Individual Market and NH Premium Assistance Program (NHPAP)
2018 Projections

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Bela Gorman, FSA, MAAA
Gorman Actuarial, Inc.
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Recap

➢ Non-PAP’s adjusted 2016 allowed claims are $234 PMPM and the combined PAP and Non-PAP population’s adjusted allowed claims are $272 PMPM

➢ If PAP population was not part of Individual Market, overall adjusted medical expenditures would decrease 14%, which would have a downward impact on premiums

➢ Impact may be very different in 2018
  ➢ Minuteman exiting the market
  ➢ Harvard Pilgrim Health Care (HPHC) withdrawing full network plan
  ➢ Significant premium increases in the market
  ➢ Loose individual mandate enforcement
  ➢ Price sensitive “healthy” individuals may exit the market, which could reduce the claims costs gap between PAP and Non-PAP populations
74% of the Individual Market receive subsidies (highlighted in green)
As of August 2017 there are 96,500 enrollees in the market
Approximately 25K pay full premium for health insurance
2016 Allowed Claims Relativity

- Enrollees that are eligible for cost sharing reduction (CSR) subsidies (highlighted in blue) have claims costs that are similar to the PAP market.
- Enrollees that are not eligible for CSR (highlighted in red) have claims costs that are much lower than CSR and PAP members.
- Note: Medical Expenditures reflect utilization differences due to plan design.

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2017 Distribution by Insurer Non-PAP Market

26K enrollees (highlighted in red) will experience disruption in 2018 as Minuteman is exiting the market and HPHC has withdrawn their full network plan offering.

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2018 Premium Increases

- Simulated rate changes, mapped members in terminated plans to lowest cost option in metallic tier
- Individuals that are paying full premium will experience an average rate increase of 52%
- Those individuals receiving subsidies will generally experience flat or negative rate change. The APTC will increase significantly in 2018.
- PAP market does not pay premiums
- Unsubsidized individuals most likely to exit the market

Average 2018 Rate Increases
NH Individual Market

<table>
<thead>
<tr>
<th></th>
<th>Average Rate Increase</th>
<th>Market Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsubsidized</td>
<td>52%</td>
<td>25,100</td>
</tr>
<tr>
<td>Subsidized</td>
<td>Flat or negative (mostly)</td>
<td>28,600</td>
</tr>
<tr>
<td>PAP</td>
<td>0%</td>
<td>42,800</td>
</tr>
</tbody>
</table>

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Advanced Premium Tax Credit (APTC)

Scenario 1: Individual Enrolled in 2\textsuperscript{nd} lowest costing silver plan on Exchange

- APTC is calculated by taking the 2nd lowest costing silver premium rate offered on exchange and subtracting the member premium.
  - \(\text{APTC} = \{2\textsuperscript{nd} lowest silver\} - \{\text{member premium}\}\)

- Member premium is a percentage of one's income
  - \(\text{Member premium} = \{\text{Required contribution \%}\} \times \{\text{annual income}\}\)

- Example of enrollee earning 200\% FPL
  - 200\% FPL = $24,120
  - Required contribution \% = 6.34\%
  - \(\text{Member Premium} = .0634 \times 24,120 = $1,529\) a year or $127 a month

Scenario 2: Individual Enrolled in a plan other than 2\textsuperscript{nd} lowest costing silver plan on Exchange

- If an enrollee enrolls in a plan \textbf{other} than the 2\textsuperscript{nd} lowest silver plan, the enrollee pays the member premium plus the difference between the premium of the 2\textsuperscript{nd} lowest silver plan and the chosen plan's premium.
# 2018 APTC Illustrative Example (Subsidized Member)

<table>
<thead>
<tr>
<th>50 Year Old, 200 FPL</th>
<th>2017</th>
<th>2018</th>
<th>Change in Premium Dollars</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scenario 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age Adjusted 2nd Lowest Costing Silver Premium</td>
<td>$375</td>
<td>$643</td>
<td>$268</td>
<td>71.5%</td>
</tr>
<tr>
<td><strong>Member Premium if enrolled in 2nd Lowest Costing Silver</strong></td>
<td>$127</td>
<td>$127</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Advanced Premium Tax Credit (APTC)</td>
<td>$248</td>
<td>$516</td>
<td>$268</td>
<td>108.1%</td>
</tr>
<tr>
<td><strong>Scenario 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age Adjusted &quot;More Expensive&quot; Silver Plan Premium</td>
<td>$464</td>
<td>$697</td>
<td>$233</td>
<td>50.2%</td>
</tr>
<tr>
<td>(&quot;More Expensive&quot; Silver plan)-(2nd lowest costing silver plan)</td>
<td>$89</td>
<td>$54</td>
<td>-$35</td>
<td>-39.3%</td>
</tr>
<tr>
<td>Actual Member Premium</td>
<td>$216</td>
<td>$181</td>
<td>-$35</td>
<td>-16.2%</td>
</tr>
</tbody>
</table>

- If a subsidized member is enrolled in a plan other than second lowest costing silver, the rate increase in 2018 will generally be negative since the increase in APTC is greater than the increase in the renewal rate.
2018 Illustrative Rates

2018 Illustrative Annual Premium
50 Year Old Single

- PAP enrollees are in “Platinum-equivalent” plans
- Individuals earning between 150 and 200% FPL are in Platinum/Gold Plans
- Individuals earning above 200% FPL are in silver plans
- No Subsidies: rates are based on the median silver plan rate
2018 Modeling Assumptions

➤ Assume PAP market size remains stable in 2018: $0 Premiums
➤ Assume subsidized market size remains stable in 2018: Premium increases are generally flat or negative, after APTC
➤ Assume the non-subsidized market size will change
  ➤ Developed a model using rate filings and membership reports
  ➤ Simulated the enrollment of the non-subsidized market based on rate increases and 2017 insurance carrier
  ➤ Developed claims relativities using the data for 2016 as shown in slide 5
  ➤ Assume those individuals that stay enrolled in the market have higher claims costs than those that leave the market
➤ Results only model the impact of the market changes identified in 2018
2018 Modeling Results

- By year end 2018, the Individual Market will lose 5,300 to 13,200 members due to premium increases, the market withdrawal of Minuteman and other product offerings, and the weakening of the individual mandate.
- The loss of the healthier members in the unsubsidized market will lead to higher average claims costs in the Individual Market.
  - Modeled increases range from 3% to 6%
  - This will lead to upward pressure on premiums

<table>
<thead>
<tr>
<th>Modeling Results</th>
<th>PAP</th>
<th>Subsidized</th>
<th>No Subsidies</th>
<th>Total</th>
<th>Membership Loss</th>
<th>Individual Market Claims Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>42,800</td>
<td>28,600</td>
<td>25,100</td>
<td>96,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Estimate</td>
<td>42,800</td>
<td>28,600</td>
<td>19,800</td>
<td>91,200</td>
<td>-5,300</td>
<td>3%</td>
</tr>
<tr>
<td>Best Estimate</td>
<td>42,800</td>
<td>28,600</td>
<td>14,900</td>
<td>86,300</td>
<td>-10,200</td>
<td>5%</td>
</tr>
<tr>
<td>High Estimate</td>
<td>42,800</td>
<td>28,600</td>
<td>11,900</td>
<td>83,300</td>
<td>-13,200</td>
<td>6%</td>
</tr>
</tbody>
</table>
2018 Modeling Results

- Recap: if PAP members were not included in the Individual Market in 2016, overall adjusted medical expenses would have been 14% lower.

- Excluding the PAP members from the Individual Market will have a downward impact on 2019 premiums rates (Avg. 2018 projected medical expenditures would reduce 10% to 12%).

<table>
<thead>
<tr>
<th>Exclusion of PAP from Market</th>
<th>Individual Market Adjusted Claims Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Baseline</td>
<td>-14%</td>
</tr>
<tr>
<td>2018 Low Estimate</td>
<td>-12%</td>
</tr>
<tr>
<td>2018 Best Estimate</td>
<td>-11%</td>
</tr>
<tr>
<td>2018 High Estimate</td>
<td>-10%</td>
</tr>
</tbody>
</table>
Enrollment Patterns

- Anecdotes from the insurers suggest that churn happens more often than every 12 months for a PAP enrollee

- PAP enrollees may self report income changes which then triggers an eligibility redetermination

- In the Non-PAP market, enrollees are locked in for 12 months and eligibility is determined during annual open enrollment

- Also, presumptive eligibility rules apply to the PAP program – where enrollees can be enrolled at the hospital
Different enrollment processes between PAP and Non PAP contribute to the risk pool difference between these two populations.
Approximately 10% of PAP Market had a SUD diagnosis in 2016
Persons with SUD diagnoses had medical expenditures that were two times those persons without a SUD diagnosis
Conclusions

➢ 2018 rate shocks and market disruptions will cause enrollees to exit the market
  ➢ Non-subsidized, healthier population more likely to exit
  ➢ Average claims costs in the Individual Market projected to increase 3% to 6%
  ➢ Upward impact on 2019 premiums

➢ Non-PAP market risk pool is projected to deteriorate, however it will continue to have lower medical expenditures than the PAP population.

➢ Excluding the PAP members from the Individual Market will have a downward impact on 2019 premiums rates (2018 projected medical expenditures would reduce 10% to 12%).
Conclusions

➢ Future Considerations
  ➢ Explore options to improve PAP risk pool
    ➢ Limit Churn
    ➢ Explore target program for substance use diagnoses
  ➢ Continue to explore a reinsurance program for the Individual Market