



# Implementation of the ACA: Individual & Small Group Markets

House Health Care Committee

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# Outline of Presentation

- Background on Current Individual Market
- ACA Reforms in Individual Market
- Implications & Mitigation Initiatives
- Proposed Legislation
- ACA Reforms in Small Group Market

# Current Individual Market <sub>1</sub>



- Medical Underwriting
  - Accept or Reject
- Covered Services Can Vary
  - Mental Health
  - Prescriptions
- Wide Choice of Cost Sharing Options
  - Deductibles, Co-Insurance, Out-of-Pocket Max.

# Current Individual Market <sub>2</sub>



- ~ 10% of Private Health Insurance Market
- Competitive Marketplace
  - 7 domestic carriers insure 85% of the market
    - HealthNet, Kaiser, Lifewise, ODS, PacificSource, Providence, Regence

# Medical Underwriting Rejections



2012 Quarter	Applications Received	Applications Rejected
1 <sup>st</sup>	20,065	4,263
2 <sup>nd</sup>	18,676	4,042
3 <sup>rd</sup>	20,539	4,270
4 <sup>th</sup>	20,816	4,307
Total	80,096	16,882

**21%**

Source: DCBS Quarterly Health Insurance Reports, 2012

# Oregon Medical Insurance Pool (OMIP)



- 11,120 members (Jan., 2013)
- 69% > age 45; 59% female; 61% < \$45,000
- 3 medical plans (750 / 1,000 / 1,500); one TPA
- Loss ratio ~ 199%
  - Policy Expenses/Month = \$1,434
  - Policy Premium/Month = \$605
- 2012 Assessments = \$89.3 million (\$5.09 pmpm)



# ACA Reforms in Individual (Non-Group) Market



# Access to Coverage

- Guaranteed issue & renewability
  - Elimination of medical underwriting
- Requirement to have insurance (“individual mandate”) with exceptions & penalties



# Essential Health Benefits (EHB)

- Ten (10) Coverage Categories
  - Ambulatory patient services
  - Emergency services
  - Hospitalization
  - Maternity & newborn care
  - Mental health & substance use disorder
  - Prescription drugs
  - Rehabilitative & habilitative services/devices
  - Preventive/wellness services & chronic disease management
  - Pediatric services, including vision & dental

# Standardized Levels of Coverage



- Bronze: Covers 60% of expected costs for the average individual
- Silver: Covers 70% of expected costs...
- Gold: Covers 80% of expected costs...
- Platinum: Covers 90% of expected costs...

SB 91 Standard Plans (Bronze & Silver) required both inside and outside the Exchange

# Maximum Cost Sharing Standards



- Maximum annual out-of-pocket cost sharing in 2014:  
approximately \$6,500 / \$13,000
  - Deductibles, co-pays & coinsurance



# Rating Reforms

- Single Risk Pool
  - Plans offered inside & outside Exchange
- Modified Community Rating
  - Premiums adjusted for:
    - Family size
    - Geography
    - Age (with variation no greater than 3:1 for adults between 21 & 64)
    - Tobacco use (up to 1.5)



# Catastrophic Plan

- Available to persons < 30 & those exempt from mandate due to financial hardship
- Design
  - Covers Essential Health Benefits
  - Deductible of approximately \$6,500, then 100% coverage
  - At least 3 primary care visits/year before deductible
  - No cost sharing for specified preventive health services

# Financial Assistance with Costs of Coverage



- Refundable, advanceable premium credits to persons between 100% – 400% FPL for coverage purchased in the Exchange
- Cost-sharing subsidies for persons under 250% FPL
- An estimated 23% decrease in individual market member out-of-pocket costs (premiums + cost sharing)

# How Premium Tax Credits Work



- 1. Cost of aged-adjusted, 2<sup>nd</sup> lowest-cost Silver Exchange Plan (“Silver Reference Plan”)
- 2. Minus Maximum Monthly Premium Contribution (sliding scale based on income)
- 3. Equals refundable and advanceable premium tax credit paid to carrier by Treasury
- Individual can choose any plan, but will pay more for plans with premiums higher than “Silver Reference Plan”



# Maximum Monthly Premium Contributions, by Family Size...

Federal Poverty Level (FPL)	Maximum Premium as % of Income	Family of 1	Family of 2	Family of 3	Family of 4
133%	2.0%	\$24	\$33	\$41	\$50
150%	4.0%	\$54	\$74	\$93	\$112
200%	6.3%	\$114	\$154	\$195	\$235
250%	8.05%	\$183	\$247	\$311	\$375
300%	9.5%	\$259	\$349	\$440	\$531
350%	9.5%	\$302	\$408	\$513	\$619
If Premium Credits were Available in 2011. Congressional Research Service, June 13, 2012, 7-5700					
400%	9.5%	\$345	\$466	\$587	\$708

# Example



Family of 1, 250% FPL	
Silver Reference Plan	\$ 400.00
Maximum Premium Contribution	- 183.00
Tax Credit	217.00
Total Paid by Individual	\$ 183.00

Family of 1, 250% FPL	
Alternative Silver Plan	\$ 435.00
Tax Credit	- 217.00
Total Paid by Individual	\$ 218.00

# Those Exempt from Individual Mandate



- Religious belief
- Undocumented immigrant
- Incarcerated
- Member of an Indian tribe
- Family income < threshold for filing taxes
- Have to pay more than 8% of income for health insurance (after employer contributions or tax credits)

# Coverage that Satisfies Mandate



- Medicare
- Medicaid, CHIP
- TRICARE (service members, retirees, families)
- Veteran's health program
- Employer sponsored insurance
- Self purchased (if at least at Bronze AV level)
- Grandfathered plan

# Penalties for Not Having Health Insurance



- 2014
  - The greater of: \$95/adult and \$47.40/child (up to \$285 for a family) or 1.0% of family income
- 2015
  - The greater of: \$325/adult and \$162.50/child (up to \$975 for a family) or 2.0% of family income
- 2016
  - The greater of: \$695/adult and \$347.50/child (up to \$2,085 for a family) or 2.5% of family income

After 2016, penalties increased by cost of living.



# Implications & Mitigation Initiatives

# Cost Factors Associated with ACA



Table 2: Individual Market Premium Impacts under ACA (2014 compared to 2011)

ACA Requirement	Average Premium Impact		
	Low	Best Estimate	High
Essential Benefits Requirement	5%	6%	7%
Bronze Minimum Act. Value (includes Max OOP limit)	1%	2%	3%
Minimum Loss Ratio = 80%	-2%	-1%	0%
Morbidity Change (due to new insured/uninsured)	10%	15%	25%
Age Slope Limited to 3:1	0%	0%	0%
Provider Fee	1%	1%	1%
Reinsurance Program	-9%	-8%	-7%
Elimination of OMIP Assessment	-2%	-1%	0%
<b>Subtotal (ACA Requirements)</b>	<b>2%</b>	<b>13%</b>	<b>30%</b>
Individual Submarket Merger	24%	22%	20%
<b>Total Premium Impact</b>	<b>27%</b>	<b>38%</b>	<b>55%</b>

# Impact of Premium Credits

Table 19: Effective Premium Tax Credit by Income Level

FPL	Individual Premium Impacts		# of Members		% Eligible for Tax Credits	
	Before Premium Tax Credits	After Premium Tax Credits	Currently Insured	Newly Enrolled	Currently Insured	Newly Enrolled
133-150%	23%	-50%	12,639	8,162	100%	100%
151-200%	24%	-37%	29,181	18,844	100%	100%
201-250%	27%	-16%	30,079	19,424	91%	95%
251-300%	25%	0%	17,524	11,316	67%	53%
301-350%	22%	8%	8,741	5,645	53%	40%
351-399%	34%	29%	6,080	3,927	51%	36%
400%+	20%	20%	72,747	6,613	0%	0%
<b>Total</b>	<b>24%</b>	<b>-10%</b>	<b>176,991</b>	<b>73,929</b>	<b>50%</b>	<b>74%</b>



# Mitigation Programs

- Re-Insurance
  - Federal program
  - 3 years: 2014, 2015, 2016
- Risk Corridors
  - Federal program
  - 3 years: 2014, 2015, 2016
- Risk Adjustment
  - Federal program (with State option)
  - Permanent



# Federal Re-Insurance

- Federal Re-Insurance Program
  - Stop Loss protection for carriers against financial losses from members with unusually high claims.
  - Funded by assessment on all insured and self-insured group plans (est. \$5.25 pmpm)
  - 2014 impact on premiums estimated at – 11.00%



# Federal Risk Corridors Program

- Used to mitigate pricing risk when data on health spending for potential enrollees is limited.
- Redistributes funds from QHPs with large profits to those with large losses
  - Target range from 97% to 103%
  - Those who pay to HHS are below 97% of target
  - Those who are paid by HHS are above 103%



# Risk Adjustment Program

- Permanent program operated by HHS or by State
  - Oregon will utilize the federal program
- Redistributes premiums across health plans to account for the relative risk of plan participants
  - Plans that enroll members with higher than average health needs will see positive (+) premium adjustments
  - Plans that enroll members with lower than average health needs will see negative (-) premium adjustments.



**Table 1**  
**Program Applicability by Market and Administration**

ACA Provision	Sold within Exchange		Sold Outside Exchange			Who Administers	
	Individual	Small Group	Individual	Small Group	Grandfathered	State Run Exchange	Federal Run Exchange
Risk Adjustment	Yes	Yes	Yes	Yes	No	State or HHS <sup>1</sup>	HHS
Reinsurance (Payments) <sup>3</sup>	Yes	No	Yes	No	No	State or HHS <sup>1</sup>	State or HHS <sup>1</sup>
Risk Corridor	Yes	Yes	No <sup>2</sup>	No <sup>2</sup>	No	HHS	HHS

<sup>1</sup>State can decide to administer or allow HHS to administer. If HHS administers, all parameters will be federal.

<sup>2</sup>Risk Corridors will apply to QHPs offered outside of the Exchange if they are substantially similar to a QHP offered inside the Exchange.

<sup>3</sup>All markets contribute to reinsurance, but the payments only apply to the individual market.



# **Proposed Legislation Relating to ACA Implementation in Commercial Markets**

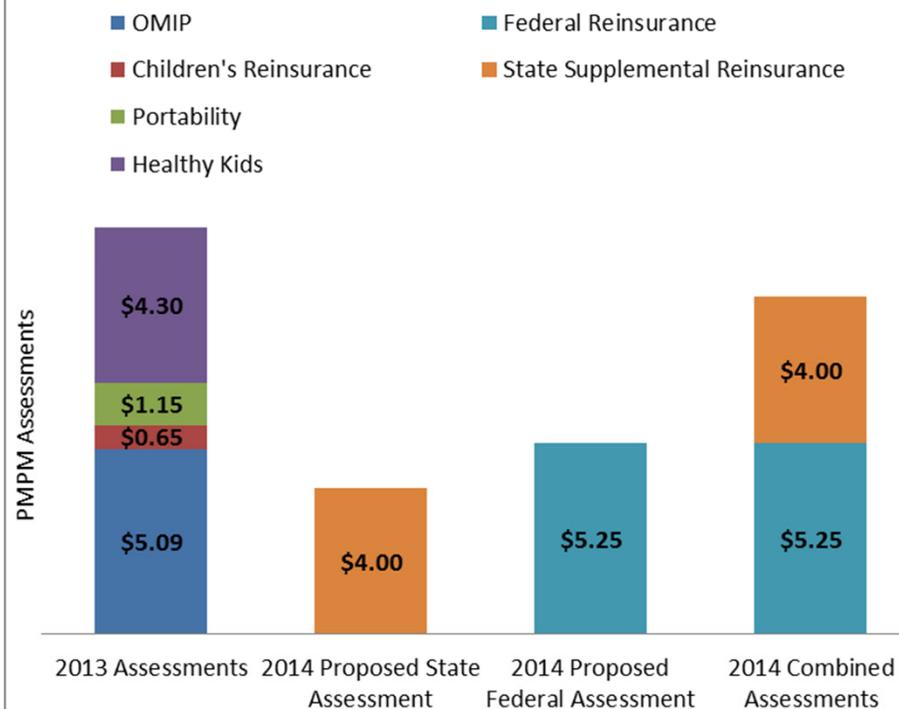
# State Re-Insurance Program (LC 3718)



- Would provide additional Stop Loss protection for high claims costs associated with persons moving from OMIP, FMIP, Children's Re-Insurance & Portability plans
- Would be funded by assessment similar to current OMIP program (which is ending)
  - Reduced PMPM from current level
  - Declining over 3 years
  - Sunsets after 3 years
- 2014 impact on premiums estimated at -4.00%



## Comparison of 2013 and 2014 High-Risk Pool Assessments Fully Insured





# HB 2240

- Amends Oregon Insurance Code to align with federal requirements under ACA
- Provides DCBS with authority to make administrative rule changes that reflect guidance & regulations from federal agencies relating to ACA implementation
- Phases out Office of Private Health Partnerships (OPHP) & Family Health Insurance Assistance Program (FHIAP). Members will transition to Cover Oregon or Oregon Health Plan



# ACA Reforms in Small Group Market



# Small Group Market

- 2014: Groups under 50 employees
- 2016: Groups under 100 employees
- 2017: Exchange available to groups over 100 employees with State legislative approval
- Purchasing through the Exchange is optional for small business
  - Must buy through the Exchange to receive tax credits



# New Requirements

- Essential Health Benefits
- Minimum Actuarial Value (AV)
  - Bronze (60% AV), Silver, Gold, Platinum
- Prohibition of annual limits
- Limits on cost-sharing
  - Maximum annual deductible of \$2,000/\$4,000
- Rating Rules
  - Adjusted Community Rating (3:1)
  - Elimination of underwriting factors

**Table 4: Changes to Small Group Market Premiums under ACA (2014 compared to 2011)**

ACA Requirement	Average Premium Impact			Range of Group Impact	
	Low	Best Estimate	High	Low	High
Compliance with MOOP, deductible	0%	0%	0%	Varies	Varies
Essential Benefits Requirement	1%	2%	3%	1%	3%
Bronze Minimum Act. Value	0%	0%	1%	0%	6%
Removal of OMIP and Portability Assessment	-3%	-2%	-1%	-3%	-1%
Minimum Loss Ratio = 80%	0%	0%	0%	-6%	0%
Age / Gender Slope <sup>1,5</sup>	0%	0%	0%	-10%	50%
U/W - Participation <sup>1,2</sup>	0%	0%	0%	-14%	8%
U/W - Contribution <sup>1,3</sup>	0%	0%	0%	-7%	4%
U/W - Health Status <sup>4</sup>	0%	1%	3%	-5%	5%
Morbidity Change	-5%	0%	5%	N/A	N/A
Provider Fee	0%	1%	1%	0%	1%
Reinsurance Assessment	1%	1%	1%	1%	1%
<b>Subtotal (ACA Requirements)</b>	<b>-5%</b>	<b>3%</b>	<b>14%</b>	<b>-37%</b>	<b>95%</b>
Submarket Merger	0%	1%	2%	0%	2%
<b>Total</b>	<b>-5%</b>	<b>4%</b>	<b>16%</b>	<b>-37%</b>	<b>99%</b>



### Traditional Choice

	Carrier A	Carrier B	Carrier C	Carrier D
Platinum	\$400	\$395	\$450	\$420
Gold	\$375	\$375	\$400	\$380
Silver	\$350	\$330	\$380	\$340
Bronze	\$325	\$300	\$340	\$320

### Carrier Choice

	Carrier A	Carrier B	Carrier C	Carrier D
Platinum	\$400	\$395	\$450	\$420
Gold	\$375	\$375	\$400	\$380
Silver	\$350	\$330	\$380	\$340
Bronze	\$325	\$300	\$340	\$320

### Metal Tier Choice

	Carrier A	Carrier B	Carrier C	Carrier D
Platinum	\$400	\$395	\$450	\$420
Gold	\$375	\$375	\$400	\$380
Silver	\$350	\$330	\$380	\$340
Bronze	\$325	\$300	\$340	\$320

### Broad Choice

	Carrier A	Carrier B	Carrier C	Carrier D
Platinum	\$400	\$395	\$450	\$420
Gold	\$375	\$375	\$400	\$380
Silver	\$350	\$330	\$380	\$340
Bronze	\$325	\$300	\$340	\$320

# Oregon's Strategic Approach



- Makes sure companies are solvent and can pay claims
- Licenses agents
- Reviews policies/rates
- Staffs consumer hotline
- Helps with insurance complaints/appeals
- Enforces federal and state insurance laws



- Oversees health reform
- Administers Medicaid programs (OHP)
- Approves coordinated care organizations for OHP members
- Manages public health and addictions and mental health
- Oversees public employee benefits



- Online shopping for individuals, small employers, and Medicaid
- Links to tax credits to make insurance affordable
- Help finding the right coverage through navigators/agents



# For Follow – Up:

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