

Access Health CT

2018 Market Stabilization Topics

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Agenda

- Goals of Market Stabilization
- High Risk Pools
- Reinsurance
- Merged Market Approaches
- 1332 Waiver Activity

Goals of Market Stabilization

Long-term market stability:

- Predictability in choices available to consumers, sustainable premiums, and insurer financial stability.
- Driving changes that improve quality and lower health care costs.
- Creating access to high quality, affordable coverage and care in all counties.

Connecticut Marketplace

- 2017 issuer exits from individual market
- Double-digit rate increases 2017 & proposed 2018

High Risk Pools

- Traditional High Risk Pools
 - Historically provided coverage to uninsurable enrollees prior to enactment of ACA guaranteed issue protections
 - State sponsored programs
 - Premiums defined as 125% or more of standard market rates
 - Simplified benefits
 - Federal PCIP (Pre-existing Condition Insurance Program)
- Considerations
 - Negative consumer perception with program
 - Expense to administer
 - Single risk pool impact
 - Defining enrollee eligibility, benefits, and cost
 - Funding – assessments and premiums

Reinsurance Solutions

Reinsurance Program Variations

- Parameter Based
- Condition Based (Invisible High Risk Pool)

Parameter Based Design

- Threshold: claim level that triggers reinsurance
- Cap: claim level where risk sharing ends
- Coinsurance: Proportional risk sharing between threshold and cap

Condition Based Design

- Reinsurance trigger tied to diagnosis with targeted condition
- Reinsurance of 100% of claims for individual, but parameters may be applied

Parameter Based Reinsurance Examples

- Historical and Existing Reinsurance Programs
 - Federal Transitional Reinsurance Program

| Federal Benefit Components | 2014 | 2015 | 2016 |
|----------------------------|-----------|-----------|-----------|
| Threshold | \$45,000 | \$45,000 | \$90,000 |
| Coinsurance | 100% | 55.1% | 52.9% |
| Coverage Cap | \$250,000 | \$250,000 | \$250,000 |
| Annual Funding PMPY | \$63.00 | \$44.00 | \$27.00 |

| Connecticut Experience | 2014 | 2015 | 2016 |
|------------------------------------|----------|----------|----------|
| Total Reinsurance Payments | \$100.9M | \$100.6M | \$57.3M |
| Premiums Earned | \$721.9M | \$845.1M | \$829.2M |
| Reins as % of Total Premium | 14.0% | 11.9% | 6.9% |

- State Sponsored Small Group Reinsurance (CSEHRP)
- Risk Adjustment Large Claim Pooling Component (2018)

Condition Based Reinsurance

- Condition Based Reinsurance (Invisible High Risk Pool)
 - Enrollees identified for program participation by risk score or condition/diagnosis
 - Ceded amount may be 100% or parameter driven
 - Considerations
 - How will eligibility be determined? Options include risk scores, risk conditions (HCCs or diagnosis), questionnaire
 - Which conditions should qualify? High-risk conditions may have highly variable range of claims costs depending on severity.
 - Will ceding occur on a prospective or concurrent basis?
 - If 100% ceding of claim costs, the program will need to define interaction with risk adjustment program, reconciliation with CSR payments and ensure primary issuer still incentivized to maintain care management

Reinsurance Program Benefits

Comparison of Benefits:

| Program Benefits | Parameter Based | Condition Based |
|--|------------------------|------------------------|
| Equitable treatment of high-risk residents | √ | √ |
| Invisible to the consumer | √ | √ |
| Single risk pool maintained | √ | √ |
| Shared risk, incentive for issuers to keep costs down | √ | [1] |
| Lower administrative cost vs other solutions | √ | √ |
| Greater certainty in evaluation of program risk and funding | √ | [2] |

[1] Ceding 100% of costs lowers incentive to incur care management expenses

[2] Extensive modeling needed to understand volatility of program costs and funding

Merged Market Solutions

- Merged Market Solution
 - Vermont and Washington D.C.
 - All purchases must occur through the exchange, no off-exchange marketplace
- Merged Market Risk Pool Solution
 - Vermont and Massachusetts
 - The individual and small group premiums are based on the combined experience of the two risk pools
- Considerations
 - Would merging markets impact market participation (would likely have winners and losers under a merged market)
 - Redefining risk adjustment under a merged risk pool
 - Enrollment considerations: rolling vs. calendar year
 - Potential for movement of small group market to self-funding

Merged Market Solutions

- Connecticut Individual & Small Group Markets

| 2016 Risk Pool Statistics | Individual[1] | Small Group |
|--|---------------|-------------|
| Billable Months[2] | 2,048,979 | 2,042,888 |
| Average Rating Factor | 1.666 | 1.451 |
| Avg. Plan Liability Risk Score (PLRS) | 1.544 | 1.337 |
| Approx. State Avg Premium [3] | \$690 | \$640 |

[1] excludes catastrophic pool

[2] Billable Months refers to premium paying members.

[3] 2016 Risk Adj State Premium Averages projected with approx. 2017 & 2018 avg. increases

- Issuer exits since 2016 and premium increases likely have impacted the market landscape.

Merged Market Solutions

- Connecticut Individual & Small Group Markets
 - Only 4 carriers propose to offer Individual and Small Group coverage

| 2018 Proposed Issuers | Individual | Small Group |
|-----------------------------------|------------|-------------|
| Aetna Life Insurance Company | | x |
| CTCare Inc. | x | x |
| CTCare Insurance Co. | x | x |
| Harvard Pilgrim Health Care of CT | | x |
| HPHC Insurance Company, Inc. | | x |
| Oxford Health Plans (CT), Inc. | | x |
| Oxford Health Insurance, Inc. | | x |
| United Healthcare Insurance Co. | | x |
| Anthem Health Plans | x* | x* |
| CTCare Benefits Inc. | x* | x* |

*Offering plans On-Exchange

Source: CID RateChart2018 in CT.pdf

Solution Examples – State 1332 Waivers

Condition Based Reinsurance Solution

- Alaska
 - submitted their 1332 waiver on January 3, 2017 (approved)
 - \$55M state investment for 2018; funded by 2.7% premium tax on all insurers in the state
 - \$48.4M to be funded by Federal Govt.
 - Ceding of 100% of costs associated with approximately 33 high risk conditions

Parameter Based Reinsurance Solution

- Minnesota
 - Submitted their 1332 waiver on June 15, 2017
 - \$271M state investment; funded by MN's health care access fund (3% premium tax) and general revenue
 - \$138M to \$167M to be funded by Federal Govt.
 - \$50,000 attachment point, \$250,000 cap, 80% coinsurance

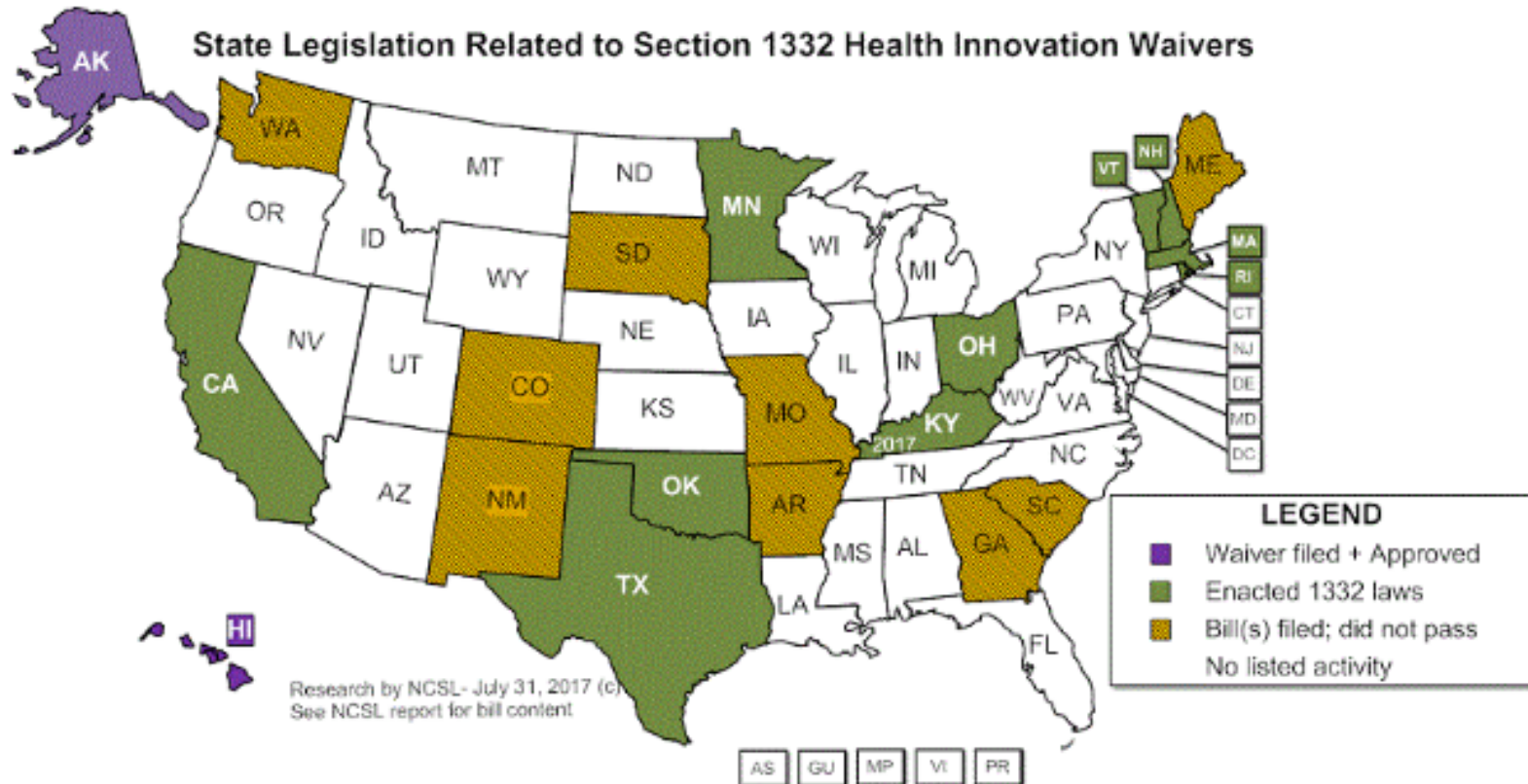
Solution Examples – State 1332 Waivers

Parameter Based Reinsurance Solution (cont.)

Oklahoma

- Waiver submission in process
- \$300 to \$350M potential state investment for 2018, funded by \$1.50 to \$4.50 pmpm assessment on all health insurers
- Federal Funding to be determined
- \$15,000 attachment point, \$400,000 cap, 80% coinsurance
- New Hampshire
 - Waiver submission in process
 - \$32M potential state investment for 2018, funded by \$1.50 to \$4.50 pmpm assessment on all health insurers
 - \$12.8M to be funded by Federal Govt.
 - \$45,000 attachment point, \$250,000 cap, 40% coinsurance
- Others in process
 - Iowa, Washington, Maine and Oregon

1332 Waiver Activity – Source ncsl.org



Map additions for July 2017: Missouri, New Hampshire, South Dakota

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- **Responsible Actuary.** Julie Andrews and Luke Brehmer are the actuaries responsible for this communication. Julie and Luke are members of the American Academy of Actuaries and are Fellows of the Society of Actuaries. Both meet the Qualification Standards of the American Academy of Actuaries to issue this report.
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Questions?