

Board of Directors Meeting

Access Health CT

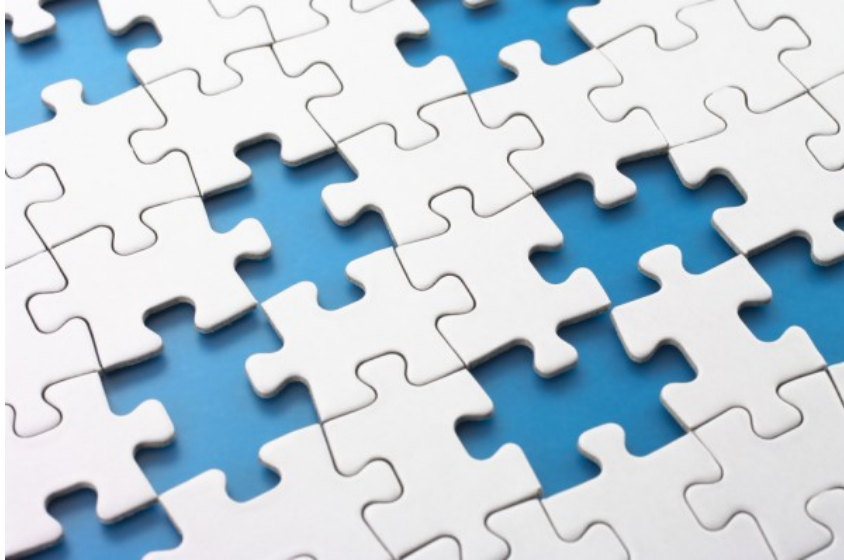
2016 Adverse Selection Study

January 26, 2017

PRESENTED BY
Julie Andrews, FSA, MAAA
Senior Consultant

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Scope of Presentation

AHCT retained Wakely Consulting Group (Wakely) to perform the adverse selection analysis. This presentation provides a high level summary of the analysis, results and recommendations. The full report can be found in Appendix A.

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Purpose of Study

Access Health Connecticut (AHCT) is required by legislation to:

- Report annually on the impact of adverse selection on the exchange
- Provide recommendations to address any negative impact reported
- Provide recommendations to ensure sustainability of the exchange

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Disclosures: Wakely relied on data provided by others to complete this study. Data was reviewed for reasonability and appropriateness. The Study and results are intended to fulfill the legislative reporting requirements; any other use of this information may not be appropriate

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting

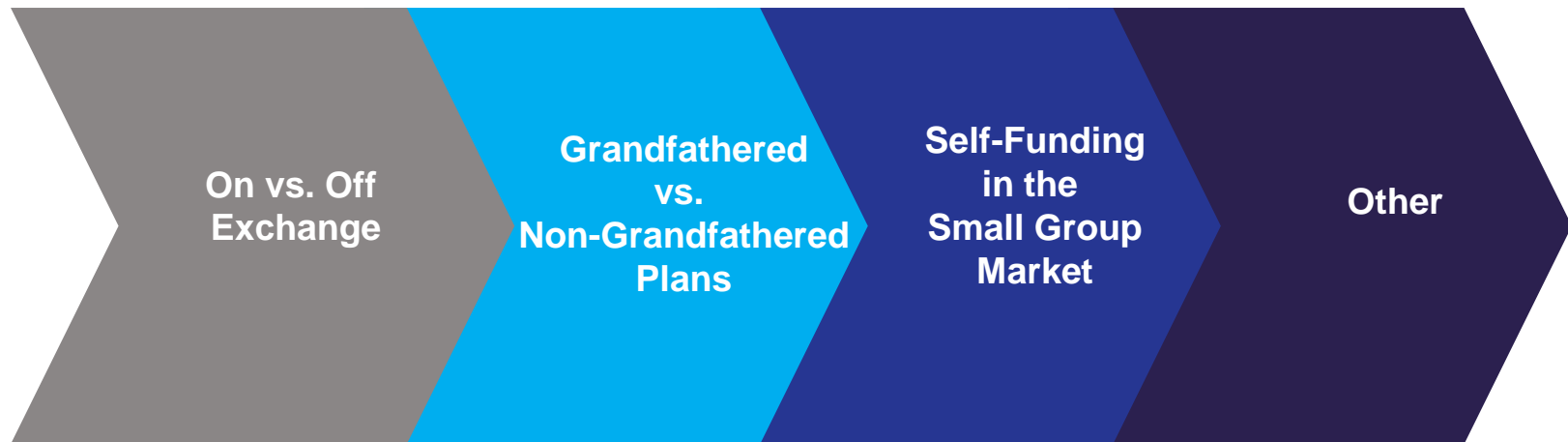
Defining, Identifying, & Measuring Adverse Selection For purposes of this study, adverse selection is:

- Defined as one segment of the market attracting enrollees with higher health risk than another segment of the market
- Identified by higher risk scores in one segment of the market than another
- Measured by the difference in risk scores between market segments
- Measured by the difference in loss ratios between market segments (before and after risk adjustment transfer payments)

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting

Areas of Potential Adverse Selection



Nature of adverse selection:

- Impossible to completely remove adverse selection in any insurance market where there is a choice of coverage
- Impact of adverse selection can be created, managed or mitigated through regulation and policies

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting

Methodology For each potential area of adverse selection considered, the analysis included:

- Quantitative analysis based on demographics, plan enrollment, claims experience, federal risk scores and risk adjustment transfer payments.
- Subjective comments based on survey responses from carriers and other market data available to Wakely

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting

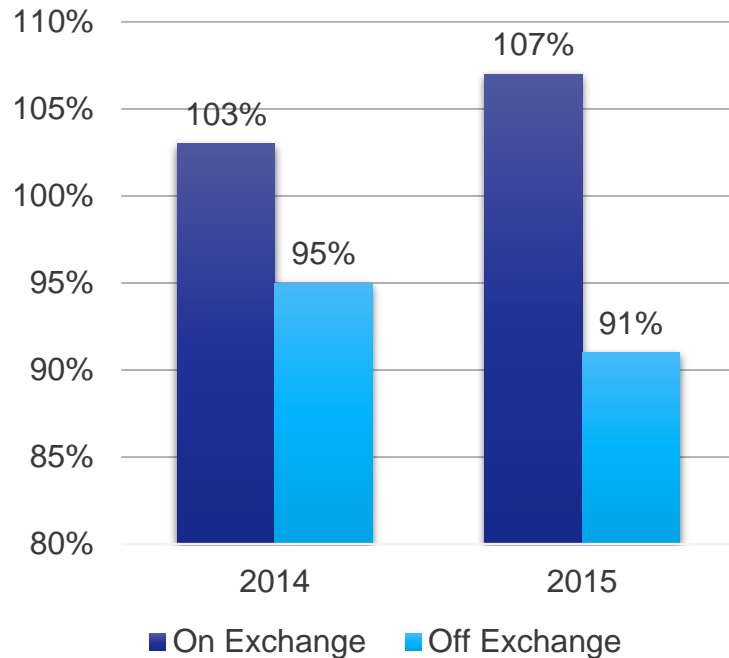


Conclusions: Individual Market On vs. Off Exchange

- On exchange enrollees have higher risk scores than off exchange plan enrollees in individual market
- On exchange enrollees are of higher average age than off exchange plan enrollees in individual market
- Loss Ratios after consideration of risk adjustment transfers indicates that on exchange enrollees are not financially disadvantaged.
- May indicate potential adverse selection. Minimal impact in market due to protection of risk adjustment mechanisms

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Individual Market On vs. Off Exchange:

The on vs. off exchange relationships are consistent from 2014 to 2015. The variation has widened in 2015.

**Risk Transfer Amounts
as % of Statewide Premium
(non-catastrophic metal tiers)**

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting

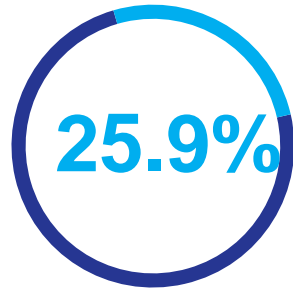


Conclusions: Small Group Market On vs. Off Exchange

- Similar to last year, small group on exchange enrollment is low and not fully credible by metal tier
- Can not make any conclusions regarding adverse selection
- Low enrollment should be monitored outside context of adverse selection to ensure sustainability of market

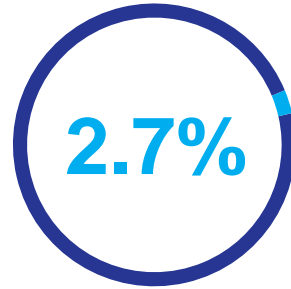
Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



2014

% Enrolled
(Member Months)



2015

% Enrolled
(Member Months)



2016

% Enrolled
Mid-Year

Conclusions: Individual Market Grandfathered vs. Non-Grandfathered

- Individual grandfathered policies initially appeared to experience favorable selection
- Portion of enrollees in grandfathered plans is minimal and declining
- Minimal impact to individual market

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Conclusions: Small Group Market Grandfathered vs. Non-Grandfathered

Since there was no small group grandfathered plan enrollment as of June 2015, no analysis of adverse selection was performed.

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Conclusions: Self-Funding in the Small Group Market

- Connecticut data indicates increase in prevalence of self-funded small groups in recent years but data may not be credible
- National data indicates some change in prevalence of self-funded small groups in recent years but may not be appropriate to compare to CT due to differences in small group regulations.
- Lack of credible or comparable data results in no clear conclusion whether there is adverse selection in the small group market
- Issue needs to be closely monitored as more data becomes available to ensure healthier small groups do not move to a self-funded basis leading to significant adverse selection

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Other Adverse Selection Considerations Similar to last year, many carriers indicated in the survey responses that one of the most significant issues impacting adverse selection in their plans is the special enrollment period (SEP).

- Experience is significantly worse members enrolling during SEP than those enrolled during open enrollment
- Many other states and carriers have indicated concern that SEP's are causing a significant adverse selection impact to their plans
- **AHCT has taken steps to mitigate the impact of SEP enrollment by requiring enrollees provide “proof of a qualifying event” as opposed to “self-attestation”.**
- New regulations and legislation.

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Recommendations: On vs. Off Exchange Adverse

Selection Many carriers indicated in the survey responses that one of the most significant issues impacting adverse selection in their plans is the special enrollment period (SEP).

- Continue to monitor small group enrollment on the exchange to ensure sustainability
- Participate with other states and carriers to lobby for improvements in the federal risk adjustment formula to improve its accuracy

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Recommendations: Self-funding in Small Group Adverse Selection

Similar to last year:

- Closely monitor small group market to ensure healthier small groups do not move to a self-funded basis leading to adverse selection (i.e., healthier groups opting out of the fully insured risk pool to get lower, experience-based cost options)
- Consider implementing a stop loss insurance regulation to limit adverse selection due to migration of small groups to self-funded plans

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting



Recommendations: Other Considerations Adverse Selection

- Continue to consider ways to mitigate adverse selection among SEP enrollees possibly including termination of enrollment in the case of misrepresentation or fraud.
- Continue to administer the same criteria to review both on and off exchange filings, thereby ensuring similar review and regulation for both on and off exchange plans.
- Continue to evaluate the impact of newly enacted or proposed legislative and regulatory actions or other rules.

Access Health CT 2016 Adverse Selection Study

January 26, 2017 Board of Directors Meeting

Future Considerations

- Limited experience in the small group market makes it difficult to form a definitive opinion on the impact of adverse selection at this time
- Analysis of the individual market indicates there may be some adverse selection going on in the Connecticut health insurance market. The risk adjustment program appears to be neutralizing some of the adverse risk selection. Ongoing changes to the risk adjustment formula may impact future results.
- Future studies with more mature experience may provide more definitive results

Questions?

Appendix A

AHCT Adverse Selection Study Report January 19, 2017