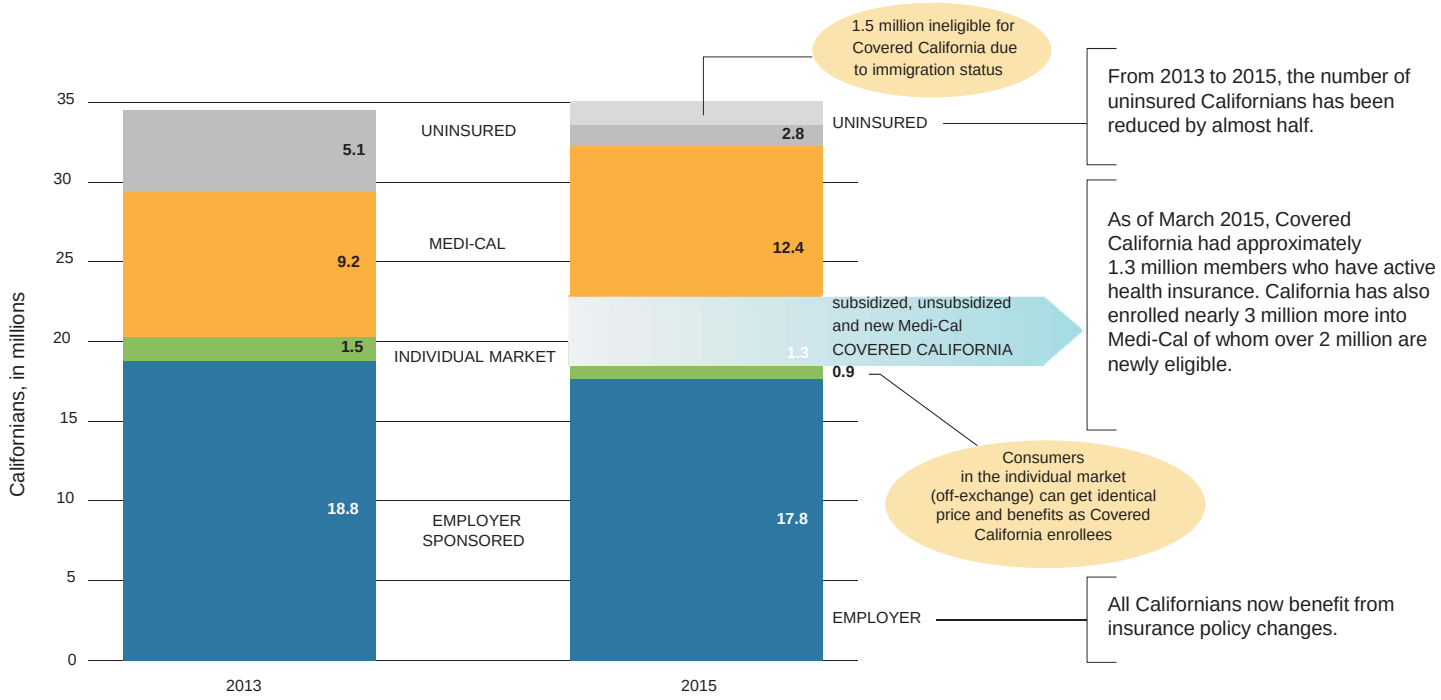
The Affordable Care Act Is Being Woven Into the Fabric of Health Care in California and the Nation

The Affordable Care Act has dramatically changed the health insurance landscape in California with the expansion of Medicaid, Covered California and new protections for all Californians – 2013 to 2015 – Census Bureau reports cutting rate of uninsured in half – to 8.6%.



Data shown in above graph is from: California Health Benefits Review Program (http://bit.ly/1TV9076); Center for Medicare and Medicaid Services, The Commonwealth Fund (http://bit.ly/1TV98n7); California Healthcare Foundation (http://bit.ly/1LFbXGm); Covered California 2015 Active Member Profiles (http://bit.ly/21KMUZM), and ABx1 Quarterly Report (http://bit.ly/1oVUgYs)

Note: Medicare recipients and other publicly funded insured are not included in the graph.

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Covered California Health Plan Offerings for 2017: Broad Choice and Multiple Local Options

PRICING REGION	EPO	ANTHEM PPO	ANTHEM HMO	BLUE SHIELD PPO	BLUE SHIELD HMO	CCHP HMO	HEALTH NET EPO	HEALTH NET HMO	KAISER PERMANENTE HMO	L.A. CARE HMO	MOLINA HEALTHCARE HMO	OSCAR EPO	SHARP HEALTH PLAN HMO-1 Copay	SHARP HEALTH PLAN HMO-2 Coinsurance	VALLEY HEALTH PLAN HMO	WESTERN HEALTH ADV. HMO
1 Northern counties	●			●	◓			◓	◓							
2 North Bay Area	●			●	◓		●		◓							●
3 Greater Sacramento	●		◓	●	◓			◓	◓							◓
4 San Francisco County	●			●	●	●	●		●			●				
5 Contra Costa County	●			●	◓		●		●							
6 Alameda County	●			●	◓				●							
7 Santa Clara County	●		◓	●	●			◓	●			●			●	
8 San Mateo County	●			●	●	◓	●		●			●				
9 Santa Cruz, San Benito, Monterey	●			●	◓		◓		◓							
10 Central Valley		●		●	◓		◓		◓							
11 Fresno, Kings, Madera counties		●	●	●				◓	◓							
12 Central Coast		●		●	◓				◓							
13 Eastern counties		●		●					◓		◓					
14 Kern County		●		●	◓			◓	◓							
15 Los Angeles County, partial	●		◓	●	◓			●	●	●	◓					
16 Los Angeles County , partial	●		◓	●	◓			●	●	●	◓	●				
17 Inland Empire	●		◓	●	◓			◓	◓		◓					
18 Orange County	●		●	●	●			●	●		●	●				
19 San Diego County	●		◓	●	◓			●	◓		●		◓	●		

● Full Region
◓ Partial Region

For full details on plans and rates, see Health Insurance Companies and Plan Rates for 2017: http://bit.ly/2c6AS9U

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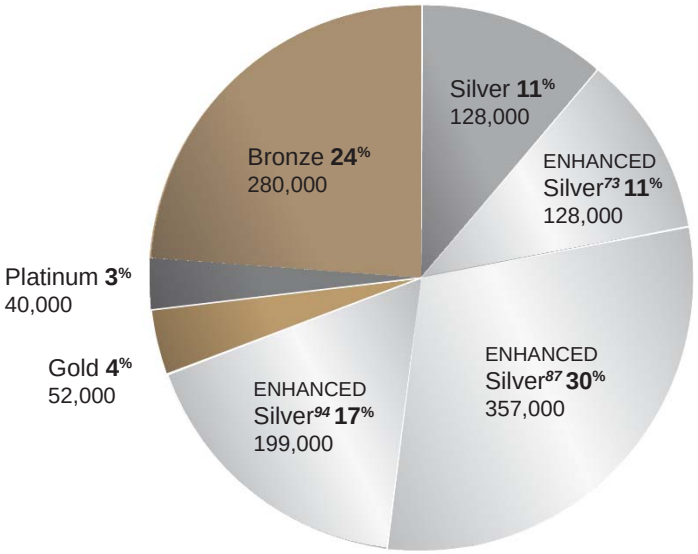
Covered California Enrollees Able to Choose Both Low Premium and Low Out-of-Pocket Designs

More than 69 percent of Covered California subsidy-eligible enrollees selected a Silver Plan — which have NO deductibles for any out-patient services and 58 percent of all subsidy eligible enrollees qualified for an "Enhanced Silver", which means even lower out-of-pocket costs when accessing services.

2015 Subsidized Enrollment
by Metal Tier



Source: Covered California enrollment data as of April 2015, including only subsidized enrollees who have paid for coverage.

A few notes on monthly premium costs:

77 percent pay less than $150 per month per individual.

More than 120,000 enrollees pay less than $10 per month per individual.

25 percent of enrollees in an Enhanced Silver[94] plan pay less than $25 per month per individual, while more than half pay less than $50.

In addition, these individuals pay only $3 for doctor visits.

Covered California's Patient-Centered Benefit Design:

- Bronze — three office visits and lab work, not subject to deductible.
- Silver, Gold, Platinum — no deductibles on **any** outpatient services.

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Covered California 2017 Patient-Centered Benefit Designs

In California, standard benefit designs allow apples-to-apples plan comparisons and seek to encourage utilization of the right care at the right time with many services that are not subject to a deductible. *Benefits below shown in blue are not subject to a deductible.*

2017 PATIENT-CENTERED BENEFIT DESIGNS BY METAL TIER

MEDICAL COST SHARES				
Coverage Category	Bronze	Silver	Gold	Platinum
	Covers 60% average annual cost	Covers 70% average annual cost	Covers 80% average annual cost	Covers 90% average annual cost
Annual Wellness Exam	$0	$0	$0	$0
Primary Care Visit	$75	$35	$30	$15
Specialty Care Visit	$105	$70	$55	$40
Urgent Care Visit	$75	$35	$30	$15
Emergency Room Facility	Full cost until out-of-pocket maximum is met	$350 once medical deductible is met	$325	$150
Laboratory Tests	$40	$35	$35	$20
X-Ray and Diagnostics	Full cost until out-of-pocket maximum is met	$70	$55	$40
Deductible	Individual: $6,300 medical $500 drug Family: $12,600 medical $1,000 drug	Individual: $2,500 medical $250 drug Family: $5,000 medical $500 drug	N/A	N/A
Annual Out-of-Pocket Maximum	$6,800 individual and $13,600 family	$6,800 individual and $13,600 family	$6,750 individual and $13,500 family	$4,000 individual and $8,000 family

Benefits shown in blue are not subject to any deductible. White corner = not subject to a deductible after first three visits. Copay is for any combination of services (primary care, specialist, urgent care) for the first three visits. After three visits, they will be at full cost until the out-pocket-maximum is met.

DRUG COST SHARES — 30 DAY SUPPLY				
Generic Drugs (Tier 1)	full cost up to $500, after deductible is met	$15 or less	$15 or less	$5 or less
Preferred Drugs (Tier 2)	full cost up to $500, after deductible is met	$55 after drug deductible	$55 or less	$15 or less
Non-preferred Drugs (Tier 3)	full cost up to $500, after deductible is met	$80 after drug deductible	$75 or less	$25 or less
Specialty Drugs (Tier 4)	full cost up to $500, after deductible is met	20% up to $250 after drug deductible	20% up to $250	10% up to $250

2017 PATIENT-CENTERED BENEFIT DESIGNS BY INCOME

MEDICAL COST SHARES			
Coverage Category	Enhanced Silver 94	Enhanced Silver 87	Enhanced Silver 73
Eligibility Based on Income and Premium Assistance	Covers **94%** average annual cost	Covers **87%** average annual cost	Covers **73%** average annual cost
Single Income Ranges	up to $17,655 (≤150% FPL)	$17,656 to $23,450 (>150% to ≤200% FPL)	$23,451 to $29,425 (>200% to ≤250% FPL)
Annual Wellness Exam	$0	$0	$0
Primary Care Visit	$5	$10	$30
Specialty Care Visit	$8	$25	$55
Urgent Care Visit	$5	$10	$30
Laboratory Tests	$8	$15	$35
X-Ray and Diagnostics	$8	$25	$65
Imaging	$50	$100	$300
Deductible	Individual: $75 medical Family: $150 medical	Individual: $650 medical $50 drug Family: $1,300 medical $100 drug	Ind.: $2,200 medical $250 drug Family: $4,400 medical $500 drug
Annual Out-of-Pocket Maximum	$2,350 individual and $4,700 family	$2,350 individual and $4,700 family	$5,700 individual and $11,400 family

Benefits shown in blue are not subject to any deductible.

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2017: Transition Year for Premiums

Covered California Rate Change	2014-2015	2015-2016	2016-2017	3-Year Compounded Average
Weighted average increase	4.2%	4%	13.2%	7%
Lowest-price Bronze plan (unweighted)	4.4%	3.3%	3.9%	3.9%
Lowest-price Silver plan (unweighted)	4.8%	1.5%	8.1%	4.8%
Second -lowest-price Silver plan (unweighted)	2.6%	1.8%	8.1%	4.1%
If a consumer shops and switches to the lowest-cost plan available in the same metal tier	—	-4.5%	-1.2%	—

California:

- Initial rates in 2014 lower than anticipated and plans designed networks and delivery to meet marketplace demands from outset; in 2014 California carriers paid IN to the Risk Corridor Program
- For 2017, 80% of consumers can lower premiums or have increase of less than 5% by shopping for lowest plan at same tier

Changes in 2017:

- Transition Year ALL States: end of reinsurance valued at 4-7%
- Transition Year Many States (NOT California): final years of uncertain pricing due to conversion to single individual market risk pool
- Transition Year Some Plans: correcting for incorrect pricing and Special Enrollment

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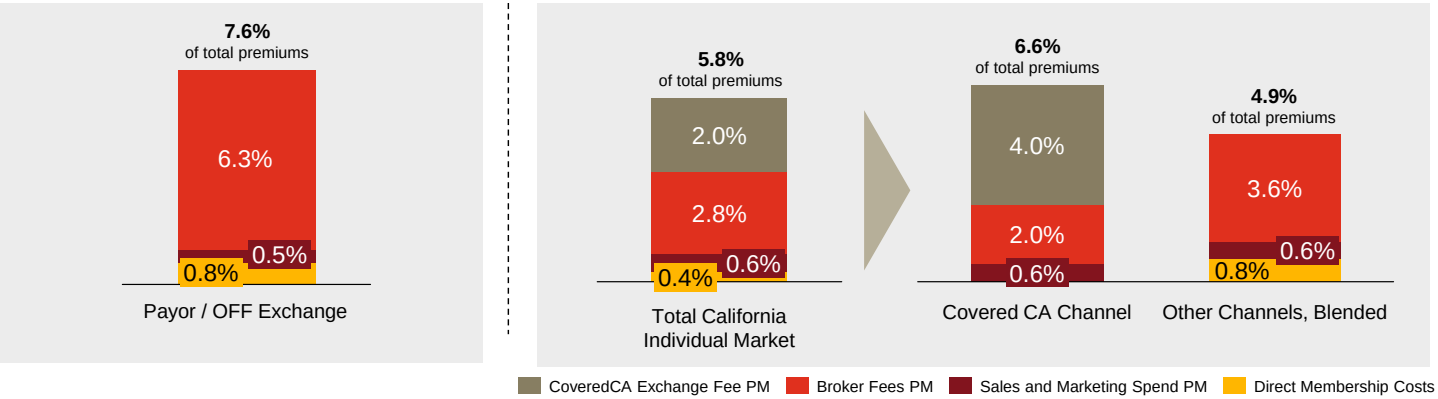
In California Individual Market Acquisition Costs Have Dropped Significantly as a Percent of Total Premiums — Helping Lower Overall Premiums While Driving More Enrollment

Pre ACA Member Acquisition (National View)
7.6% of Total Premiums Spent on Member Acquisition

Post ACA Member Acquisition (California View)
5.8% of Total Premiums Spent on Member Acquisition



Pre ACA Assumptions / Estimates
- Broker assisted enrollment: 90% of members
- Broker Commissions: 7% of total premiums
- Direct enrollment: 10% of members
- Direct sales costs: 7.5% of premiums
- Payor Sales and Marketing Costs: 0.5% of premiums
- Note: costs reflect pre Exchange but after implementation of the ACA's Medical Loss Ratio regulation
- Source: PwC National and Blues payor experience

Post ACA Assumptions / Estimates
- Covered California enrollment: 50% of overall market (per DMCH, CDI and CC)
- Covered California exchange fee: 4% of total premiums
- Broker assisted enrollment for ON exchange: 50% of members ON the exchange (per CC)
- Broker assisted enrollment for OFF exchange: 90% of members (PwC payor experience)
- Broker Commissions: 4% of premiums (per CC)
- Direct channel enrollment: 10% of OFF exchange members (PwC payor experience)
- Direct sales costs: 7.5% of premiums (PwC payor experience; ~$350 telesales spend per enrollee)
- Payor Sales and Marketing Cost: 0.5% - 0.7% of premiums, mid-point shown (per CC)

Sources: Kaiser Family Foundation, Covered California, PwC client average across national and Blues plans

Note: It is difficult to make an "apples to apples" comparison regarding overall impact on profitability for payors from pre to post ACA. Where there have been reductions to cost of acquisition, there were some likely increases (e.g., risk adjustment and new data transfer), increase in marketing to capture members on exchanges and through off exchange channels.

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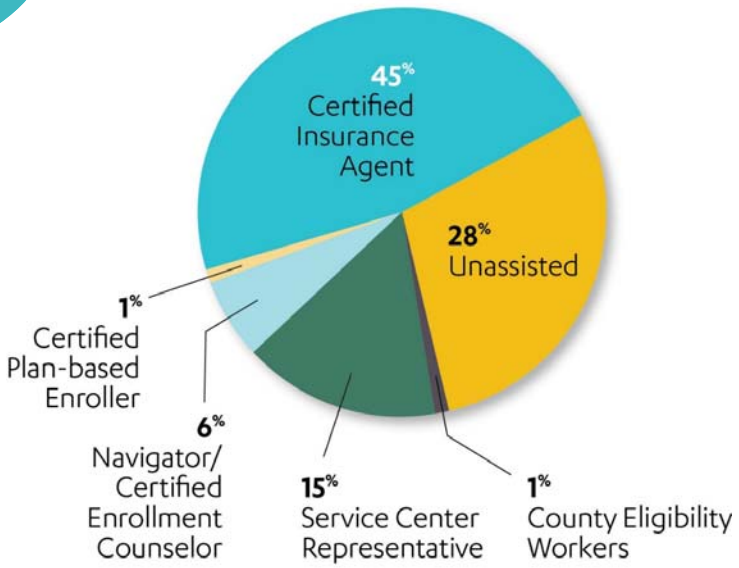
Effective Marketing and Outreach

Continued Investments of nearly $100 million planned for in fiscal year 2016-17.

Service Channel Preferences in Third Open Enrollment (2016)



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Covered California is Big and Having Big Impacts

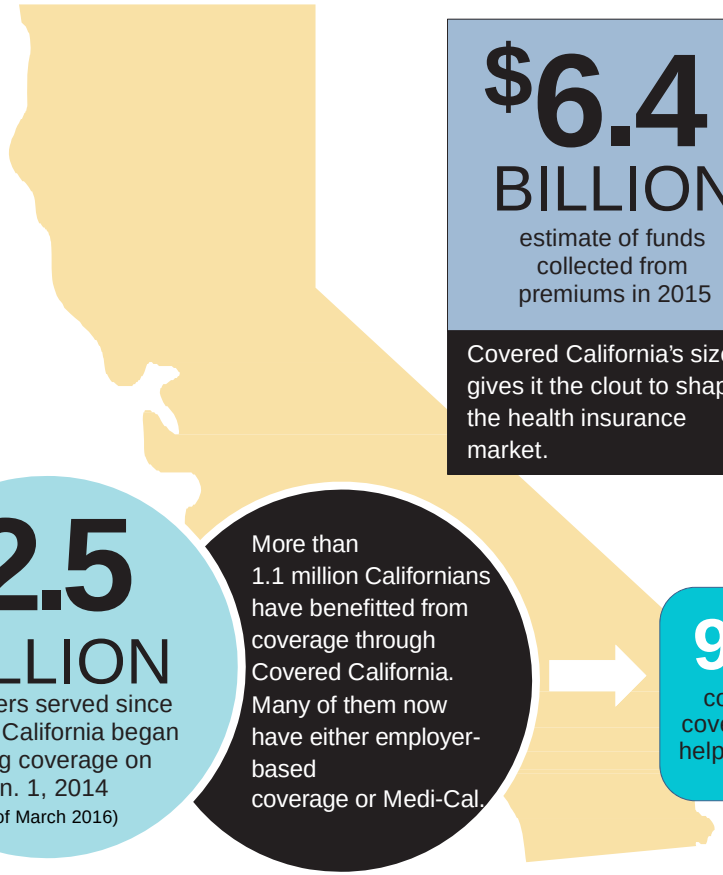
It is now one of the largest purchasers of health insurance in California and the nation.

1.4 MILLION
consumers have active health insurance as of March 2016

Covered California is now the second largest purchaser of health insurance in the state for those under age 65.

$6.4 BILLION
estimate of funds collected from premiums in 2015

Covered California's size gives it the clout to shape the health insurance market.



2.5 MILLION
consumers served since Covered California began offering coverage on Jan. 1, 2014
(as of March 2016)

More than 1.1 million Californians have benefitted from coverage through Covered California. Many of them now have either employer-based coverage or Medi-Cal.

9 out of 10
consumers enrolled in coverage receive financial help to pay their premiums

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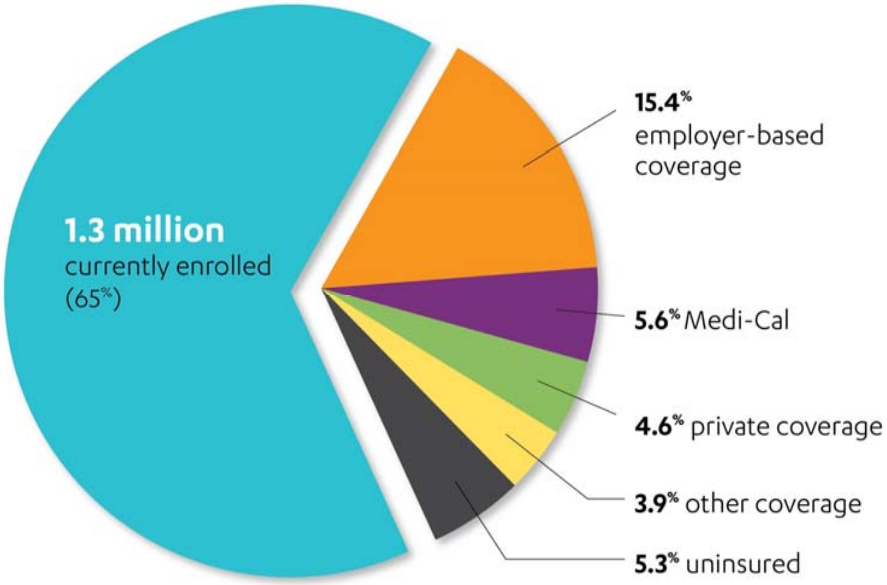
More Than Two and a Half Million Consumers Served

The majority of those served have continuous coverage and of those who have left Covered California, the vast majority (85 percent) continue to have health insurance.



- Prior to 2014, Covered California forecasted that about one-third of enrollees would leave coverage on an annual basis.
- In the period from January 2014 through September 2015, more than two million Californians have had coverage for some period of time with approximately 700,000 of those no longer active in June 2015.
- As of June 2015, the actual rate of disenrollment is about 33 percent.
- Based on a recently completed Covered California survey of members who left ("disenrolled"), the vast majority (85 percent) left for employer-based, Medi-Cal, Medicare, or other coverage.

Estimated from Covered California enrollment data and 2015 member survey (n=3,373)

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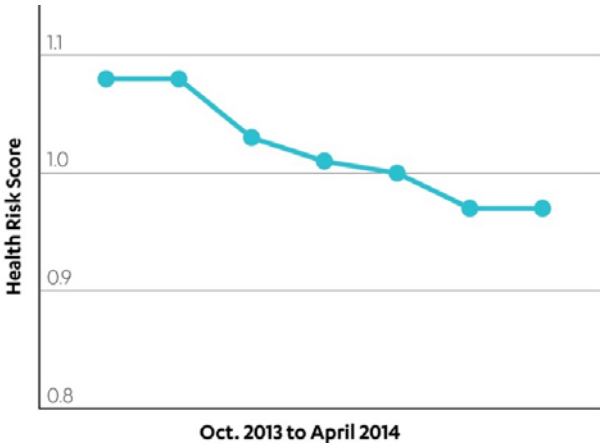
COVERED CALIFORNIA

Affective Outreach, Partnerships, and Policies Creating a Healthy Risk Mix that Benefits the Entire Individual Market

Good Risk in California

- In 2015 California had the healthiest risk mix in the nation, about 19% lower than the national average. This is the second year in a row that California had the best risk mix.
- In 2014 Health insurance companies had consistently strong financial performance, contributing more than half of all risk corridor "excess" profits ($182 million).



The Percent of Enrollment of 18 to 34 Year Olds Continues To Grow

2014	2015	2016
29%	34%	38%

Through our innovative data analysis, we were able to prove to our health insurance companies that the risk scores were decreasing over time, allowing Covered California to negotiate better prices.

Sources: Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2015 Benefit Year, and Health Services Research. "Sorting Out the Health Risk in California's State-Based Marketplace." Andrew B. Bindman, Dennis Hulett, Todd P. Gilmer, and John Bertko.

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Covered California is Promoting Improvements in the Delivery of Care

Covered California contract requirements to promote the triple aim of improving health, delivering better care and lowering costs for all Californians include:

Promoting innovative ways for patients to receive coordinated care, as well as have immediate access to primary care clinicians

- All Covered California enrollees (HMO and PPO) must have a primary care clinician.
- Plans must promote enrollment in patient-centered medical homes and in integrated healthcare models/Accountable Care Organizations.

Reducing health disparities and promoting health equity

- Plans must "track, trend and improve" care across racial/ethnic populations and gender with a specific focus on diabetes, asthma, hypertension and depression.

Changing payment to move from volume to value

- Plans must adopt and expand payment strategies that make a business case for physicians and hospitals.

Assuring high-quality contracted networks

- Covered California requires plans to select networks on cost and quality and in future years, will require exclusion of "high cost" and "low quality" outliers — allowing health insurance companies to keep outlier providers, but detailing plans for improvement.

Note: for detailed information about improvements in the delivery of care, Covered California requires health insurance companies to abide by Attachment 7 of the model contract. To view Attachment 7, go to http://hbex.coveredca.com/stakeholders/plan-management/PDFs/2017_QHP_Issuer_Contract_Attachment_7_3-4-2016_CLEAN.pdf

Covered California Board presentation slides on Attachment 7: http://www.coveredca.com/news/pdfs/CoveredCA-Board-QualitySummary-04-07-16.pdf

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Lessons Learned and Policy Options Building on Experience

- **Subsidies Matter:** revision the level and nature of subsidies to help more Americans have access to affordable care
- **Assuring Competition and Choice:** effective markets and good enrollment will promote plan options, gaps need to be addressed with real options
- **Benefit Designs:** build on lessons from “Simple Choice” and other patient-centered benefit designs to promote access to care and retention
- **Marketing and Outreach Investments:** ongoing and substantial marketing commitments are essential – beware the idea that this is a “public benefit” versus in the absence of a mandate, insurance must be sold and good risk is by-product of product, price AND marketing
- **Delivery System Costs Must Be Focus:** marketplaces should play a role with other public and private purchases to promote improvements in care delivery

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Information for consumers

CoveredCA.com

Information on exchange-related activities

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