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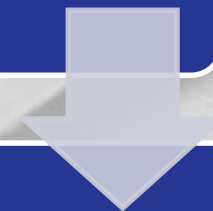
# Tenth Year of ACA Exchanges

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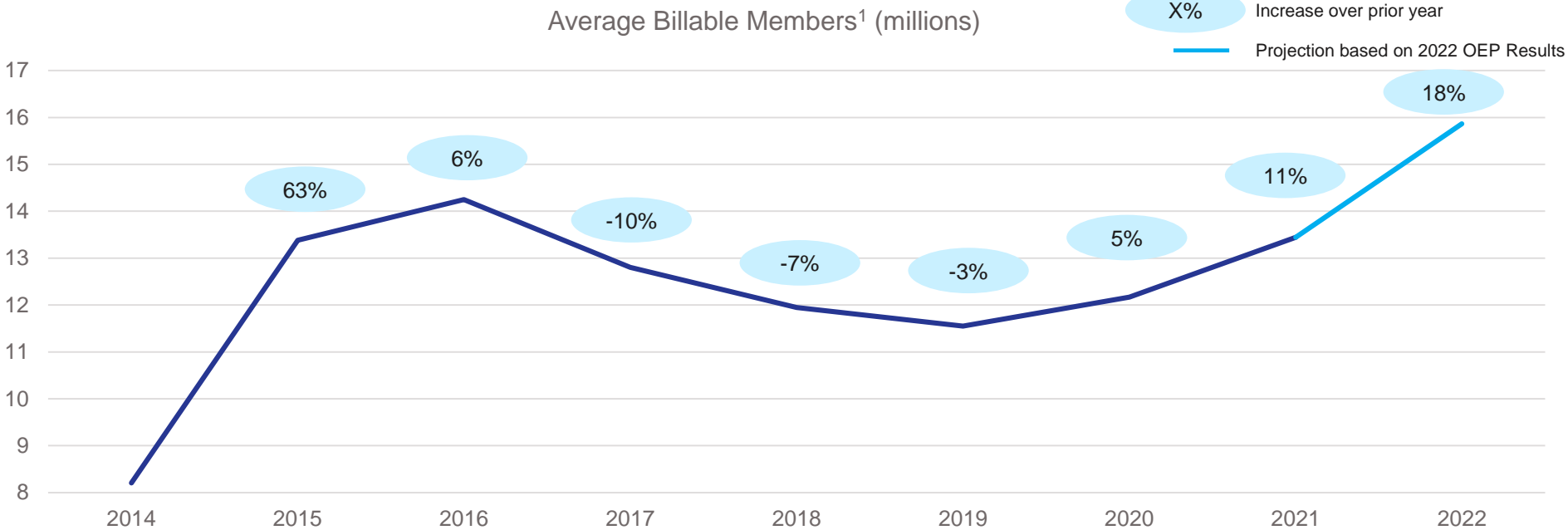
Individual Market



Future Considerations

# Individual Market

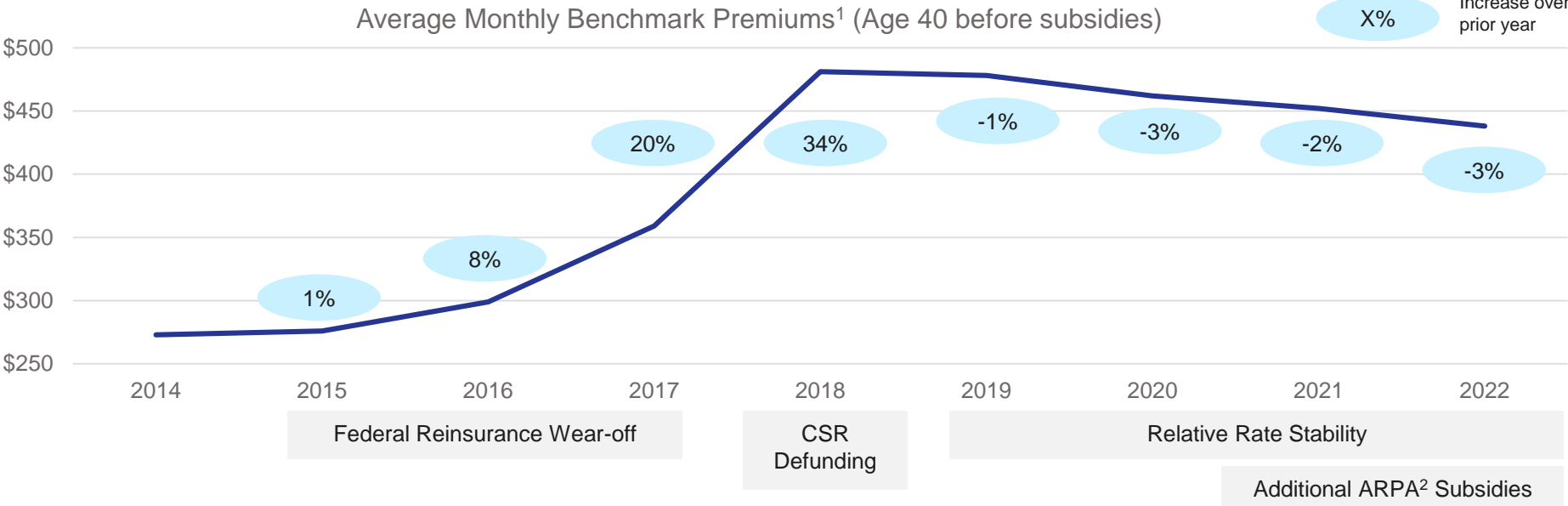
# Individual ACA Market Membership



<sup>1</sup> Source: CCIIO, Risk adjustment reporting, excludes MA, VT merged markets, 2021 is the interim release

# Individual ACA Market Premium

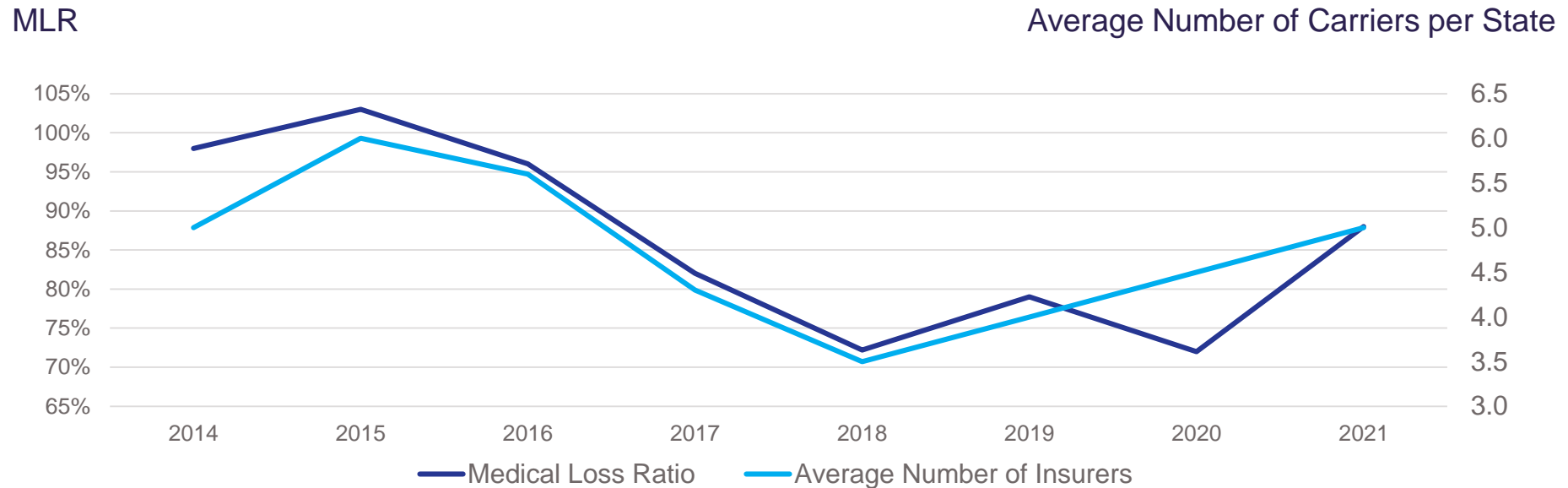
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1 Source: Kaiser Family Foundation, Second Lowest Silver benchmark premium  
2 American Rescue Plan Act of 2021

# Individual Market Medical Loss Ratio<sup>1</sup> and Carrier Participation<sup>2</sup>

High correlation exists between Medical Loss Ratio and Carrier Participation

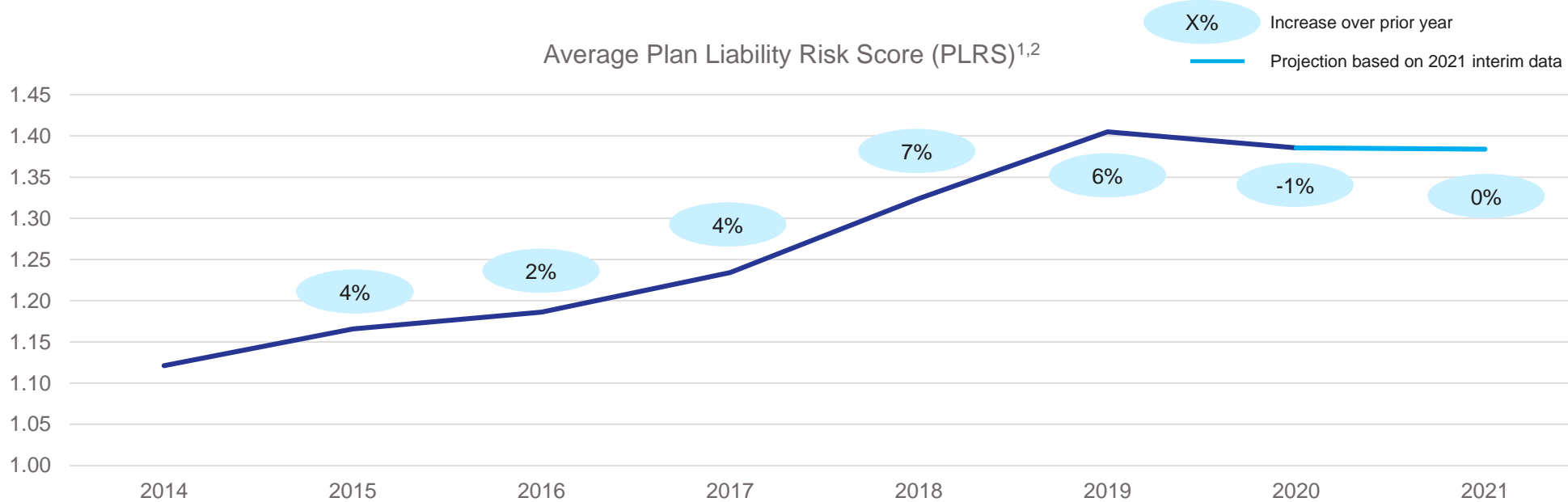


## Implications for 2023

- After several years of relatively stable rates, how will the increases in MLR in 2021 be reflected going forward?
- Might there be retrenchment by carriers who are experiencing high MLR's in 2021?

Proposed 2023 Rate Increases<sup>3</sup>: Maryland 11%, New York 19%, Oregon 7%, Vermont 15%, Washington 7%

# Individual Market Risk Scores



1 Source: CCIIO, Risk adjustment reporting, excludes MA, VT merged market  
2 PLRS is 2021 Equivalent, including Wakely estimate of the impact of Risk Adjustment Model Changes  
3 High-Cost Risk Pool

# Individual Market Risk Adjustment Methodology

	2014-2016	2017	2018	2019	2020	2021
Data	IBM MarketScan®			Transition to EDGE		EDGE
Duration	Not included in model		Included in model regardless of condition (or lack thereof)			
RxC	Not included in Model		Included in model			
RADV	Informational	Affects Next Year's risk score		Affects Same Year's Risk Adjustment Transfers		
Statewide Average Premium	Based on Full Premium		86% of Premium to allow for administrative costs States may apply for an additional proportional reduction			
High-Cost Risk Pool	Not Implemented		Reimburses 60% of claims over \$1 million per enrollee			

## Upcoming Risk Adjustment Changes in 2023

- Updating Durational factor to a HCC-contingent enrollment duration factor and limiting to six months of enrollment
- Including HCC count variables based on HCC with severe illness indicator or organ transplant status
- State requests for proportional reduction in risk adjustment are disallowed (and existing ones are being phased-out)
- CMS originally proposed a two-stage model specification for 2023 but did not adopt its implementation. It is possible CMS may implement this in a future year. This methodology changes the way coefficients are calculated.



# HHS-RADV Timing Schedule

- New timing delays finalized transfers by 1 year
- New schedule collection and payments are more immediate

**RADV Timing Schedule**

Audit Year	Risk Adjustment Impact Year	Reporting Year (MLR)	Results Released	MLR Submissions	Collection & Payments
2017	2018	2021	August 2019	July 2022	Fall 2021
2018	2019	2022	August 2020	July 2023	Fall 2022
2019 & 2020	2020	2021	June 2022	July 2022	August 2022
2021	2021	2022	June 2023	July 2023	August 2023
2022	2022	2023	June 2024	July 2024	August 2024
2023	2023	2024	June 2025	July 2025	August 2025
...	...	...			

**Key**

Past Schedule
Transition Year
Future steady state

# RADV Results for 2019 and 2020 will affect 2020 Risk Transfers

The underlying RADV methodology to calculate and adjust risk scores due to the error rates have changed starting in 2019

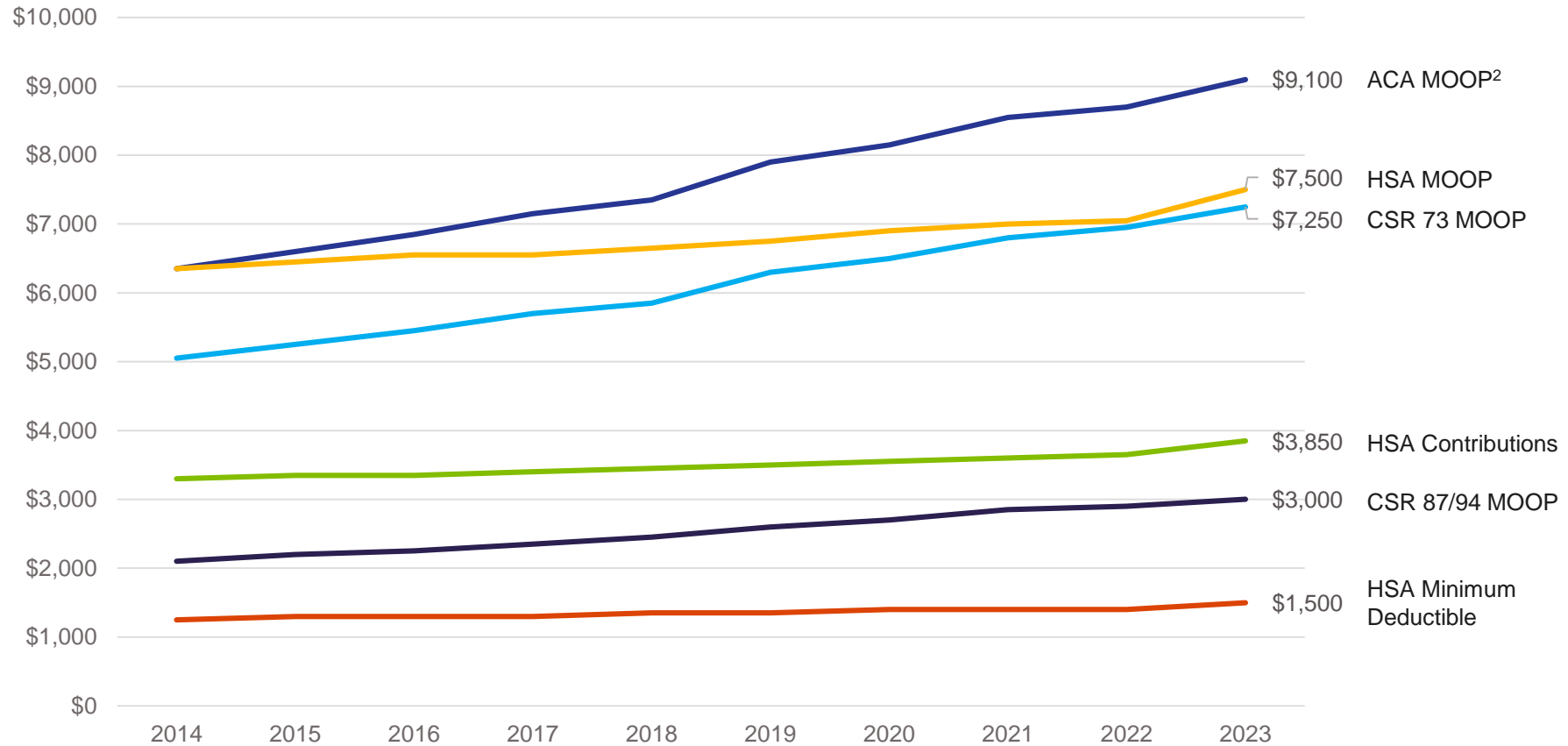
- ⑩ The changes look at error rates at a “super HCC” level rather than overall
- ⑩ The method is meant to minimize “cliffs” in payments, where a carrier would have a large adjustment for being just outside the error rate tolerance threshold

Risk Adjustment payments for most carriers will be adjusted in 2020

- ⑩ The transition from RADV affecting the next year’s risk score to having and impact on the same year’s risk scores created the situation where RADV adjustments will be based on the average of 2019 and 2020 RADV audit results
- ⑩ According to a Wakely Study, it is estimated that in 64% of markets, RADV will impact risk adjustment transfers for the 2020 Plan Year. Any market adjustment will affect all carriers in the market due to zero-sum methodology
- ⑩ In addition, results were not consistent year over year as 54% of markets did not have the same direction in their error rates in both 2019 and 2020 (e.g., only about half the markets had either a positive, zero, or negative error rates for two consecutive years)

# Individual Market Benefit Parameters<sup>1</sup>

HSA amounts are based on general inflation, but ACA amounts are based on medical inflation (i.e., health premium increases)



# Individual Market Plan Design Requirements

Actuarial Value from Federal AV Calculator

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Bronze	58-62%					56-62%				58-62%
Expanded Bronze	Not Allowed				Up to 65%					
Silver (Off-Exch)	68-72%					66-72%				68-72%
Silver (On-Exch)	68-72%					66-72%				70-72%
Silver (73% AV)	72-74% <sup>1</sup>					73-74% <sup>1</sup>				
Silver (87% AV)	86-88%					87-88%				
Silver (94% AV)	93-95%					94-95%				
Gold	78-82%					76-82%				
Platinum	88-92%					86-92%				

Standardized Options were required in 2017 and 2018, and brought back in 2023 as a requirement for states using the federal exchange platform<sup>2</sup>

- For 2023, these standardized plans will be displayed differentially so that they can be easily identified during enrollment
- CMS has indicated that they are considering restricting the number of non-standardized options on exchanges in the future (2024 at the earliest)

# Future Considerations

# Regulatory Considerations for Year 10 and beyond

Family Glitch Fix will be implemented for 2023

## SEP Rules

- In addition to the historical qualifying events, in 2023, all members eligible for CSR 94 have a year-long SEP (FFM and SBM-FP states only)

## Induced Utilization rules

- More and more states are mandating or restricting induced utilization factors used in pricing

## Non-ACA plans

- In a rule that is expected to be released in the fall of 2022, CMS has indicated they'd like to restrict short-term limited duration plans from the current rules that allow for continuous coverage for up to 3 years

## Members are no longer required to pay unpaid premiums to enroll

- Previously, plans could require up to 12 months of back premium be paid before enrolling

# Legislative Considerations for Year 10 and beyond

## American Rescue Plan Act (ARPA) subsidies expire at the end of 2022

- Congress would have to renew the subsidies, or the subsidy calculation would revert to the prior rules that existed in 2020
  - Some states are requiring rate filings to estimate the impact on rates if the subsidies are or are not renewed
- If not passed before August 2022, there will be little opportunity to adjust rates or operationalize the subsidy calculations prior to 2023 open enrollment

## Proposals expanding eligibility

- People in states that did not expand Medicaid who are ineligible for both Medicaid and ACA subsidies

## Proposals to lower Drug costs

- Cap on cost sharing for insulin (similar to the Senior Savings Program in Medicare Advantage)
- Limits on pharmaceutical companies' profits

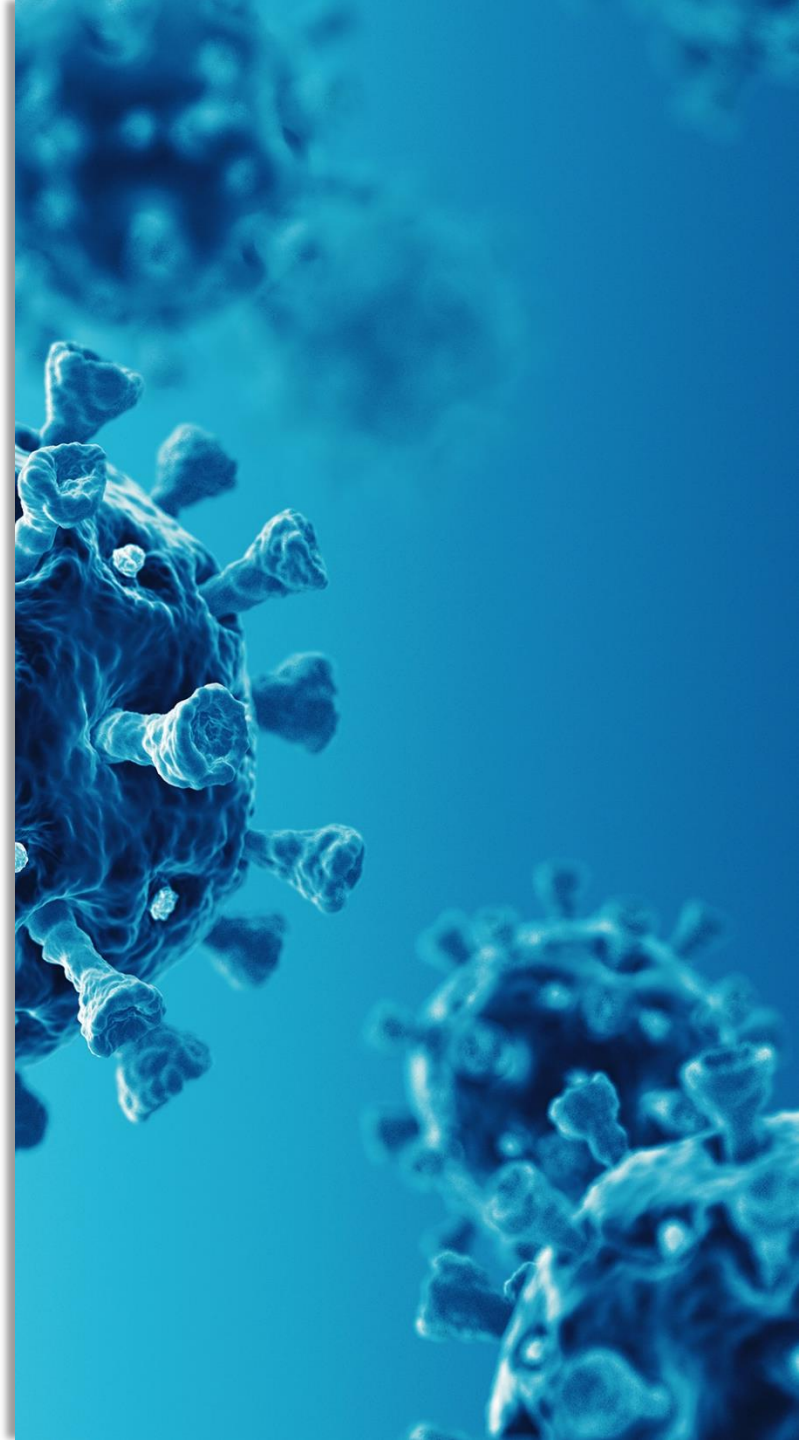
## State Actions

- Additional reinsurance programs being considered under 1332 waivers
- One state (ME) merging their Individual and Small Group market in 2023
- Colorado and Washington “public option” and coverage expansions

# Other Considerations for Year 10 and beyond

## COVID-19 Issues

- The end of the Public Health Emergency (PHE)
  - CMS indicated they will give 60-days notice of the end of the PHE
  - Currently Renewed until July 2022, but since notice has passed, the expectation is that this will continue until at least October
  - States will begin disenrolling Medicaid members who no longer qualify
    - What is the impact on ACA enrollment and morbidity?
- Impacts on medical costs
  - Costs of testing, treatment, and vaccines
  - Deferred care and rebound
  - Permanent impact on medical treatment patterns (e.g., increase in use of telemedicine)



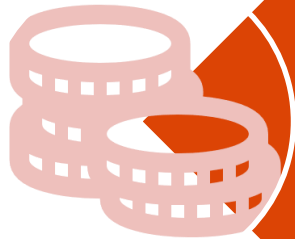


# Other Considerations for Year 10 and beyond

## Inflation



For the first time in decades, it appears that medical cost inflation is lower than general inflation levels



Predicting unit costs will be tricky, and will depend significantly on contract negotiations with providers and Medicare fee levels

THANK YOU

Questions?



To get a copy of this presentation, discuss material or topics, please contact us:

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