Health Care Reform Market Update
with a Focus on the “New Game"

6/19/14
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Audience's Goals

• Gain CE credit.
• What are the changes to the basic financial formula?
• How do you get your share of risk adjustment?
• How many signed up?
• Will the new ACA markets be sustainable?
Margin before and after ACA

ACA Compliant Products

Before
Small Group & Individual

Margin* =
Premium – Claims – Admin

After
Individual

Margin* =
Premium – Claims – Admin + Risk Adjustment + Reinsurance

After
Small Group

Margin* =
Premium – Claims – Admin + Risk Adjustment

*Taxes and fees are bundled within premium for this example.
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The Risk Adjustment Game

• Need 4 Volunteers to be CEO of a Health Plan
  – Outreach Effort
  – Perfect Pricing
  – Analytics Armed
  – Risk Reward
The Risk Adjustment Game

• How the game is played
  – Each CEO gets 20 chocolates
  – Each Health Plan has equal Market Share
  – We will work through a Pre-ACA and 3 Post-ACA Risk Adjustment Examples
    • Baseline
    • Outreach
    • Analytics
The Risk Adjustment Game

• Pre ACA
  – True Market Premium is 20
  – Everyone pays 2 for Administrative Costs
  – Market Claims are 16
  – Margin ➔ 20 – 16 – 2 = 2
## Example 1

<table>
<thead>
<tr>
<th>4 equal Market Share Health Plans</th>
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### Example 4

- **4 equal Market Share Health Plans**
  - **Market True Premium**: 20
  - **Market Claims**: 16
  - **Admin**: 2

### Prem - Claims - Admin + RA (Profit)

- **Prem**: 2
- **Claims**: -2
- **Admin + RA**: 7
- **Profit**: 1

### Effective Risk Score

- **Risk Score**: 0.60, 0.60, 1.45, 1.35
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Identify and use Analytics to
Execute on the need for outreach

Identify and Execute on the need for outreach
Audience's Goals

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- How many signed up?
- Will the new ACA markets be sustainable?
Of 8,019,763 people enrolled in marketplace plans from 10/1/13 to 3/31/14 (including special enrollment through 4/19):

- About 32% in State Based Marketplaces (< 2.6 million)
- About 68% in Federally Facilitated Marketplace (> 5.4 million)

About 3.8 million enrolled during the 6th reporting period from 3/2 to 4/19

- This represents almost 90% growth over February’s cumulative enrollment
- 32% (1.2 million) were between ages 18-34

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Enrollees by Gender
- Male: 54%
- Female: 46%

Enrollees by Age (In Years)
- 0-17: 6%
- 18-34: 66%
- >35: 28%

Enrollees by Metal Level
- Bronze: 64%
- Silver: 20%
- Gold: 9%
- Platinum: 5%
- Catastrophic: 2%

Enrollment for ACSW States

980,264
About 12%

“of those enrollees who reported race and ethnicity”

- 62.9% White
- 16.7% African American
- 10.7% Latino
- 1.3% Asian
- 0.3% Multiracial
- 0.1% American Indian/Alaska Native
- 0.1% Native Hawaiian/Pacific Islander

• Proportion of young adult enrollment increased by 7 percentage points across the enrollment period
• Proportion of older adults decreased by 8 percentage points

Increase in Health Insurance Coverage

• Beyond the over 8 million who enrolled in Marketplace plans from 10/31/13 to 4/19/14, the CBO estimates 5 million people have purchased ACA-compliant off-Marketplace plans
  – This makes a total of about 13 million people enrolled

• BCBSA estimates that 1.7 million people are enrolled in its ACA-compliant off-Marketplace plans

• 45% of E-Health’s off-Marketplace enrollees between January and early March 2014 were aged 18-34

Marketplace Plan Selection by Financial Assistance Status

- 15% Marketplace Plan with Financial Assistance
- 85% Marketplace Plan without Financial Assistance

Federally Facilitated Marketplace (FFM) Plan Selection by Financial Assistance Status and Metal Level

FFM Plans with Financial Assistance

- Silver: 24%
- Other: 76%

FFM Plans without Financial Assistance

- Silver: 33%
- Other: 42%
- Bronze: 25%

FFM Silver Plans

- With financial assistance: 5%
- Without financial assistance: 95%

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Will the new ACA markets be sustainable?

- The Other 2Rs
  - Transitional Reinsurance
  - Risk Corridors

- What is the Risk of the Population?
Will the new ACA markets be sustainable?

- The Other 2Rs
  - Transitional Reinsurance
    - For 2014, attachment point changed to $45,000 from $60,000
      » 80% between $45,000 - $250,000
      » Pay out the 10 billion or 100%
    - Carryover to next year
      - For 2015, attachment point changed to $45,000 from $70,000
        » reduces to 50% up to $6 billion + any carryover from 2014
      - For 2016 reduces $4 billion
  - Risk Corridors
    - Gains/losses from 3-8% are shared at a rate of 50%
    - Gains/losses from >8% are shared at a rate of 80%
Will the new ACA markets be sustainable?

• What is the Risk of the Population?
  • Risk has changed throughout enrollment
    – Slow start to open enrollment
    – Keep your plan
  • Stability is key
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