To: **Access Health CT Board of Directors**;
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Kevin Counihan – Chief Executive Officer, AHCT;
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Subject: **2015 Plan Designs**

Introduction

In 2014 Access Health CT (AHCT) Board of Directors (Board) approved standard plan designs which all issuers offering a QHP in the marketplace were required to offer. Changes in federal and state law with respect to some plan features required alterations to these standard plan designs for 2015.

The primary federal change that precipitates the need to revise the plan designs is a change in the amount permitted for an Out-of-Pocket Maximum (MOOP). In 2015 the MOOP increased to $6600 from $6,350 in 2014.

The primary revisions at the state level were due to the Connecticut Insurance Department (CID) increasing the cost sharing maximums for several medical benefits and pharmacy benefits. A few examples are as follows:

- A significant change to the pharmacy cost sharing is the requirement that if the prescription plan is a copay plan then all generic prescription drugs cannot be subject to a copayment of more than $5.00 per prescription.

- Another change was to brand name drugs, brand name drugs cannot be subject to a copayment maximum of more than $60.00 per prescription drug. If the prescription drug plan cost sharing is coinsurance then the coinsurance may not be greater than 50%.

The plan designs were presented and approved, in part or in whole, by the Advisory Committees. The approvals were attained over the course of several meetings which occurred over the past month.

The Wakely Consulting Group has validated that the plan designs are compliant with the federal metal level AV requirements, and has also estimated the pricing impact of these plan designs

relative to the 2014 standard designs. AHCT expects to receive the formal certification on these plan designs from the Wakely Consulting Group later this week.

Summary of the 2014 Plan Designs

Enrollment in the standard plan designs was favored over that of the non-standard plan designs. As of March 11, 2014, two of the three standard plan designs (metal tiers Silver and Gold) represent the majority of AHCT membership.

In the Silver tier, 80% of enrollment was in the standard plan designs, and 56% of that enrollment was in the standard Cost Sharing Reduction (CSR) plans. Enrollment in the Gold standard plan was 79%. Given this popularity, AHCT has made every effort to maintain the general nature of the benefits in these plans and to target an Actuarial Value (AV) for the 2015 plans that is very close, if not identical, to the AVs of those plan designs from 2014.

Bronze enrollment paints an entirely different picture. Enrollment in the AHCT standard Bronze plan represents just 21% of Bronze enrollment. The remaining 79% are enrolled in Bronze non-standard plans. For year two, AHCT has attempted to closely align the 2015 Bronze plan with the plan features that are the most popular in the market outside of AHCT. Changes include not subjecting all benefits to the deductible, especially for primary care services and generic prescription drugs.

Metal Level Analysis and Recommendations

Underlying Principles and Explanations

There are several principles under which AHCT approached the 2015 plan design process. These principles and explanations are as follows:

- **Deductibles** – The deductible amounts represent one of the major drivers of plan choice for individuals enrolling in health coverage through AHCT. Where possible AHCT has lowered the deductibles for the plans to achieve better representation in the plan selection process. The one exception to this is in the Bronze plan design. AHCT increased the deductible in order to allow certain benefits to not be subject to the deductible and simultaneously meet the required level of AV.

- **Mental Health and Substance Abuse (MHSA) Outpatient AV Calculator.** – The AV calculator does not align MHSA services with the nature of the service. As such, while MHSA services can be billed at the PCP, Specialist, Outpatient, or Inpatient levels, the AV calculator bundles PCP, Specialist and Outpatient services into the MHSA Outpatient line on the AV calculator. After consulting with actuaries from the Wakely Consulting Group about their review of the continuance tables that are built into the AV calculator, it was recommended that the MHSA line item be weighted 94% at the PCP level and 6% at the outpatient level. This results in a MHSA copayment for the Silver and Gold standard plans of $58, a $58 copayment for the 73% Silver CSR, $31 in the 87% CSR, and $25 in the 94% CSR.

- **Pharmacy Structure** –The actuaries from the Wakely Consulting Group did a review of the costs associated with various pharmacy cost sharing structures. AHCT asked for an analysis of the effects of a straight copay prescription drug plan vs. various coinsurance values in the 3rd and 4th tiers of a prescription drug plan. AHCT was also interested in the effect of putting a maximum on the coinsurance values. While the effects on the AV were negligible, the effects on price were a real concern to AHCT. However, the actuarial review revealed a minimal impact on the effect on premium in both the Silver and Gold plan. The Advisory Committees and market research strongly favored a prescription drug benefit with the cost sharing set at a copayment in all tiers in lieu of a coinsurance. As a result, AHCT has strived to achieve a straight copay structure in all pharmacy tiers.

- **General Coinsurance Input –** There was a discrepancy in opinion between AHCT and Wakely Consulting Group with respect to the correct treatment of the general coinsurance field on the AV calculator. Additionally CCIIO was unable to clear up the uncertainty in time for this memorandum and is researching the issue on behalf of AHCT.

  The Wakely Consulting Group and CCIIO commented each would enter into the general coinsurance field on the AV calculator a 60% general coinsurance because many of the benefits in the Bronze plan design have 60% coinsurance as the common cost-sharing.

  AHCT had a differing opinion and applied a 100% general coinsurance so as to give proper weight to the split copay/coinsurance nature of the Bronze plan design. AHCT believes the use of the 60% coinsurance entry would result in an AV calculator error on the proposed Preferred Bonze plan design.

  As a result AHCT will be proposing two standard Bronze plans, each plan design using each methodology. AHCT asks that the Board approve the Preferred Bronze plan unless CCIIO does not grant an exemption from the calculator. If AHCT is not granted the exemption, AHCT asks that the Board support the Secondary Bronze plan design.

Platinum Metal Level (See appendix pages I-IV)

AHCT is recommending to the Board not alter the 2014 Platinum plan that was approved by the Board last year. QHP Issuers did not offer a Platinum plan in the 2014 benefit year. This makes it impossible to assess the performance of AHCT's Platinum plan design. Given the lack of information available, AHCT is recommending no change at this time.

The current "enrollee view" and the AV calculator input view for the Platinum plan have are included in the appendix.

Gold Metal Level (See appendix pages V-VIII)

a) Benefits

The pharmacy cost sharing in the 2015 Gold plan is the biggest change in plan design as compared to the 2014 pharmacy benefit. For the 2015 proposed plan design, AHCT eliminated the $150 drug deductible which was applied to pharmacy tiers 2 through 4. In 2014 the pharmacy tier cost sharing is as follows: tier 1 - $10, tier 2 - $25 subject to deductible, tier 3 - $40 subject to deductible, tier 4 – 30% coinsurance subject to deductible. The 2015 pharmacy tier cost sharing is as follows: tier 1 - $5, tier 2 - $25, tier 3 - $50, tier 4 – $60.

Other than this change, the only other alterations are to the rehabilitative services and laboratory services. The cost sharing for these categories have risen from a $20 copay in the 2014 plan designs to $30 in the 2015 proposed designs.

b) Pricing Impact[1]

As compared to the 2014 plan design, the changes made to the 2015 plan designs have been projected by The Wakely Consulting Group to result in a 0.7% increase in price. For a $500 premium, this would result in an increased cost of $3.50 per month for a member.

Silver Metal Level (See appendix pages IX-XII)

a) Benefits

There are several changes that have been made to the 2014 standard Silver plan in the 2015 proposed design. One of the most significant changes made is to the deductibles. After reviewing shopping experiences, AHCT has discovered that the deductible is one of the primary drivers of enrollee plan choice. As such, the proposed plan design has lower deductibles for the 2015 plan designs for both medical and drug benefits.

In the 2015 proposed plan, AHCT is reducing the medical deductible by $400 (a 13% reduction) to an annual deductible of $2,600, and reducing the prescription drug deductible by $375 (a 94% reduction) to an annual deductible of $25. This reduction in deductible is, in part, achieved due to an increase in the MOOP from $6,250 to $6,600 (the allowed MOOP for 2015). This reduction is also achieved due to the changes to specialist and laboratory cost sharing.

There have been minimal changes made to the other medical benefits between the 2014 plan designs and the proposed 2015 plan designs. For the 2015 plan design, AHCT is suggesting an increase of $5 to specialty visits from the current cost sharing of $45 to $50 per visit. AHCT is also suggesting an increase of $5 to laboratory outpatient and professional services from the current cost sharing of $30 to $35 per visit.

There are significant changes that are recommended to the pharmacy cost sharing. The tier cost sharing in 2014 is as follows: tier 1 - $10, tier 2 - $25 subject to subject to the drug deductible, tier 3 - $40 subject to the drug deductible, tier 4 – 40% coinsurance subject to the drug deductible. The proposed tier cost sharing in 2015 is as follows: tier 1 - $5, tier 2 - $30, tier

[1] Pricing impact is stated as compared to the benefits presented in the 2014 plan design. It does not include any trend that may be applicable. Trend and pricing is subject to scrutiny and approval by the Connecticut Insurance Department (CID). The pricing impact is the true impact as certified by Wakely Consulting Group. CID represents the sole entity charged with ensuring such difference remains true in the rates submitted by Issuers for 2015.

3 - $55, tier 4 – $60 subject to the drug deductible. Please note again that the drug deductible in 2014 is $400 and the proposed deductible in 2015 is $25.

b) Pricing Impact[2]

As compared to the 2014 plan design, the changes made to the 2015 plan designs have been projected by The Wakely Consulting Group to result in a 2.7% increase in price. For a $400 premium, this would result in an increased cost of $10.40 per month for that member.

Silver CSR Metal Levels (See appendix pages XIII-XXIV)

a) Benefit

The CSR tier approach started with a mandatory reduction in the MOOP. This is the required methodology based on Section 1402 of the Affordable Care Act and its revisions.[3] The required reductions state that for the 73% AV the MOOP must be reduced by at least 1/5 of the allowed 2015 MOOP. For the 87% and 94% AV the MOOP must be reduced by at least 2/3 of the allowed 2015 MOOP. This would result in a reduced MOOP of $5,280 (revised to $5,200 based on Wakely's recommendations) and $2,200 respectively.

Other benefits may be changed in order to increase the AV to the required levels. Further, the pharmacy structure is required to be maintained with the same balance of coinsurance and copays as the standard Silver plan. Since all of the proposed Silver plan pharmacy tiers are copay based, this same structure is represented in the CSR variants as well.

b) Pricing Impact[4]

Pricing impact is not a factor here given that the enrollee is not required to pay more than the cost for a standard Silver plan.

Bronze Metal Level (See appendix pages XXV-XXXVI)

1. Standard Bronze (Preferred vs. Secondary)

a) Preferred Bronze Benefits and Rationale

AHCT is asking the Board to approve the Preferred Bronze plan design should CCIIO grant AHCT the exemption required to offer such plan.

The Preferred Bronze plan has an increased deductible of $5,000 as compared to the current Bronze plan which has a deductible of $3,250. However, unlike the 2014 Bronze plan

[2] See footnote #1

[3] Section 1402 of the Affordable Care Act (ACA) requires reductions in cost sharing on Silver plans for individuals with household incomes between "100 and 400 percent of the FPL." In introducing the cost sharing reduction plans, that section, in part, reads, "… The reduction in cost-sharing under this subsection shall first be achieved by reducing the applicable out-of pocket limit under section 1302(c)(1)."

[4] See footnote #1

which has all benefits subject to the $3,250 deductible and a $6,250 MOOP, the preferred Bronze has a number of benefits that are not subject to the deductible and as such are first dollar coverage.

Emergency room services are subject to a $200 copayment, not subject to the deductible. Primary care visits are subject to a $35 copayment, not subject to the deductible. Specialist visits are subject to a $50 copay, not subject to the deductible. Tier 1 pharmaceuticals are subject to a $5 copayment, not subject to the deductible.

The discrepancy with regard to the input for general coinsurance in the Bronze plan has a significant effect on the allowable benefits for such plan. Using a 100% general coinsurance figure in the AV calculator allows us to attain a plan that meets the AV requirements (59.6%) and also results in a plan design is a better plan design. Further, it will result in a plan that is more than 1.5% cheaper than the plan currently offered on the exchange in the Bronze plan tier (which has an AV of 61.6).). However, when that design is subjected to a 60% general coinsurance input (see above), it causes the plan's AV to rise to 65.3%[5] which is over the allowed limit of 62% for a Bronze plan. The exchange feels that the drop in price with a corresponding increase to the AV may be dispositive of a structural flaw in the calculator with respect to plans that have mixed co-insurance and copayments. As such, AHCT has asked CCIIO to approve this variation and allow it to be AHCT's standard Bronze plan offering.

b) Preferred Bronze Pricing Impact[6]

As compared to the 2014 plan design, the changes made to the 2015 plan design have been projected by The Wakely Consulting Group to result in a 1.5% ***decrease*** in premium price. For a $400 premium, this would result in a ***decreased*** premium cost of $6.00 per month for a member.

c) Secondary Bronze Benefits and Rationale

Should CCIIO not grant the exchange the right to offer the Preferred Bronze, as described above, AHCT asks that the Board to secondarily approve the following plan as the 2015 Bronze

[5] While AHCT realizes that this plan would be higher than the permitted AV if a 60% general coinsurance is applied, the lack of a definition of a "copay based plan" (as expressed in both CCIIO calls) gives credence to the questioning of how to input values into the calculator such that a proper weighting is applied. The advocates in CT as well as AHCT feels that this plan will be highly welcomed by the younger individuals in the state who want protection without feeling the need to either pay a higher premium for Silver or to accept a plan where all benefits are subject to a high deductible they may never reach. Thus, the offering of such plan could not only add to enrollment but could shift the age curve further toward a younger crowd, a trend which would be very positive for the future of the exchange and for holding premium increases in check. Further, AHCT's current standard Bronze is not competitive in the market given the fact that there is no first dollar coverage. First dollar coverage is present in many plans available elsewhere in the market, both inside and outside the exchange. The allowance of such plan would allow the exchange to be more competitive not only on price but also on benefits.

[6] See footnote #1

standard plan. This plan was created based on the actuary assumption that the general coinsurance should be set to 60% not 100% as in the Preferred Bronze. Such a change creates a significant plan difference.

The Secondary Bronze plan design has a deductible that is $5,000 versus the current Bronze plan design which has a $3,250 deductible. However, for the increased deductible, an enrollee will receive three PCP visits per year which are not subject to the deductible but will only require the payment of the $40 PCP copay. Tier 1 pharmaceuticals will be $5 and not subject to a deductible. This will ensure that a person who is a low utilizer will be able to go to a primary care provider and obtain any tier 1 prescription that may result from such visit without having to first meet the plan deductible.

d) Secondary Bronze Pricing Impact[7]

As compared to the 2014 Bronze plan design, the changes made to the 2015 plan design has been projected by the The Wakely Consulting Group to result in a 2.9% ***decrease*** in premium price. For a $400 premium, this would result in ***decreased*** cost of almost $12.00 per month for a member.

2. Standard Bronze HSA

a) Benefits

AHCT believes that the offering of a standard HSA Bronze plan would allow greater opportunities to eligible persons in this state who want to take advantage of paying for medical costs with pre-tax dollars and who are willing to accept a plan where all benefits are subject to a higher deductible. After speaking at length with brokers in the state, and the advisory committees, they have recommended an option where there is no cost sharing for medical benefits after the deductible is reached. The deductible will be $4,600 and the MOOP will be $6,450. For pharmacy benefits, the cost sharing is as follows: tier 1 - $5 subject to the deductible, tier 2 - $35 subject to the deductible, tier 3 - 40% coinsurance subject to the deductible, tier 4 – 40% coinsurance subject to the deductible.

As with the HSA plans, and unlike AHCT's other plans, a single member of a family plan can meet the entire family deductible. AHCT's other plans do not require a single member to meet more than the individual deductible before receiving after deductible cost sharing. This feature of HSA plans is required for compliance with IRS guidance.

b) Pricing Impact[8]

As compared to the 2014 plan design, the newly proposed 2015 HSA plan design has been projected by The Wakely Consulting Group to result in a 3% decrease in price. For a $400 premium, this would result in an increased cost of $5.20 per month for that member.

[7] See footnote #1
[8] See footnote #1

Appendix

Table of Contents