Georgia Individual Market Trends
- Predictable Fixed Credit 1332 Waiver Proposal

November 18, 2026

Context and Objectives

Objectives

1. **Inform**: Share an overview of current risk and premium drivers in the Georgia Individual ACA Market.

2. **Discuss**: Discuss current APTC methodology and argument for a new subsidy methodology.

3. **Discuss**: Discuss the basic mechanics of the Predictable Fixed Credit calculation.

4. **Discuss**: Discuss actuarial modeling of Predictable Fixed Credit impact.

Georgia Individual ACA Risk and Enrollment Changes 2020-2026

- ACA is risk adjusted, and market risk increases ultimately impact all carriers. (Risk/morbidity is a comparable measure to mortality on life side.)
- Introduced in 2021, Enhanced Premium Tax Credits ("EPTCs") initially led to significant increases in market size as lower FPL members sought coverage.
- Georgia is not a Medicaid Expansion state, which leads to more membership in 100-150% FPL range.
- Medicaid repatriation in 2024 led to continued growth until EPTC expiration in 2025. 68% of market is 100-150% FPL.
- Other breakdowns have resulted in premium increases and market lapses.
- Original objective of ACA was to create a robust, stable market. This has broken down and market volatility adds a layer of complexity.

Georgia Individual ACA by Year

Year	Enrollment	Morbidity Increase
2020	453,071	-0.8%
2021	625,893	-2.1%
2022	750,303	-5.9%
2023	1,116,032	-0.8%
2024	1,417,925	8.3%
2025	1,327,764	11.1%
2026	913,113	5.3%

Morbidity estimated as ACA market risk increase -1.25%.

Drivers of morbidity:

2022: Introduction of reinsurance lowered premiums 10.2% and improved risk.

2024: Risk increase during a period of rapid growth, which indicates a bigger problem. A primary driver of risk increase is provider based/acute selection, correlated with SEP and Medicaid redetermination.

2025: Continued acute selection, SEP based selection, slowing growth leads to durational impact, and broker fraud/lapsation(4-5%).

2026: 7-8% impact due to lapsation, offset 2-3% by SEP/other reform.

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Individual ACA Market Prevalence by Diagnostic Category 2022-2026

			2022	2023	2024	2025	2026 est
Acute	HCC002	Septicemia, Sepsis	0.67%	0.77%	0.94%	1.06%	1.01%
	HCC023	Protein-Calorie Malnutrition	0.36%	0.40%	0.44%	0.52%	0.54%
	HCC125	Respirator Dependence/Tracheostomy Status	0.09%	0.10%	0.14%	0.14%	0.14%
	G09A	Drug Psychosis; Drug Dependence	1.10%	1.42%	1.79%	2.20%	2.49%
	G13	Respiratory Arrest; Cardio-Respiratory Failure and Shock	0.78%	0.85%	0.96%	1.10%	1.04%
Acute Subtotal			**3.00%**	**3.54%**	**4.27%**	**5.02%**	**5.22%**
Chronic	G15A	Chronic Obstructive Pulmonary Disease, Including Bronchiectasis	6.58%	6.44%	6.85%	7.86%	8.56%
	HCC008	Metastatic Cancer	0.45%	0.41%	0.41%	0.45%	0.56%
	HCC066	Hemophilia	0.02%	0.01%	0.01%	0.01%	0.02%
	HCC088	Major Depressive Disorder, Severe, and Bipolar Disorders	2.06%	2.22%	2.42%	2.95%	3.32%
	HCC142	Specified Heart Arrhythmias	1.61%	1.56%	1.55%	1.83%	2.21%
	HCC156	Pulmonary Embolism and Deep Vein Thrombosis	0.59%	0.57%	0.59%	0.66%	0.72%
	RXC 01	Anti-HIV Agents	0.98%	0.98%	0.97%	1.06%	1.29%
	RXC 09	Immune Suppressants and Immunomodulators	0.59%	0.50%	0.49%	0.56%	0.72%
Chronic Subtotal			**12.88%**	**12.71%**	**13.31%**	**15.38%**	**17.41%**

- These are the most relevant acute and chronic condition categories. All of these codes are typically associated with high morbidity and comorbid conditions. Because of risk adjustment, these members are 85% of our revenue despite being 20% of our membership.
- 2024 and 2025 risk increases came alongside significant increases in acute utilization; 2024 chronic prevalence trends were relatively low.
- **These acute codes typically correlate with facility utilization.**
- Certain carriers saw outsized inpatient and other facility trends; other carriers saw minimal trends
- **Indications that provider based selection was a primary driver in 2024 market risk increases and a secondary driver in 2025.** Indications are also that ACA business was sold at the “Point of Contact”
- Chronic drivers increased in relevance in 2025 to 2026.

Current Individual ACA APTC Subsidies and Age Gender Rating

- **Age/gender-** age/gender pricing is based on 3:1 scale and ignores gender, instead of more accurate 4.7:1 and gender differentials.
- **Subsidies** are tied to Second Lowest Cost Silver Plan ("SLCSP") premiums in county/zip ranges. Change by year with SLCSP and FPL.
- APTC subsidies by age and FPL are calculated as SLCSP – FPL max contribution/month.

Rough Georgia Statewide 2027 APTC Subsidy Calculation - Current Waiver, Single

	FPL %						
	100-133	133-150	150-200	200-250	250-300	300-350	350-400
2027 FPL Income	19,418	22,583	27,930	35,910	43,890	51,870	59,850
Max Contribution %	2.2%	3.5%	5.4%	7.6%	9.3%	10.0%	10.0%
Max Contr/Month	$ 33.17	$ 69.27	$ 127.57	$ 230.04	$ 341.59	$ 430.52	$ 496.76

		APTC Subsidies: (SLSCP – Max Contr/Month)						
Age	SLCSP Premium	100-133	133-150	150-200	200-250	250-300	300-350	350-400
0-20	440.18	407.01	370.91	312.61	210.14	98.59	9.66	-
21-24	547.75	514.58	478.48	420.18	317.71	206.16	117.23	51.00
25-29	578.64	545.47	509.37	451.07	348.60	237.05	148.12	81.89
30-34	645.14	611.97	575.87	517.57	415.10	303.55	214.62	148.38
35-39	678.99	645.82	609.72	551.42	448.95	337.40	248.47	182.24
40-44	729.49	696.32	660.22	601.92	499.45	387.90	298.97	232.74
45-49	859.75	826.58	790.48	732.18	629.71	518.15	429.23	362.99
50-54	1,071.18	1,038.01	1,001.91	943.61	841.14	729.59	640.66	574.42
55-59	1,331.14	1,297.97	1,261.87	1,203.57	1,101.10	989.55	900.62	834.39
60-64+	1,571.93	1,538.76	1,502.66	1,444.36	1,341.89	1,230.34	1,141.41	1,075.18
65+	1,643.25	1,610.08	1,573.98	1,515.68	1,413.21	1,301.66	1,212.73	1,146.50

Arguments against current methodology:

- Subsidized consumers are insulated from cost increases.
- Unsubsidized consumers are priced out of market, resulting in selection and issues with fairness.
- *Limited price competition under benchmark, leading to inflation and selection.*
- *No discipline on premium levels, leading to higher premiums and selection*
- Age band/gender compression leads to selection

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Georgia Proposed 1332 Innovation Waiver- Predictable Fixed Credit

Argument that APTC methodology leads to a selective risk pool is much of the basis for this proposed 1332 waiver.

Section 1332 of the Affordable Care Act (ACA) allows states to apply for **State Innovation Waivers** to modify certain rules of the individual and small-group health insurance markets and test alternative ways of delivering coverage. The program is overseen by the U.S. Department of Health and Human Services (HHS) and the Department of the Treasury. [1]

To win federal approval, plan must meet 4 statutory guardrails:

- **Comprehensiveness** of coverage,
- **Affordability** of premiums and cost sharing,
- **Coverage** scope/ covered membership
- **Deficit Neutrality** over a 10 year window

An actuarial and economic analysis is included to demonstrate the proposal meets these guardrails.

Georgia's application builds upon Georgia's previously approved Section 1332 Waiver, which established the state-administered reinsurance program, and proposes three complementary components:

- **Account-Based Subsidies (ABS)-** direct financial assistance. Defined contribution consumer directed account- Health Expense Account.
- **Predictable Fixed Credit (PFC)-** replace APTC with PFCs, a state defined subsidy, calculated based on age, rating area, income. PFCs are calculated based on 2027 SLCSPs
  - Indexed to CPI-U Medical Care in future years, 3% in modeling
  - Shift from APTC funds PFCs, state based CSR, and administration in deficit neutral fashion
  - Elimination of 73% CSR, new subsidies for members buying down from CSR plans to bronze
  - Differential between premium increases and PFC trend funds additional reinsurance
  - PFCs are calculated to target net rates that vary by age in 1:4.7 ratio instead of 1:3.
- **Commercial Partners Program (CPP)-** removes federal requirement to operate a navigator program under Section 1311(i).

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Predictable Fixed Credits

Predictable Fixed Credit (PFC)- replaces APTCs with PFCs, a state defined subsidy, calculated based on age, rating area, income. PFCs are calculated based on 2027 SLCSPs excluding silver loading

- Indexed to CPI-U Medical Care in future years, 3% in modeling
- In waiver calculation, APTC subsidies fund PFCs, CSR, and administration expenses in deficit neutral fashion
- Elimination of Silver loading.
- Elimination of 73% CSR, new subsidies for members buying down from CSR plans to bronze
- In future years premium trends should exceed CPI. Differential funds additional reinsurance.
- PFCs are calculated to target net rates that vary by age in 1:4.7 ratio instead of 1:3.
- In 2028, member rates are guaranteed to be equal to or lower than projected APTC equivalent rates- **Baseline Adjustment**.
- PFCs are calculated by rating area instead of geo/zip.

Predictable Fixed Credits- Mechanical Calculation

- PFC calculation targets 1:4.7 ratio in net rates by age and is tied to APTC methodology at age 65+/350-400% FPL anchor rate.
- We don't have time to explain properly.
- The numbers below are net rates. Net rates are calculated based on 2027 496.76 anchor rate and defined relativities. **PFCs are calculated as 2027 SLCSP (in blue) – net rates (in green) by FPL/age.**
- Trended forward to 2028 and later years at CPI-M
- See appendix…

2027 PFC Statewide Calculation (My Estimated) Net Rates and SLCSP

		2027 Net Rates by FPL and Age							
Age	**27 SLCSP**	**100-133**	**133-150**	**150-200**	**200-250**	**250-300**	**300-350**	**350-400**	
0-20	387.48	21.28	21.28	48.36	87.05	131.54	168.30	193.44	**26%**
21-24	482.17	23.38	23.38	53.14	95.66	144.55	184.94	212.58	**21%**
25-29	509.37	25.70	25.70	58.40	105.12	158.85	203.23	233.60	**28%**
30-34	567.90	28.24	28.24	64.18	115.52	174.56	223.33	256.70	**35%**
35-39	597.70	31.03	31.03	70.52	126.94	191.82	245.42	282.09	**39%**
40-44	642.16	34.10	34.10	77.50	139.50	210.79	269.69	309.99	**42%**
45-49	756.82	37.47	37.47	85.16	153.29	231.64	296.37	340.65	**49%**
50-54	942.94	41.18	41.18	93.59	168.45	254.55	325.68	374.34	**61%**
55-59	1,171.78	45.25	45.25	102.84	185.11	279.73	357.89	411.36	**74%**
60-64+	1,383.74	49.73	49.73	113.01	203.42	307.39	393.28	452.05	**91%**
65+	1,446.52	54.64	54.64	124.19	223.54	337.79	432.18	496.76	**100%**
		11.0%	**11.0%**	**25.0%**	**45.0%**	**68.0%**	**87.0%**	**100.0%**	

As mentioned above, PFCs are calculated as SLCSP (in blue) – net rates (in green) by FPL/age. Ie, PFC at age 0-20 and 100-133 is 387.48-21.28.

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Actuarial Modeling of Waiver Proposal

Novarest Assumptions PMPM- Subsidized On Exchange

Current Waiver	2028	2029	2032	2035
Avg Enrollment APTC	789,307	789,307	789,307	789,307
APTC Gross Premium	879.00	929.00	1,096.00	1,293.00
APTC Subsidy	685.00	726.00	864.00	1,028.00
APTC Net Prem	194.00	203.00	232.00	265.00

Proposed Waiver	2028	2029	2032	2035
Avg Enrollment PFC	795,767	795,767	795,767	795,767
PFC Gross Premium	773.00	817.00	913.00	1,021.00
PFC Subsidy	584.45	637.02	696.08	760.69
PFC Net Prem	188.55	179.98	216.92	260.31
CSR	73.30	77.39	91.11	107.34
CSR Backfill	2.41	2.51	3.04	3.56
PFC Budget Adj Assumed	(34.00)	-	-	-
Year One Baseline Adj	17.07	-	-	-
Admin Cost	1.68	3.14	3.14	3.14
APTC - PFC	**6.10**	**5.94**	**70.64**	**153.27**
Reinsurance	**-**	**0.21**	**66.50**	**151.53**
APTC-PFC-Reins	**6.10**	**5.73**	**4.14**	**1.74**

- Novarest performed guardrail modeling. Analysis was solid, compliant with ASOPs, and interesting. We performed a similar analysis to review assumptions.
- Deficit Neutrality: Solve based on APTC subsidies, PFC subsidies, CSR, and "other".
- Membership increase results in $6.10/.7% "margin" in first year that continues.
- **Gross Premiums**
- In first year, PFC gross premiums are assumed to drop 12% versus APTC gross premiums. CSR re-funding lowers gross premiums by 7-8%, so other drivers must improve pricing 4-5%.
- If a 4-5% cost reduction is reasonable, this solve is feasible.
  - Novarest's drivers of cost reduction are unclear, but presumably include
    - 1.7% "Premium shift"
    - Age mix favorability (we estimated a .6% impact with a significant shift)
    - CSR/SLCSP favorability due to competitive pressures
    - Other selection improvement.

Actuarial Modeling of Waiver Proposal Continued

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- **Net Premiums**
- We calculated a 7% increase in net premiums with a 0% cost reduction, higher than Novarest. The net premium solve has to support:
  - $6.10 PMPM “margin” impact in 2028 to support membership increases,
  - $2-3 PMPM admin impact by year, and
  - CSR/credit account impacts worth ~ $4 PMPM.
  - Over time, this is a $13-18 PMPM impact.
- **Baseline Adjustment-** Absent cost structure improvements or mix changes, baseline adjustment to keep all members equal or better is not possible in a deficit neutral solve.
- Other morbidity improvements are certainly possible and could contribute to a cost structure improvement.
- See increase in reinsurance funding by year.
- Lower SLCSP leads to fewer $0 cells.
- **Enrollment Impact-** We calculated an enrollment improvement with a 4-5% cost reduction and an unfavorable enrollment impact with a 0% cost reduction.
- **Absent morbidity/cost improvements, neutrality is not achievable. With 4-5% cost reductions, PFCs could work if the APTC/PFC solve is calculated correctly. Recalibration framework/assumption uncertainty both need to be addressed for the APTC/PFC neutrality solve to be accurate.**

Noted APTC Problems and PFC Solutions

PFCs can work if state can demonstrate legitimate drivers of cost reductions. These legitimate drivers do exist, but unclear if it is politically feasible to identify and target.

See next slide for Bronze and Silver net rate impact at a 0% cost improvement.

Assumed shift to bronze is not compatible with silver rate reduction and bronze rate increase.

Arguments against current methodology	Proposed 1332 solutions
Subsidized consumers are insulated from cost increases	**Transparent HEAs**
Unsubsidized consumers are priced out of market, resulting in selection	**Additional reinsurance funding.**
Limited price competition under benchmark, leading to inflation and selection	**PFCs are tied to CPI-M**
No discipline on premium levels, leading to higher premiums and selection	**Price competition argument**
Age band/gender compression leads to selection	**1:4.7 net rate age ratio reduces selection impact.**

Appendix

Modeled Rate Impacts by Cell Assuming 0% Cost Improvement

Rate Impacts by Cell

	Silver Subsidized						
Age	**100-133**	**133-150**	**150-200**	**200-250**	**250-300**	**300-350**	**350-400**
0-20	(5)	(43)	(81)	(148)	(215)	(271)	(278)
21-24	(1)	(39)	(74)	(137)	(200)	(251)	(292)
25-29	2	(36)	(68)	(127)	(184)	(231)	(269)
30-34	6	(33)	(60)	(115)	(166)	(209)	(244)
35-39	9	(29)	(53)	(102)	(147)	(185)	(216)
40-44	13	(25)	(45)	(88)	(126)	(158)	(186)
45-49	19	(19)	(34)	(71)	(102)	(128)	(151)
50-54	27	(12)	(22)	(51)	(74)	(93)	(112)
55-59	35	(3)	(8)	(29)	(43)	(55)	(68)
60-64+	44	6	7	(6)	(10)	(13)	(21)
65+	50	12	20	17	24	29	28
							(7,616,399)

Rate Impacts by Cell

	Bronze Subsidized						
Age	**100-133**	**133-150**	**150-200**	**200-250**	**250-300**	**300-350**	**350-400**
0-20	22	16	(17)	(84)	(150)	(205)	(213)
21-24	25	25	6	(57)	(118)	(170)	(211)
25-29	28	28	17	(42)	(98)	(145)	(183)
30-34	31	31	34	(20)	(70)	(113)	(148)
35-39	34	34	46	(3)	(46)	(84)	(115)
40-44	38	38	62	19	(18)	(50)	(77)
45-49	43	43	92	55	26	0	(23)
50-54	49	49	105	107	85	66	48
55-59	56	56	118	167	155	144	130
60-64+	64	64	131	227	224	221	213
65+	70	70	143	249	268	274	272
							13,838,787

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ACA Risk Adjustment Formula

(for street cred)

Transfer formula:

$$\left[\frac{PLRS_i \times IDF_i \times GCF_i}{\sum_i (s_i \times PLRS_i \times IDF_i \times GCF_i)} - \frac{AV_i \times ARF_i \times IDF_i \times GCF_i}{\sum_i (s_i \times AV_i \times ARF_i \times IDF_i \times GCF_i)}\right] \overline{P}_s$$

- **Translation: ACA rates already include factors adjusting for demographics, area, and benefit differences, and the formula can be explained as:**
  - **[(Carrier relative risk)-(Carrier relative rating factors)] x (Statewide Average Premium) x (Member Months)**

How It Works: Credit, Account & Savings

Predictable Fixed Credit

- Anchored to the unloaded second-lowest cost Silver plan; varies by income, age and rating area
- Indexed to historic CPI-U Medical Care
- Redistributive: more subsidy value to younger, healthier enrollees
- 2028 net premium assistance matches PTCs in aggregate

Health Expense Account

- Monthly state-grant deposits of the Account-Based Subsidy
- Premium auto-debited first; remainder pays qualified expenses
- Eligible remaining funds can vest and transfer to an HSA
- Restricted-use debit card and online portal

Where Savings Come From

- Waive 36B ($7.2B in premium tax credits)
- Replace CSR with 87%/94% AV equivalent subsidy (bronze buy-down) or a 73% AV subsidy
- Reinsurance: $872M in 2028 (-9.1%) rising to $1.67B in 2032 (-13.6%)
- $634M new passthrough by 2032

Predictable Fixed Credits

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Attempts to Fix Current Methodology

- PFCs trend at CPI-M, 3% in modeling, while Premiums are assumed to trend at 5.6%. Differential results in additional passthrough $s that fund new supplemental reinsurance that add value to unsubsidized.
- Net rates by age are adjusted to 1:4.7 ratio, with lower rates for younger ages, reducing age based selection.
- Increases in unsubsidized membership will improve robustness of risk pool.

- Subsidized consumers are insulated from cost increases- Payments from credit account will be transparent
- Unsubsidized consumers are priced out of market, resulting in selection-
- Limited price competition under benchmark, leading to inflation and selection.
- No discipline on premium levels, leading to higher premiums and selection
- Age band/gender compression leads to selection