



ACA - Impact of the 3 Rs

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Topics

- Background on 3Rs
- Reinsurance and risk adjustment report
 - High level observations
 - Details and analysis
- Risk corridor results



Background on 3Rs

What Are The Three Rs?

Program	Risk Adjustment	Reinsurance	Risk Corridor
What	Transfers fund from low risk plans to high risk plans	Provides funds to insurers for high claimants	Limits issuer losses (and gains)
Operation	State option if the State establishes an Exchange (otherwise Federal)	State option regardless of whether a State establishes an Exchange (otherwise Federal)	HHS
Who	Non-grandfathered individual and small group plans inside and outside the Exchange	All issuers and TPAs on behalf of group health plans	Qualified Health Plans
Why	Protects against adverse selection	Offsets high cost outliers	Protects against inaccurate rate setting
When	Before 6/30 of the calendar year following the benefit year	Throughout the year	After reinsurance and risk adjustment
Time Frame	Permanent	3 years (2014-2016)	3 years (2014-2016)

Programs are designed to help the issuers stabilize premium and mitigate risk

Challenges with Estimation

- Public individual exchange enrollment numbers
 - Only general reported numbers: unclear how many enrolled, paid first premium, paid subsequent premiums, remain enrolled, etc.
 - Limited data on previously uninsured
 - Detailed breakout by state, metallic plan, subsidy, demographic and other characteristics
 - Only exchange population included
- Big gaps remain
 - Potentially large populations purchasing off-exchange in ACA-compliant products
 - Unknown number of previous non-ACA cancelled policies reinstated
 - Determining size of total market post-ACA is difficult – how much growth in enrollment has occurred?
- Small group ACA enrollment is even murkier
 - Little SHOP enrollment expected
 - Little or no reporting on small group market enrollment, demographics, etc.
 - Amount of pre-ACA renewal activity is difficult to quantify



Reinsurance and Risk Adjustment Report

Report on Reinsurance and Risk Adjustment (June 2015)

- Average individual premiums nationally 19% lower than small group
 - Individual \$356.62
 - Small Group \$441.62
- Individual market weighted to Bronze and Silver plans, small group weighted to Silver and Gold
- Individual plans have 23% higher risk score than small group
 - Including metallic scaling differences even higher – close to 30%
- Overall risk transfer amounts:
 - Individual about 10% of premium (\$35.70 PMPM)
 - Small group about 6% of premium (\$26.50 PMPM)
- Only about 18% of members have diagnosis based HCCs contributing to risk scores (82% are scored on age/gender only)

Report on Reinsurance and Risk Adjustment (June 2015)

(Cont'd)

- Report does not break down RA result by metal level
 - Our experience suggests the metal distribution drives RA in individual market
 - Bronze plans big payers and Platinum big receivers across market and within plans
 - Plans with open network and specialty hospital access tend to be receivers
 - Plans with narrow networks tend to be payers
- Some evidence of disconnect between reinsurance and risk adjustment
 - Large share of reinsurance payments ought to imply higher risk membership
 - Some of largest receivers of reinsurance are also paying high amounts of risk adjustment
 - May suggest risk score coding issues with some plans.

California Transitional Reinsurance Example

Company	MbrMnths	Avg Mbrs	Reins	PMPM
Anthem	5,911,111	492,593	\$401,126,393	\$67.86
BlueShield	5,584,650	465,388	\$363,050,265	\$65.01
CCP	140,831	11,736	\$1,824,095	\$12.95
Celtic	94	8	0	\$0.00
Cigna	840,000	70,000	\$21,440,171	\$25.52
HNT	2,632,293	219,358	\$145,037,065	\$55.10
KP	4,493,347	374,446	\$240,031,291	\$53.42
LACare	233,933	19,494	\$347,124	\$1.48
Molina	71,265	5,939	\$950,343	\$13.34
Santa Clara	15,085	1,257	\$440,556	\$29.20
Sharp	121,172	10,098	\$10,986,210	\$90.67
Sutter	219	18	0	\$0.00
WHA	40,958	3,413	\$5,847,163	\$142.76
Time	600,000	50,000	\$45,901,082	\$76.50
Contra Costa	15,080	1,257	\$2,293,367	\$152.08
Grand Total	20,700,038	1,725,003	\$1,239,275,125	\$59.87

Estimated 2014 National Individual and Small Group Enrollment from RI/RA Report (Revised September 2015)

- Revised RI/RA Report issued September 17, 2015 included first reported total ACA enrollment values
 - Prior values were point-in-time, individual exchange only (no small group)
 - Reported billable member months by product and state
 - Did not include by carrier or metallic level
- Reported member months still require estimation
 - Most individual enrollment was after January 1, 2014 due to technology issues with exchanges
 - Assume 9 month individual average enrollment (allows for late enrollment and attrition during plan year)
 - **Total ACA individual in 2014: 11.1 M**
 - Assume 12 month small group average enrollment (most groups switching to ACA in 2014 would enroll as early as possible)
 - **Total ACA small group in 2014: 3.7 M**

HCC Risk Score Distributions – Optum Large Employer Database

				Average Scores (0-1 Infant; 2-20 Child; 21+ Adult)				
Gender	age	pop	mm	avg MMs	PLATINUM	GOLD	SILVER	BRONZE
F	0-20	782,085	7,515,730	221.3	0.635	0.551	0.442	0.346
F	21-35	572,569	5,161,934	394.8	1.120	0.971	0.808	0.644
F	36-50	713,245	6,892,939	509.2	1.550	1.379	1.197	1.005
F	51+	556,009	5,348,072	727.6	2.238	2.027	1.816	1.573
M	0-20	817,304	7,847,377	234.8	0.690	0.606	0.497	0.394
M	21-35	591,580	5,500,708	192.9	0.565	0.492	0.407	0.326
M	36-50	673,541	6,615,151	345.6	1.054	0.937	0.808	0.674
M	51+	573,577	5,603,449	713.3	2.202	2.012	1.824	1.614
				0				
F		2,623,908	24,918,675	445.5	1.329	1.180	1.018	0.850
M		2,656,002	25,566,685	359.3	1.081	0.968	0.843	0.713
Total		5,279,910	50,485,360	401.9	1.204	1.074	0.930	0.781

HCC California Individual Data vs. Optum Large Employer Database

		Large Group HHS HCC Risk Score - 5 Million Lives			
Market		PLATINUM	GOLD	SILVER	BRONZE
Large Group		1.204	1.074	0.930	0.781

		ACA Market Enrollment Distribution			
Market		PLATINUM	GOLD	SILVER	BRONZE
Individual		4%	10%	62%	24%
Small Group		15%	48%	30%	7%

TS- LG w Ind. Metal Distr.	0.920
TS- LG w SG. Metal Distr.	1.030
CA-ACA Ind (CMS)	1.203
CA- ACA SG (CMS)	1.062



Risk Corridor Results

Risk Corridor Data

- CMS reported 2014 aggregate risk corridor results on October 1, 2015 (delayed due to data issues with submissions)
 - Total charges due from carriers: \$362 M
 - Total payments due to carriers: \$2.87 B
 - Proration %: 12.6%
 - Net unpaid: \$2.5 B
- Report did not detail company-specific amounts or split individual and small group
- Unclear at this time when company-specific values will be reported

Risk Corridor Data (Cont'd)

- Unpaid amounts will carry-over to 2015-2016 plan years
 - Unlikely that 2015-2016 funding will be sufficient
 - Enrollment in 2015 in most markets still skews to plans with insufficient pricing which should lead to similar shortfall
 - 2016 pricing may still be skewed in many markets and produce additional shortfalls
 - Markets that have stabilized in 2016 are likely to produce little charge or payment due to corridor (+/- 3% before any payment)



Thank you

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