

# Maine Individual and Small Group Modeling Update for HCIFS February 26, 2020

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# Agenda

1. Discuss Rating and Risk Pools
2. Maine Individual and Small Group Markets
3. Policy Modeling Approach & Results
4. Questions & Discussion

# Rating & Risk Pools

# Insurance companies' book of business can be separated into different rating risk pools

***What is a risk pool?***

***In Maine, insurers analyze data for each risk pool and develop premium rates based on each risk pool separately.***

**Individual  
Market Risk  
Pool**



***Individuals who purchase on Marketplace or directly from insurer***

**Small Group  
Market Risk  
Pool**



***Employer sponsored insurance for employers size 2 to 50 employees***

**Larger Risk Pool**

- ***Premium rate stability***
- ***Spreads risk across larger population***

**Smaller Risk Pool**

- ***Premium rate volatility***
- ***Spreads risk across small population***
- ***More potential for "death spiral"***

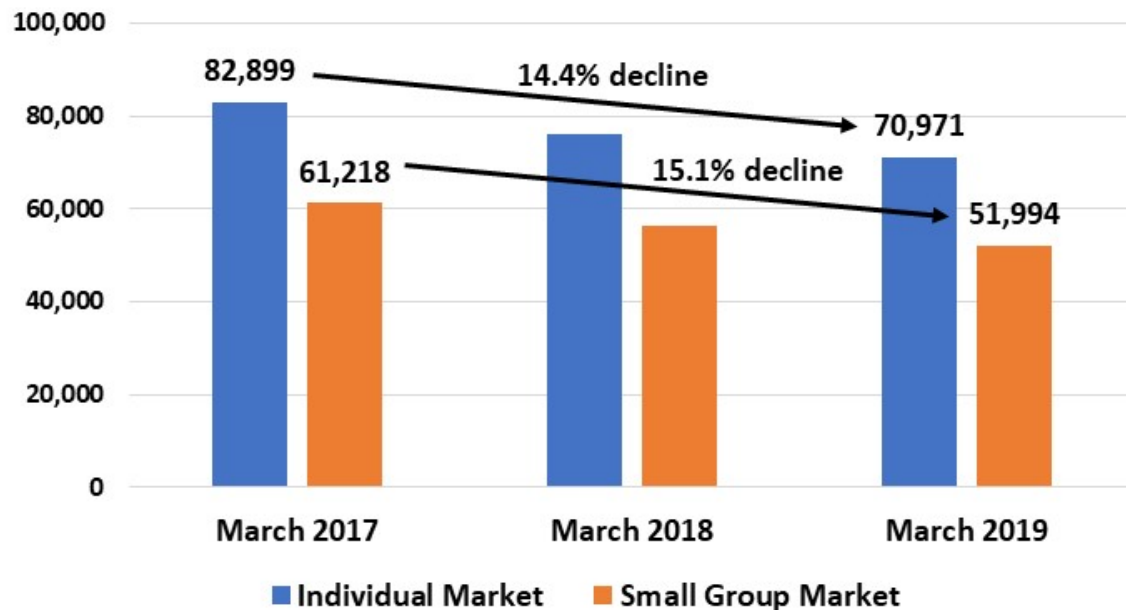
## Insurer premiums by risk pool may vary significantly

- **Morbidity:** If one risk pool has a higher concentration of high risk patients compared to another, the premium rates will be higher
- **Utilization:** If one risk pool uses more health care services compared to another, the premium rates will be higher
- **Intensity:** If one risk pool uses more expensive services rather than more low cost services for the same conditions, the premium rates will be higher
- **Providers:** If one risk pool uses more expensive providers compared to another, the premium rates will be higher (provider mix)

# Maine Individual & Small Group Market

# The Individual and Small Group Markets have experienced declines in membership

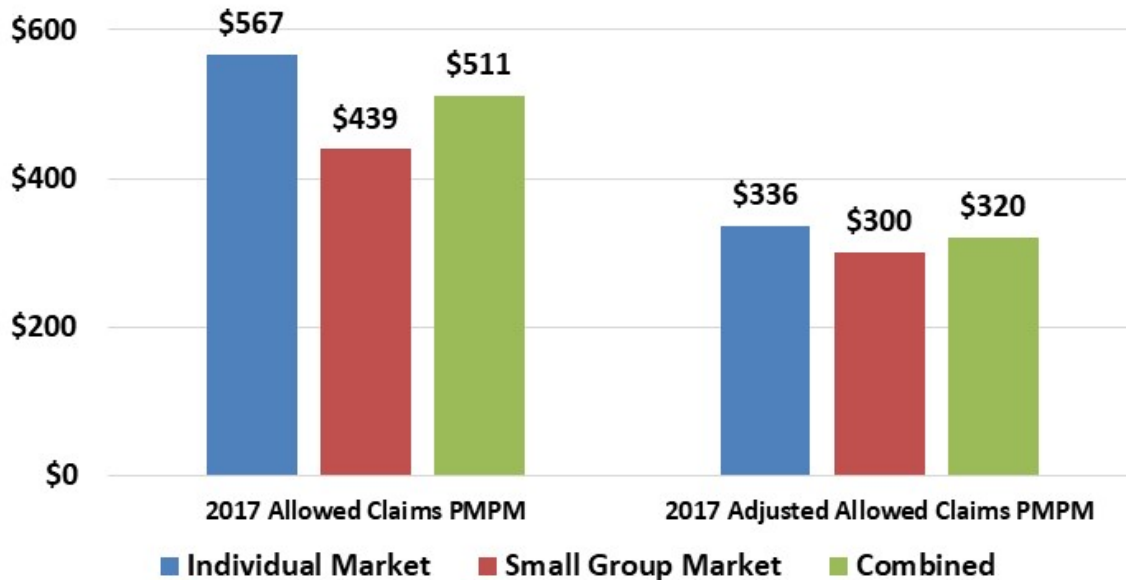
## Individual and Small Group Enrollment



- The Individual Market has declined about 14% from March 2017 to March 2019 while the Small Group Market has declined about 15%.
- In each of these years, the Individual Market represents about 58% of the combined Individual/Small Group Market.
- This decline is before any significant impact from MaineCare Expansion

# Comparison of allowed claims and adjusted allowed claims between the Individual and Small Group Markets

## 2017 Allowed Claims PMPM

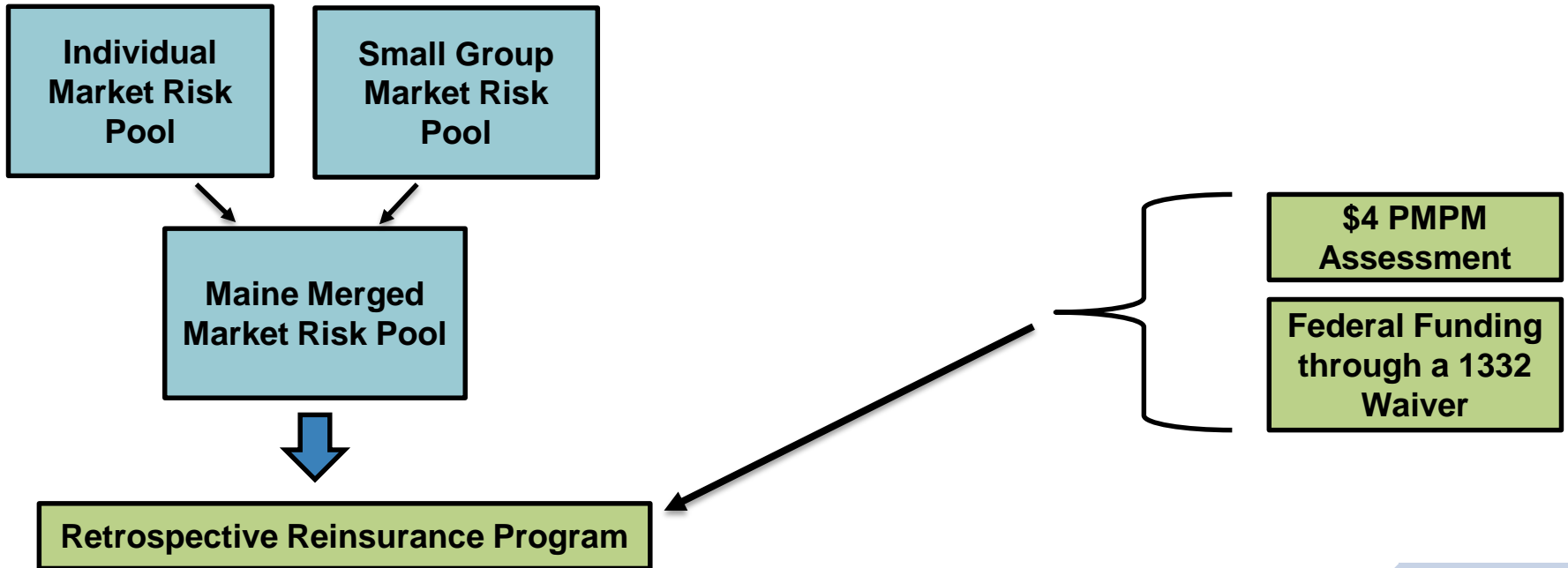


- Small Group Market Allowed Claims PMPM are about 23% lower than Individual Market claims before any adjustment.
- After adjusting for age, geography, benefit and network differences, Small Group Allowed Claims PMPM are 11% lower than the Individual Market.
- This data were examined to determine impact of merging the two markets.
- This data represents CY 2017. We also examined CY 2018 and YE Jun 2019 and results were directionally consistent.



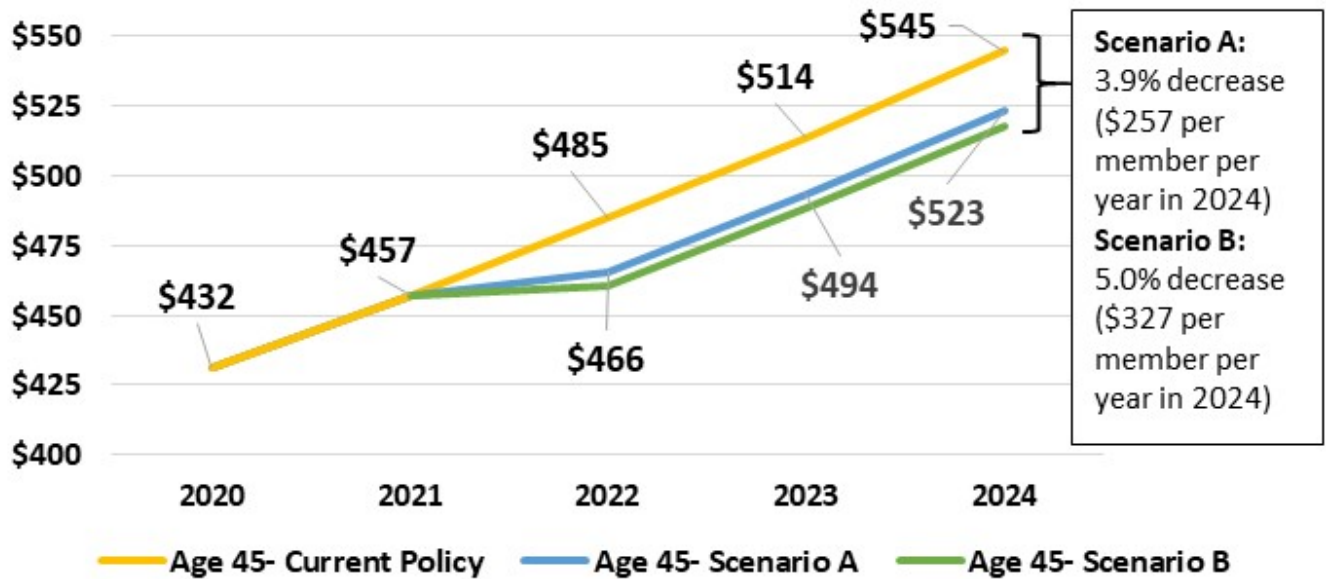
# Policy Modeling Approach and Results

# Policy Modeling Approach: Merging Markets with Retrospective Reinsurance Program



# Individual Market Premium Results

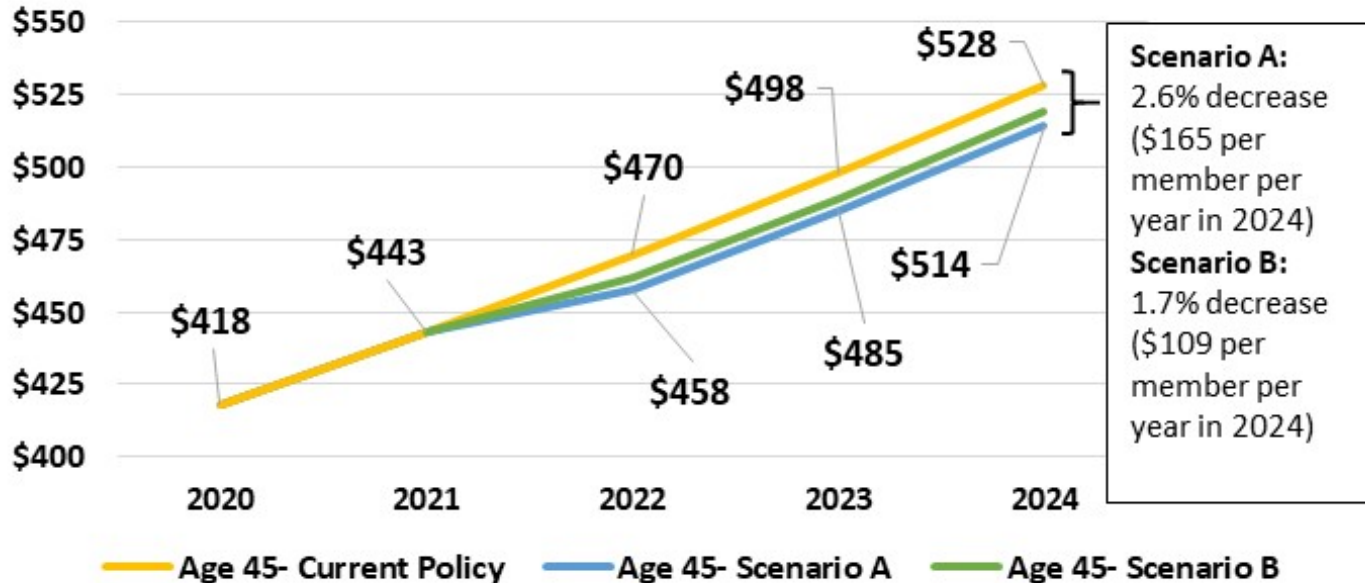
**Individual Market- Age 45, Area 1 Bronze**



- Scenarios A and B assume some continued membership decreases in both market segments
- Scenario A assumes individual market morbidity improvement due to MaineCare expansion of 2%
- Scenario B assumes morbidity improvement due to expansion is offset by increases to individual market morbidity
- More details on assumptions in the Appendix

# Small Group Market Premium Result

## Small Group Market- Age 45, Area 1 Bronze



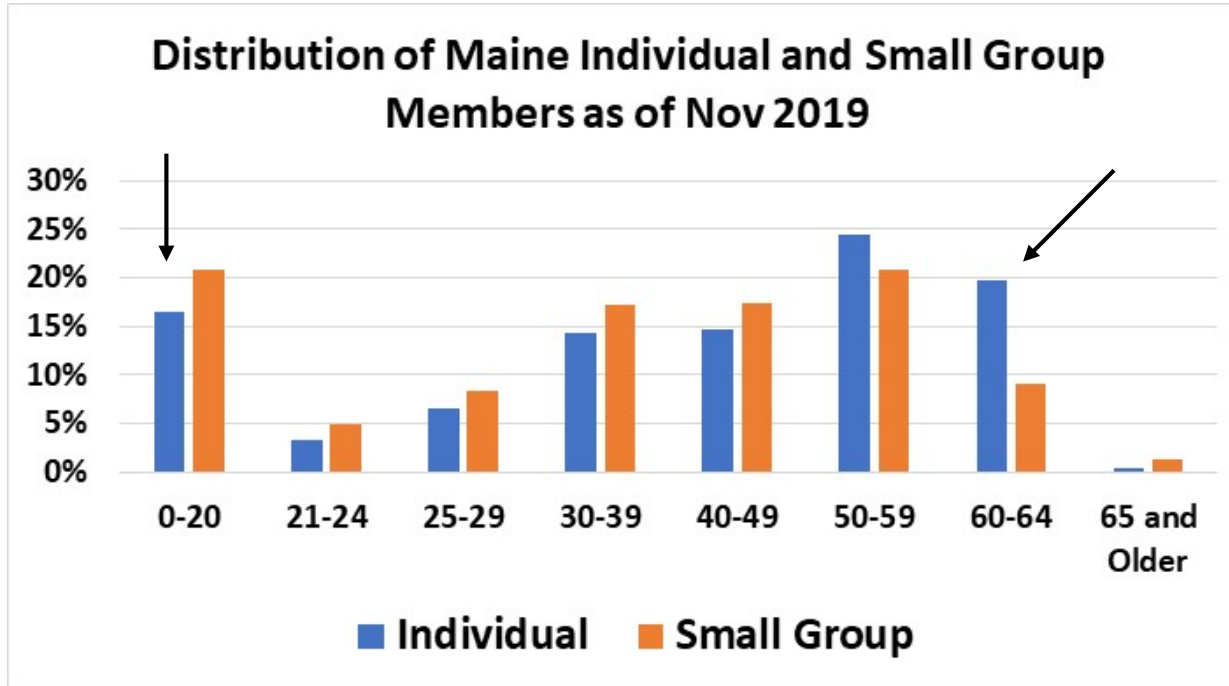
- While merging the markets causes an increase in small group premiums, reinsurance would offset these increases
- Scenario B impact is smaller than Scenario A (opposite compared to results for Individual Market)

# Conclusions and Next Steps

- Current simulations and analyses result in premium decrease in both markets. Unclear how this will impact membership.
- Increases in size of risk pool should increase stability.
- Due to varying risk pools by insurer and the risk adjustment program, results will likely vary by insurer.
- Simulations should be re-run with more recent data as markets have experienced volatility in the past few years.

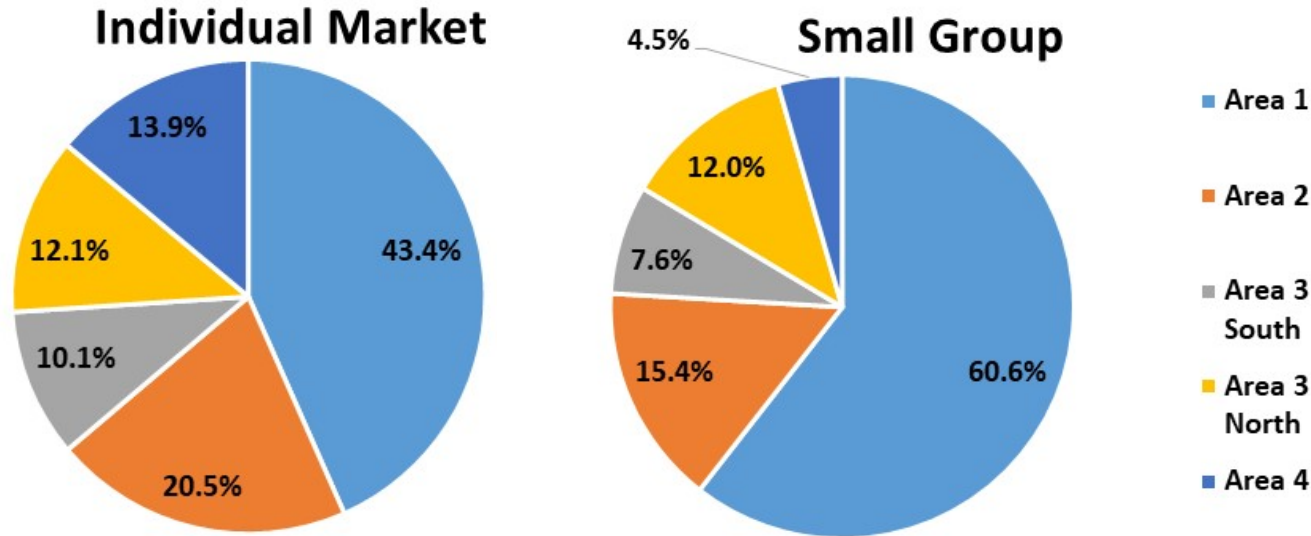
# Appendix

# Individual Market is older than Small Group. Age is allowable rating factor using the 3:1 age band.



- Data in this chart is from ME BOI data request from Dec 2019/Jan 2020.
- In addition to this data, the publicly available data from CY 2017 and CY 2018 CMS risk adjustment reports, show that the **Individual Market age factor is 17% higher than the Small Group Market age factor.**

# Individual Market is concentrated in higher costing regions. Area is an allowable rating factor.



- Area 1 is generally the lowest costing area while Area 4 is the highest costing.
- Based on insurer rating factors, Area 4 is anywhere from 18% to 48% more costly than Area 1.
- **Across all insurers, the Individual Market rating factor is 3% higher than the Small Group Market.**

Source: ME BOI Data Request Dec 2019/Jan 2020. Data is as of either Sept 2019 or Nov 2019. Rating factors are from 2020 rate filings. Area 1 = Cumberland, Sagadahoc, York; Area 2 = Kennebec, Knox, Lincoln, Oxford; Area 3 South = Androscoggin, Franklin, Waldo; Area 3 North = Penobscot, Piscataquis, Somerset; Area 4 = Aroostook, Hancock, Washington



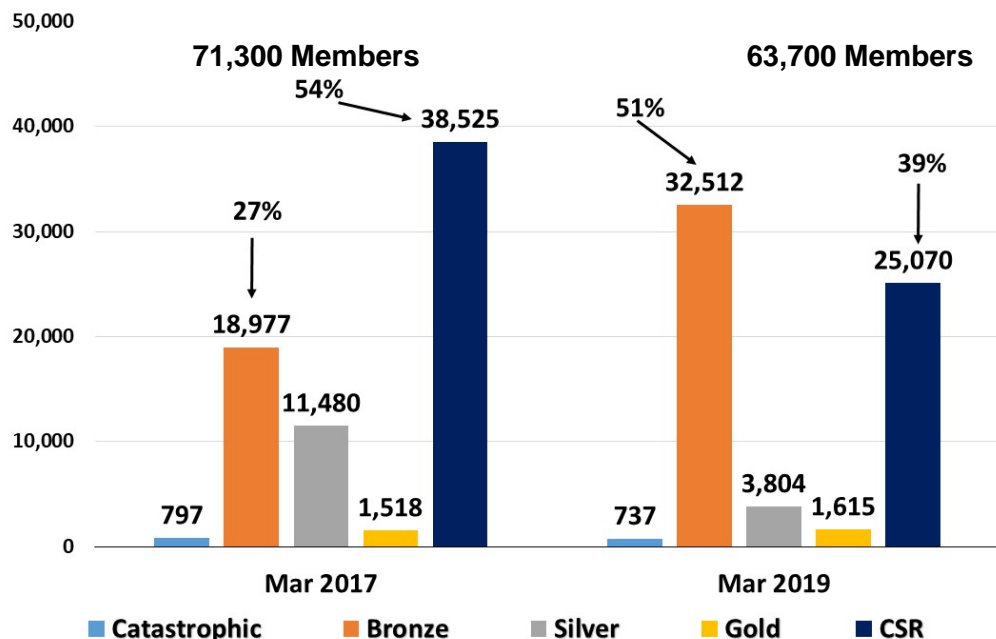
# MaineCare Expansion Members will generally come from CSR 94% but also On Exchange APTC/Non

	Mar-17	Mar-18	Mar-19	Nov-19	Mar-18 / Mar-17	Mar-19 / Mar-18	Nov-19 / Mar-19
<b>1. Silver CSR 94%</b>	17,292	14,603	11,790	8,460	-2,689	-2,813	-3,330
<b>2. Silver CSR 87%</b>	12,917	11,239	8,753	7,713	-1,678	-2,486	-1,040
<b>3. Silver CSR 73%</b>	8,316	6,185	4,527	4,090	-2,131	-1,658	-437
<b>4. On Exchange APTC/Non CSR</b>	23,111	27,120	30,270	27,324	4,009	3,150	-2,945
<b>5. On Exchange Non APTC</b>	8,864	7,941	7,662	7,332	-923	-279	-330
<b>6. Off Exchange</b>	11,602	8,345	7,233	6,778	-3,257	-1,112	-455
<b>7. Catastrophic On</b>	<u>797</u>	<u>747</u>	<u>737</u>	<u>593</u>	<u>-50</u>	<u>-10</u>	<u>-144</u>
<b>Total</b>	<b>82,899</b>	<b>76,180</b>	<b>70,971</b>	<b>62,290</b>	<b>-6,719</b>	<b>-5,209</b>	<b>-8,681</b>
<b>Total Exchange</b>	<b>71,297</b>	<b>67,835</b>	<b>63,738</b>	<b>55,512</b>	<b>-3,462</b>	<b>-4,097</b>	<b>-8,226</b>

Silver CSR 94% represents members with incomes between 100% and 150% of FPL who enroll in a CSR-eligible Silver plan. Adults in households with incomes up to 138% of FPL will generally be eligible for MaineCare Expansion. We also assumed there are MaineCare Expansion eligible members in the “On Exchange APTC/Non CSR” for reasons outlined in next slide.

# There has been a dramatic increase in the percentage members purchasing less rich Bronze plans.

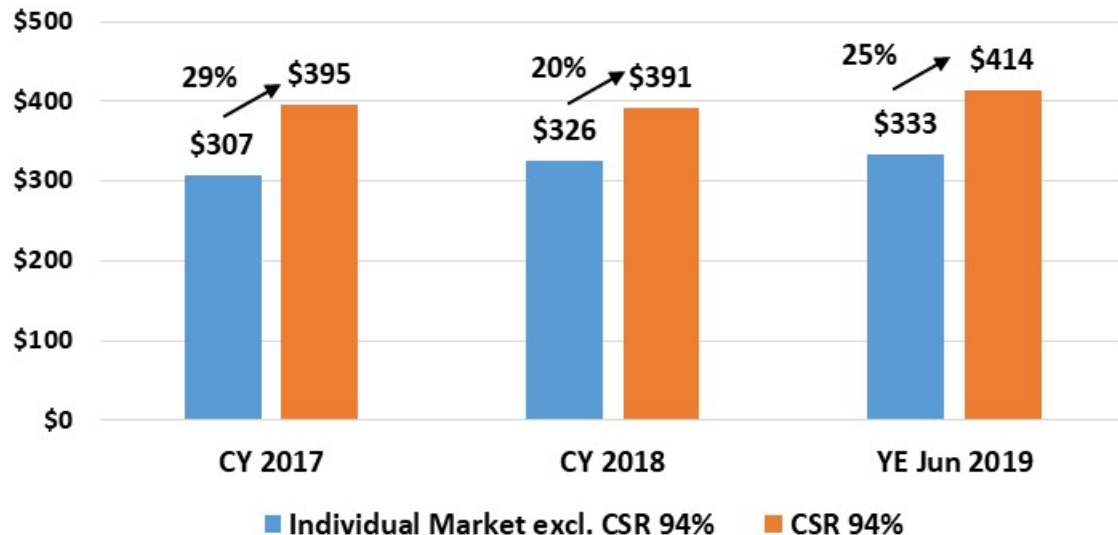
## Individual On Exchange Market Distribution by Metal Level



- The percentage of Individual Exchange members purchasing Bronze plans has increased from 27% as of March 2017 to 51% as of March 2019.
- This is coupled with a decrease in the percentage of members in CSR plans (54% as of March 2017 to 39% as of March 2019.)
- Some CSR-eligible enrollees are likely choosing to enroll in Bronze plans with very low premiums and forgoing their CSR subsidies.

# Age Adjusted Allowed Claims Costs for CSR 94% members 20% to 29% higher than the remaining Individual Market

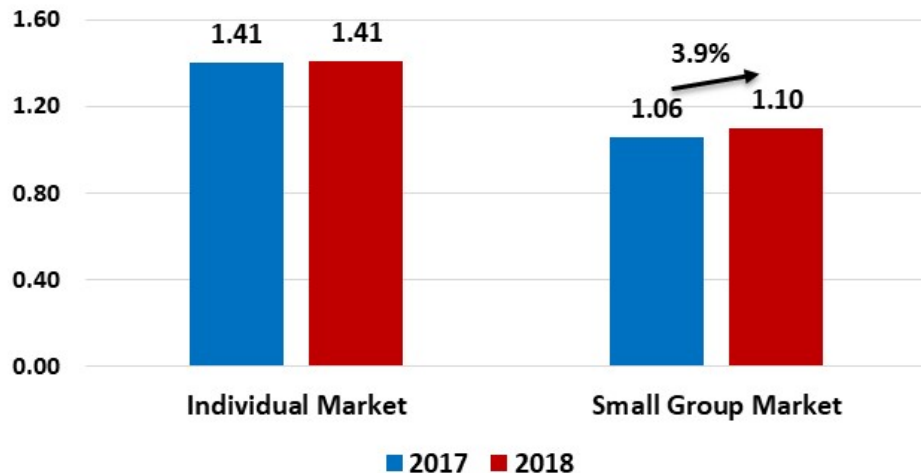
### Individual Market Age Adjusted Allowed PMPM



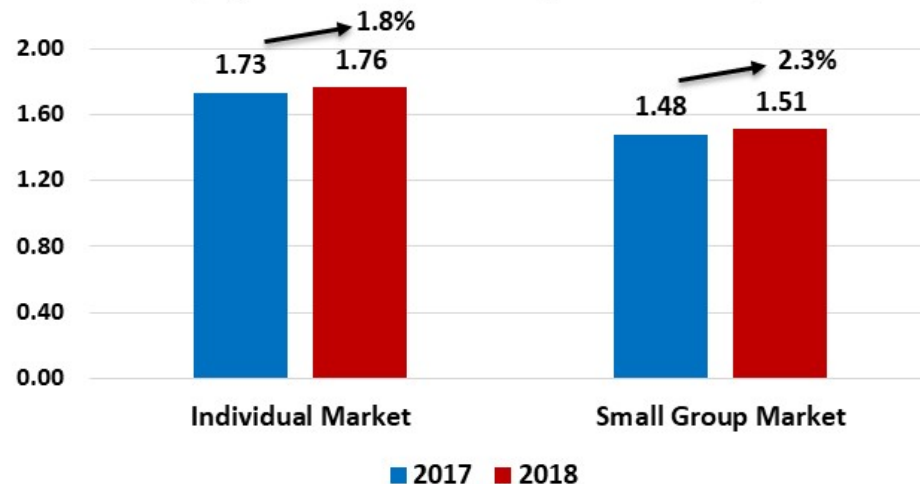
- CSR 94% age adjusted allowed costs for these members are 20% to 29% higher than other Individual Market members.
- CSR 94% members represent between 17% to 21% of the total Individual Market membership in each of the given years.
- **If 35% of CSR 94% members leave the market and 10% of On Exchange APTC/Non CSR leave, this represents an approx. 2% reduction in average Individual Market costs.**

# The Individual and Small Group Markets have both seen small changes in risk scores and age factors

### PLRS (Risk Score)- Risk Adjustment Reports



### ARF (Age Factors)- Risk Adjustment Reports



PLRS = Plan Liability Risk Score  
ARF = Allowable Rating Factor

# Modeling Approach

1. Analyzed impact of merging Individual and Small Group Market under various membership and morbidity assumptions.
2. Developed a model to estimate the 2022 Advance Premium Tax Credit (APTC) without any policy changes and without current MGARA reinsurance program under varying assumptions
3. Compared this to 2022 APTC with policy changes- including merged market and revised reinsurance program- “with policy changes”
4. Calculated 2022 APTC Savings (i.e. Pass Through Funding) by comparing 2022 APTC with policy changes to 2022 APTC with no policy changes. This value, along with the value of the \$4 PMPM assessment, will determine total amount that can be invested into a reinsurance program.

# Data, Assumptions & Caveats

- Data utilized includes Maine 940 reports; CMS Enrollment Files (to determine membership by income category); approved 2020 Individual Market rates; 2019 & 2020 rate filings to review rate changes, pricing trends and reinsurance assumptions; additional data request from insurers received in Dec 2019/Jan 2020.
- Complex modeling exercise that incorporates many variables.
- Markets have experienced volatility in past couple years (e.g. MaineCare Expansion and Anthem exiting and re-entering exchange) which impact underlying data. 2019 claims and membership should be evaluated once available.

# Detailed Results Scenario A

- Current membership for IND, SG and APTC (lines 1, 2 and 3) represent actual membership as of Nov 2019
- Current total assessed members (line 5) based on average 2018 actuals (includes large group and self-insured)
- SLCS = second lowest costing silver plan
- IND and SG policy impact represents impact to premium rates as a result of merged market and reinsurance program compared to rates with current IND Market MGARA program
- This is outside the impact of typical trend i.e. we estimate that this may not “bend the trend”; we project it to be a one time impact (similar to the current MGARA reinsurance program)
- We are projecting a decline in assessed members while other actuaries may project a steady state

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	Current Data	Scenario A Projected 2022
<b><u>Key Assumptions</u></b>		
1	IND Membership	52,000
2	SG Membership	46,000
3	APTC Membership	44,000
4	Morbidity Difference IND vs SG	1.09
5	Total Assessed Members	411,000
6	SLCS Rate Trend 2021 & 2022	2.0%
7	IND Premium Trend 2021 & 2022	6.0%
8	SG Premium Trend 2021 & 2022	6.0%
<b><u>Output</u></b>		
9	IND Merged Market Impact	-3.4%
10	IND Overall Policy Impact	<b>-3.9%</b>
11	SG Merged Market Impact	4.2%
12	SG Overall Policy Impact	<b>-2.6%</b>
13	Net Reinsurance Impact	-6.0%



# Detailed Results Scenario A cont.

- Assumes approximately 5% membership decreases each year based on historical decreases and 3% decrease for APTC members
- Additional membership decreases for MaineCare Expansion (approx. 7,000 in total) \*current membership already has some impact of MaineCare Expansion\*
- 2% morbidity improvement due to MaineCare Expansion, but no additional morbidity changes
- 2% trend on SLCS
- 6% premium trend on IND and SG overall in 2021 and 2022

	Current Data	Scenario A Projected 2022
<b><u>Key Assumptions</u></b>		
1	IND Membership	62,290
2	SG Membership	50,789
3	APTC Membership	47,587
4	Morbidity Difference IND vs SG	1.11
5	Total Assessed Members	437,487
6	SLCS Rate Trend 2021 & 2022	2.0%
7	IND Premium Trend 2021 & 2022	6.0%
8	SG Premium Trend 2021 & 2022	6.0%
<b><u>Output</u></b>		
9	IND Merged Market Impact	-3.4%
10	IND Overall Policy Impact	<b>-3.9%</b>
11	SG Merged Market Impact	4.2%
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13	Net Reinsurance Impact	-6.0%



# Detailed Results Scenario B

- Assumptions that have changed compared to Scenario A are highlighted
- Scenario B- assume morbidity improvement due to MaineCare Expansion is offset by increases to overall IND morbidity
- Under Scenario B, premium decreases are greater for IND compared to Scenario A while the opposite is true for SG
- Morbidity assumptions in Scenario B are more consistent with what insurers were assuming in rate filings

	Current Data	Scenario A Projected 2022	Scenario B Projected 2022
	<b><u>Key Assumptions</u></b>		
1	IND Membership	62,290	52,000
2	SG Membership	50,789	46,000
3	APTC Membership	47,587	44,000
4	Morbidity Difference IND vs SG	1.11	1.09
5	Total Assessed Members	437,487	411,000
6	SLCS Rate Trend 2021 & 2022		2.0%
7	IND Premium Trend 2021 & 2022		6.0%
8	SG Premium Trend 2021 & 2022		6.0%
	<b><u>Output</u></b>		
9	IND Merged Market Impact	-3.4%	-4.2%
10	IND Overall Policy Impact	-3.9%	-5.0%
11	SG Merged Market Impact	4.2%	5.3%
12	SG Overall Policy Impact	-2.6%	-1.7%
13	Net Reinsurance Impact	-6.0%	-6.2%

# Disclosures and Limitations



# Limitations and Data Reliance

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Analysis in this report was based on data provided by the Maine BOI, insurers in the Maine health insurance markets, and other public sources. Gorman Actuarial has not audited this information for accuracy. We have performed a limited review of the data for reasonableness and consistency. If the underlying data are inaccurate or incomplete, the results of this analysis may likewise be inaccurate or incomplete.

The results presented in this report are estimates based on complex actuarial models. Differences between our estimates and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual experience will most likely not conform exactly to the assumptions used in this analysis. Actual results will differ from projected results to the extent that actual experience deviates from expected experience.

The report contains statements that attempt to provide some prospective context to current or past trends. These statements are based on the understanding of the existing and proposed regulatory environment as of February 2020. If subsequent changes are made, these statements may not appropriately represent the expected future state.



# Qualifications

This study includes results based on actuarial analyses conducted by Jennifer Smagula and Bela Gorman, both of whom are members of the American Academy of Actuaries and Fellows of the Society of Actuaries. They both meet the qualification standards for performing the actuarial analyses presented in this report.

