

ACA Pricing Key Considerations for 2025

PRESENTED BY:

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Going Beyond the Numbers

Agenda

Introductions

ACA 101

Exercise: Actual to Expected

2025 Pricing and Strategy

Introductions

Presenters



Karan

- Helped multiple national carriers, Medicaid players, and PSPs launch and succeed in ACA markets. Has also supported as an expert advisor and reviewer for a number of health plans.
- Served as VP of Plans, Pricing, Underwriting for Oscar during pivotal year to shift from growth at all costs to profitable growth
- Advised payer clients on policy modeling
- Advised state and international governments on reform modeling and state regulators on rate reviews
- Helped private equity firms evaluate risk-taking entities
- Serve as trusted advisor for various chief actuaries to brainstorm and advise on emerging regulations



Michelle

- Helped multiple carriers with strategy and rate filing certification in ACA market including a large national start-up insurer
- Assisted state insurance divisions and various entities with reform modeling and policy analysis
- Has analyzed provider contracts for benchmarking and negotiation between parties, including capitation and value-based care arrangements
- Prepared and certified MA-Prescription Drug bids

ACA 101

Pricing Basics – Index Rate Development

- **Allowed Claim Cost Development**
 - Start with base period claim costs
 - Apply adjustments to get to projection period
- **Claim Cost Adjustments**
 - Utilization and unit cost trend
 - Provider contracting (adjustments in addition to unit cost trend)
 - Geographic adjustment
 - Member mix adjustment
 - Other examples: COVID-19, ACA policy, medical management, benefit changes
- **Risk Adjustment Transfer**
 - Accounts for health risk differences across issuers
 - Reward quality, affordable coverage, and not selection
 - Developed using risk transfer formula (more details to come)
 - Adjust for differences in member mix and coding trend
- **Final Index Rate**
 - 2024 Projected Allowed Claim Cost + 2024 Risk Adjustment Transfer
 - This reflects best estimate of member mix (metal, age, geography) and risk

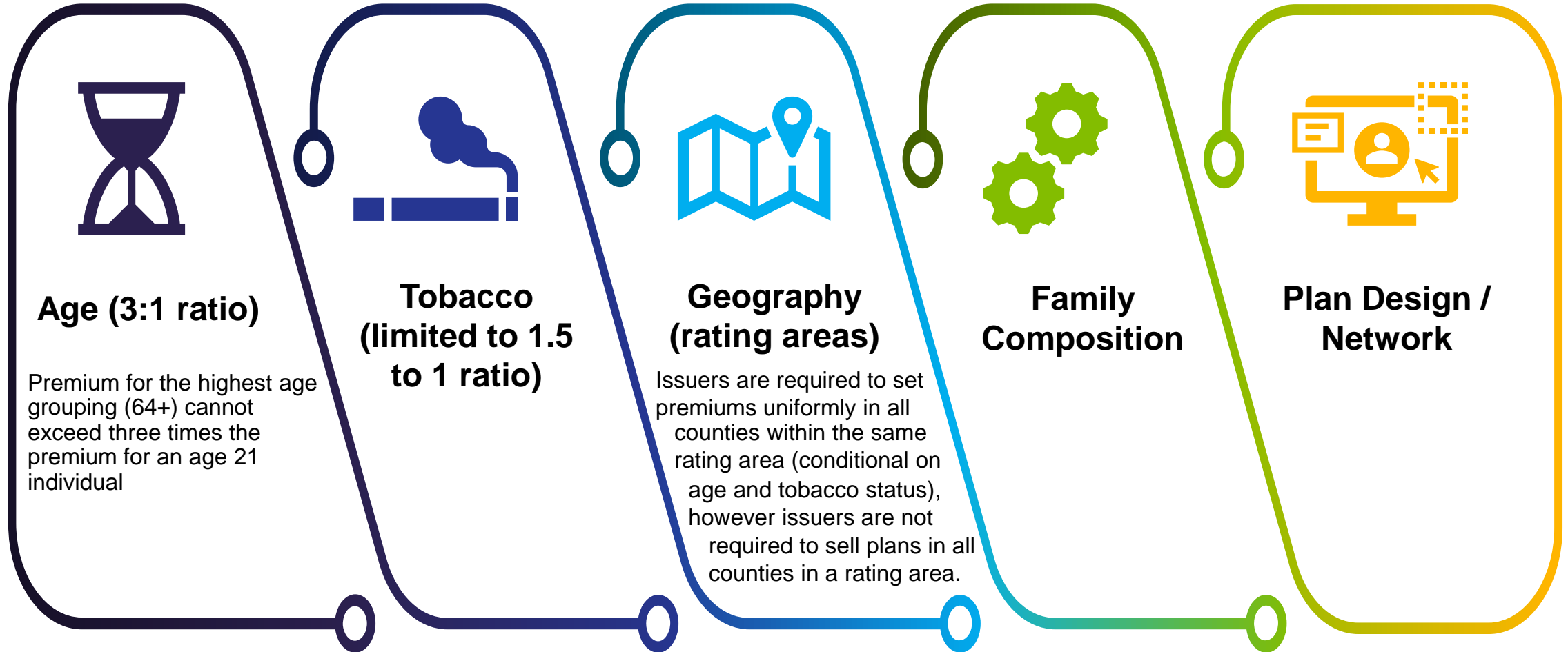


ACA Rate Overview – Premium Development

- Developed at the plan ID level, starting with the Index Rate (2024 Estimated Allowed Claims + Risk Adjustment) for all plans
- Components Applied (Allowed Rating Factors):
 - Pricing AV
 - Cost-Share Reduction (CSR) Load
 - Induced Demand
 - Catastrophic Adjustment
 - Network Factor
 - Geographic Factor
- Apply Retention to develop final premium rate for each plan
 - Admin
 - Taxes and Fees
 - Profit Margin



Rating Rules - Allowable Rating Variation



Risk Adjustment Overview

GOAL: Account for health risk differences while preserving permissible premium differences. Reward quality, affordable coverage, and not selection.

- Zero-sum game, by state and market
- Transfer is based on relative risk multiplied by statewide avg premium
- Concurrent Model using medical diagnosis and pharmacy data
- Risk Score Components: Demographic, Enrollment Duration Factor, HCCs, RXCs
- Separate models for Adult, Child, Infants, and Metal Tier (3x5)
- Cost sharing variants for silver 87% and 94% receive multiplicative bump
- Annual model changes
- The calculated transfers result in plans with sicker members receiving payments from plans with healthier members
- Transfers are calculated on a paid basis but converted to an allowed basis due to ACA rules.

Exercise: Actual to Expected

Actual to Expected Exercise

GOALS

- Understanding of risks and losses
 - Mis-pricing of assumptions
 - Regulatory mandate impacts / cross subsidization
 - Communication to finance/leadership
 - Sensitivity of assumptions and range (monte carlo)
- How to inform financials
 - Adjusting for new mix and demographics
 - Adjusting for experience throughout year
- How to inform future pricing in 2025
 - Re-alignment by plan and metal
 - Pricing factor adjustments
 - Credibility and smoothing considerations

Move to Excel File

2025 Pricing and Strategy

Strategy Considerations

Profitability
analysis

Risk
adjustment

Competitive
positioning

Benefit design
and market
comparison

Membership
growth

Membership
plan selection

State pricing
mandates /
rate review

Policy change
impacts

2025 Hot Topics

Pharmacy

- Impact of Medicaid drug caps / Medicare Part D IRA changes to ACA
- Insulin drug reductions
- Rebates
- Weight loss drugs

Medical trend/inflation

Impact of carrier exits

Medicaid re-determination

2024 Election

Thank You