

Individual Market and NH Premium Assistance Program (NHPAP) 2018 Projections

**Prepared for NHPAP Commission
September 27, 2017**

**Bela Gorman, FSA, MAAA
Gorman Actuarial, Inc.**

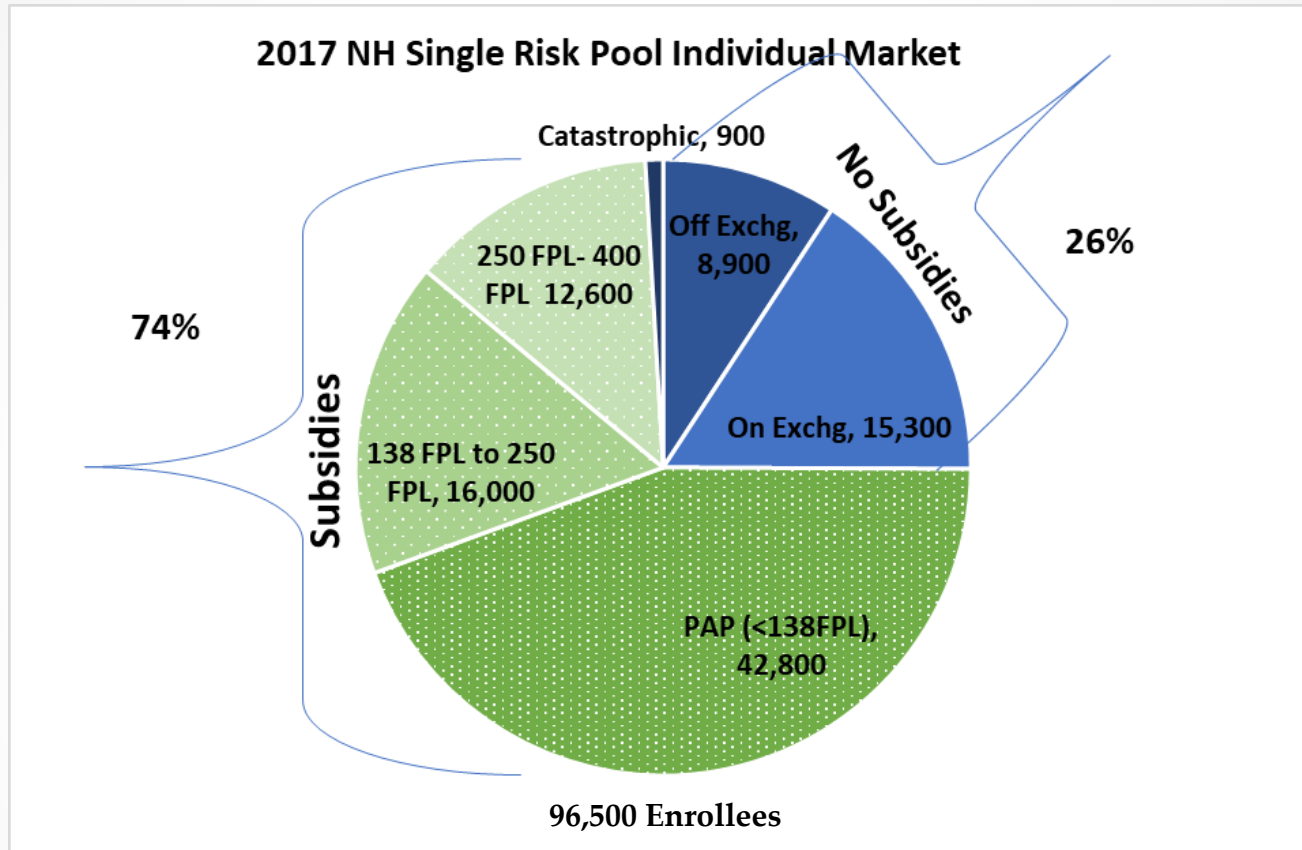
Agenda

- I. Recap
- II. 2017 Individual Market Membership
- III. 2016 Allowed Claims Relativity
- IV. 2017 Insurer Distribution
- V. 2018 Premium Increases
- VI. 2018 Advanced Premium Tax Credits (APTC)
- VII. 2018 Illustrative Rates
- VIII. 2018 Modeling Assumptions
- IX. 2018 Modeling Results
- X. Enrollment Patterns
- XI. PAP & Substance Use Diagnoses
- XII. Conclusions

Recap

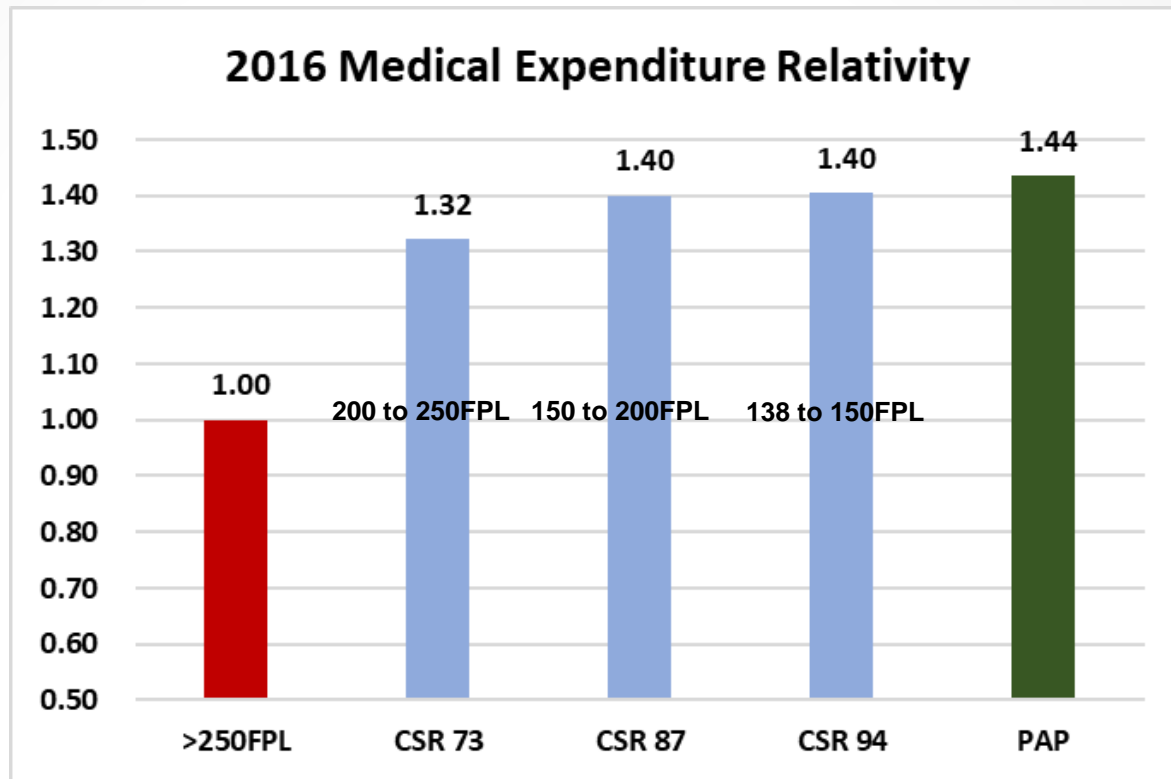
- Non-PAP's adjusted 2016 allowed claims are \$234 PMPM and the combined PAP and Non-PAP population's adjusted allowed claims are \$272 PMPM
- If PAP population was not part of Individual Market, overall adjusted medical expenditures would **decrease** 14%, which would have a downward impact on premiums
- Impact may be very different in 2018
 - Minuteman exiting the market
 - Harvard Pilgrim Health Care (HPHC) withdrawing full network plan
 - Significant premium increases in the market
 - Loose individual mandate enforcement
 - Price sensitive “healthy” individuals may exit the market, which could reduce the claims costs gap between PAP and Non-PAP populations

2017 Individual Market Membership



- 74% of the Individual Market receive subsidies (highlighted in green)
- As of August 2017 there are 96,500 enrollees in the market
- Approximately 25K pay full premium for health insurance

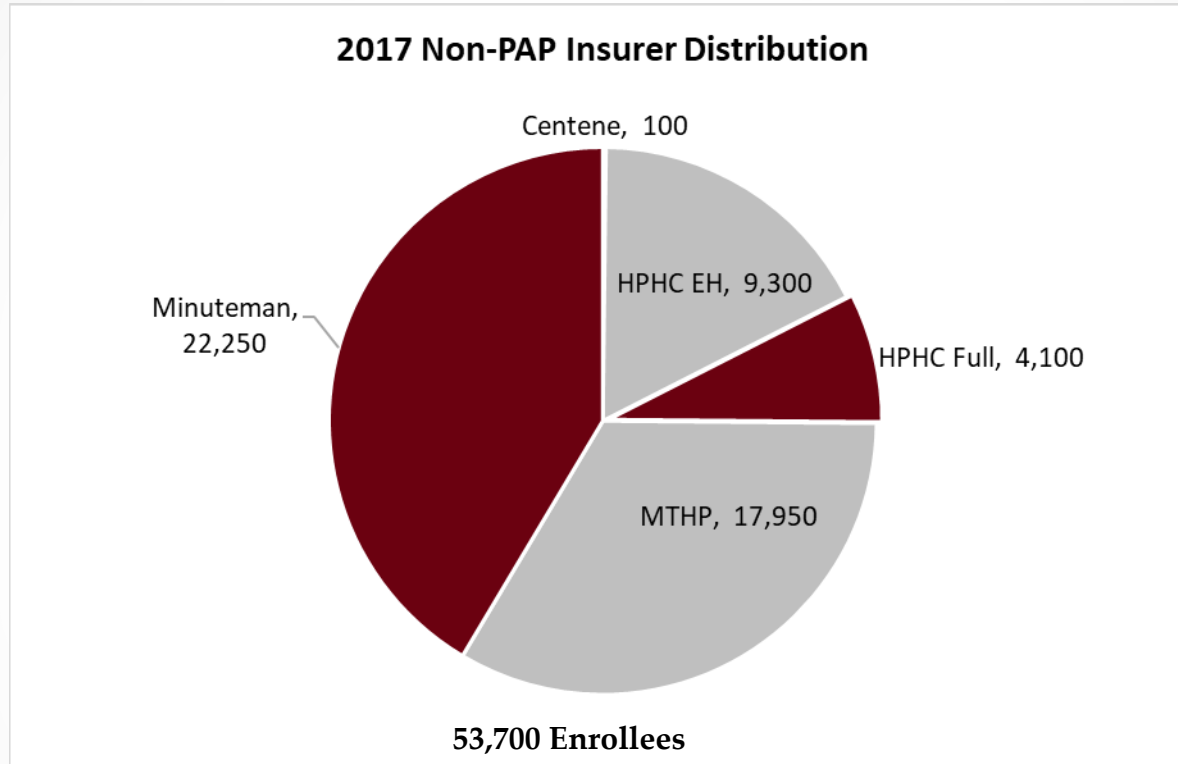
2016 Allowed Claims Relativity



- Enrollees that are eligible for cost sharing reduction (CSR) subsidies (highlighted in blue) have claims costs that are similar to the PAP market
- Enrollees that are not eligible for CSR (highlighted in red) have claims costs that are much lower than CSR and PAP members
- Note: Medical Expenditures reflect utilization differences due to plan design

2017 Distribution by Insurer

Non-PAP Market



Note: HPCH EH is HPCH Elevate Health, the select network product

- 26K enrollees (highlighted in red) will experience disruption in 2018 as Minuteman is exiting the market and HPCH has withdrawn their full network plan offering

2018 Premium Increases

- Simulated rate changes, mapped members in terminated plans to lowest cost option in metallic tier
 - Individuals that are paying full premium will experience an average rate increase of 52%
- Those individuals receiving subsidies will generally experience flat or negative rate change. The APTC will increase significantly in 2018.
- PAP market does not pay premiums
- Unsubsidized individuals most likely to exit the market

Average 2018 Rate Increases NH Individual Market

	Average Rate Increase	Market Size
Unsubsidized	52%	25,100
Subsidized	Flat or negative (mostly)	28,600
PAP	0%	42,800

Advanced Premium Tax Credit (APTC)

Scenario 1: Individual Enrolled in 2nd lowest costing silver plan on Exchange

- APTC is calculated by taking the 2nd lowest costing silver premium rate offered on exchange and subtracting the member premium.
 - **APTC = {2nd lowest silver} - {member premium}**

- Member premium is a percentage of one's income
 - **Member premium = {Required contribution %} * {annual income}**

- Example of enrollee earning 200% FPL
 - 200% FPL = \$24,120
 - Required contribution % = 6.34%
 - **Member Premium = .0634 * \$24,120 = \$1,529 a year or \$127 a month**

Scenario 2: Individual Enrolled in a plan other than 2nd lowest costing silver plan on Exchange

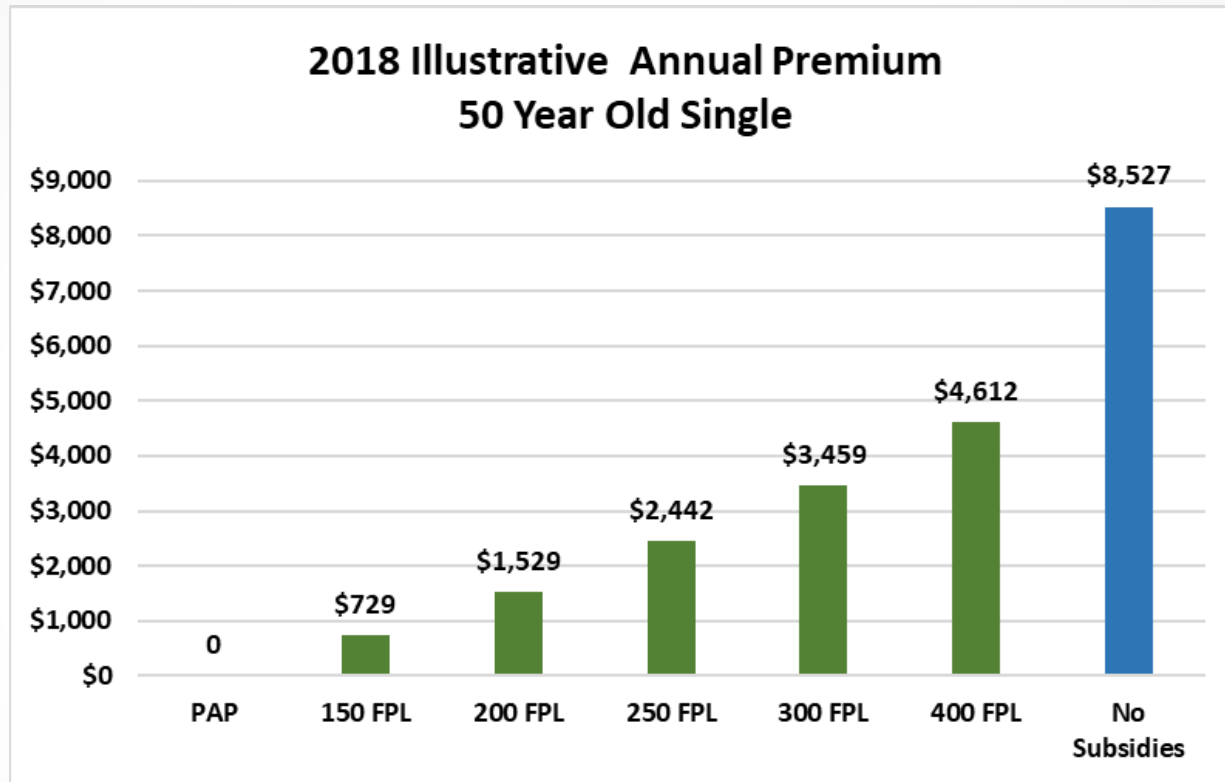
- If an enrollee enrolls in a plan **other** than the 2nd lowest silver plan, the enrollee pays the member premium plus the difference between the premium of the 2nd lowest silver plan and the chosen plan's premium.

2018 APTC Illustrative Example (Subsidized Member)

50 Year Old, 200 FPL	2017	2018	Change in Premium		
			Dollars	% Change	
Scenario 1					
Age Adjusted 2nd Lowest Costing Silver Premium	\$375	\$643	\$268	71.5%	
Member Premium if enrolled in 2nd Lowest Costing Silver	\$127	\$127	\$0	0.0%	
Advanced Premium Tax Credit (APTC)	\$248	\$516	\$268	108.1%	
Scenario 2					
Age Adjusted "More Expensive" Silver Plan Premium	\$464	\$697	\$233	50.2%	
("More Expensive" Silver plan)-(2nd lowest costing silver plan)	\$89	\$54	-\$35	-39.3%	
Actual Member Premium	\$216	\$181	-\$35	-16.2%	

- If a subsidized member is enrolled in a plan other than second lowest costing silver, the rate increase in 2018 will generally be negative since the increase in APTC is greater than the increase in the renewal rate.

2018 Illustrative Rates



- PAP enrollees are in “Platinum-equivalent” plans
- Individuals earning between 150 and 200% FPL are in Platinum/Gold Plans
- Individuals earning above 200% FPL are in silver plans
- No Subsidies: rates are based on the median silver plan rate

2018 Modeling Assumptions

- Assume PAP market size remains stable in 2018: \$0 Premiums
- Assume subsidized market size remains stable in 2018: Premium increases are generally flat or negative, after APTC
- Assume the non-subsidized market size will change
 - Developed a model using rate filings and membership reports
 - Simulated the enrollment of the non-subsidized market based on rate increases and 2017 insurance carrier
 - Developed claims relativities using the data for 2016 as shown in slide 5
 - Assume those individuals that stay enrolled in the market have higher claims costs than those that leave the market
- Results only model the impact of the market changes identified in 2018

2018 Modeling Results

- By year end 2018, the Individual Market will lose 5,300 to 13,200 members due to premium increases, the market withdrawal of Minuteman and other product offerings, and the weakening of the individual mandate
- The loss of the healthier members in the unsubsidized market will lead to higher average claims costs in the Individual Market.
 - Modeled increases range from 3% to 6%
 - This will lead to upward pressure on premiums

Modeling Results	PAP	Subsidized	No		Membership Loss	Individual Market Claims Increase
			Subsidies	Total		
Baseline	42,800	28,600	25,100	96,500		
Low Estimate	42,800	28,600	19,800	91,200	-5,300	3%
Best Estimate	42,800	28,600	14,900	86,300	-10,200	5%
High Estimate	42,800	28,600	11,900	83,300	-13,200	6%

2018 Modeling Results

- Recap: if PAP members were not included in the Individual Market in 2016, overall adjusted medical expenses would have been 14% lower.
- Excluding the PAP members from the Individual Market will have a downward impact on 2019 premiums rates (Avg. 2018 projected medical expenditures would reduce 10% to 12%).

	Individual Market Adjusted Claims Impact
Exclusion of PAP from Market	
2016 Baseline	-14%
2018 Low Estimate	-12%
2018 Best Estimate	-11%
2018 High Estimate	-10%

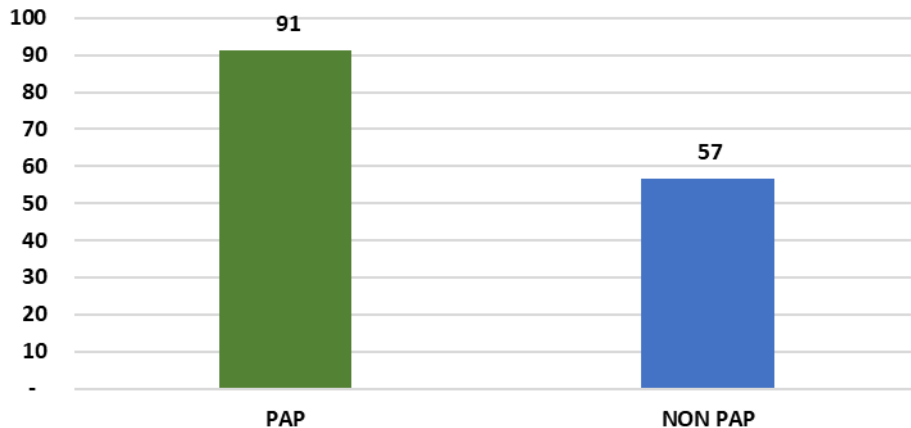
Enrollment Patterns

- Anecdotes from the insurers suggest that churn happens more often than every 12 months for a PAP enrollee
- PAP enrollees may self report income changes which then triggers an eligibility redetermination
- In the Non-PAP market, enrollees are locked in for 12 months and eligibility is determined during annual open enrollment
- Also, presumptive eligibility rules apply to the PAP program – where enrollees can be enrolled at the hospital

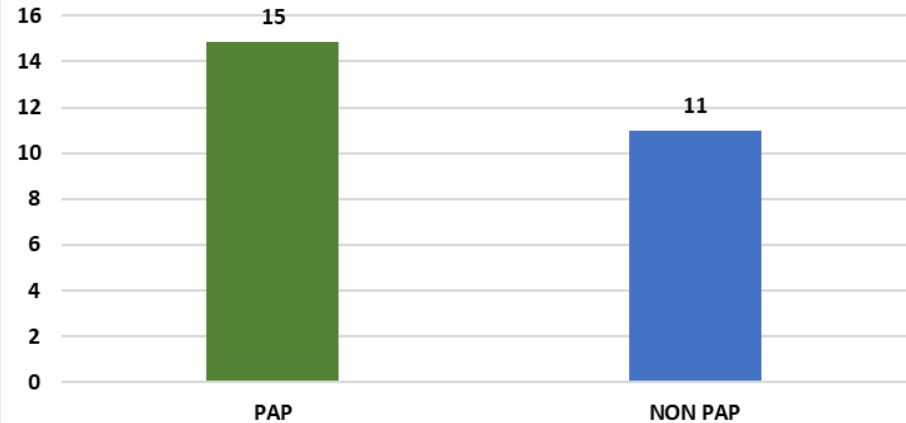
Enrollment Patterns

- Different enrollment processes between PAP and Non PAP contribute to the risk pool difference between these two populations.

2016
Inpatient Facility Admits Per 1000 Members



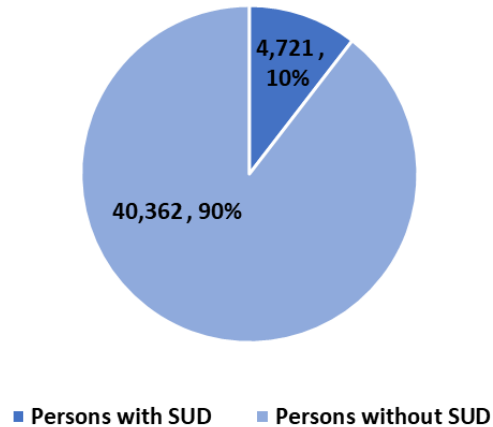
2016
Scripts Per Member Per Year



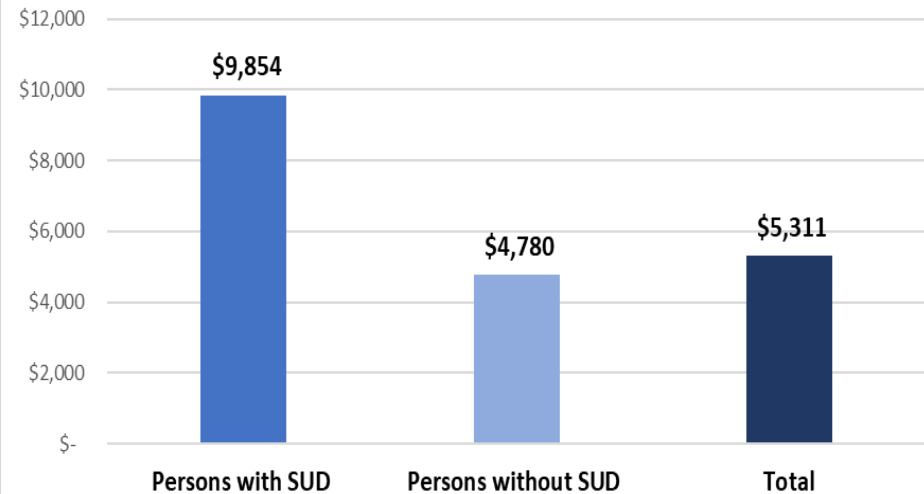
PAP Market

Substance Use Diagnoses (SUD) Analysis

2016 PAP Population
Substance Use Diagnoses



2016 PAP Allowed Medical Expenditures Per Enrollee



- Approximately 10% of PAP Market had a SUD diagnosis in 2016
- Persons with SUD diagnoses had medical expenditures that were two times those persons without a SUD diagnosis

Conclusions

- 2018 rate shocks and market disruptions will cause enrollees to exit the market
 - Non-subsidized, healthier population more likely to exit
 - Average claims costs in the Individual Market projected to increase 3% to 6%
 - Upward impact on 2019 premiums
- Non-PAP market risk pool is projected to deteriorate, however it will continue to have lower medical expenditures than the PAP population.
- Excluding the PAP members from the Individual Market will have a downward impact on 2019 premiums rates (2018 projected medical expenditures would reduce 10% to 12%).

Conclusions

- Future Considerations
 - Explore options to improve PAP risk pool
 - Limit Churn
 - Explore target program for substance use diagnoses
 - Continue to explore a reinsurance program for the Individual Market