NCOIL Spring Meeting

Putting A Premium on Health: The Affordable Care Act & Underwriting

Joyce E. Bohl, MAAA, ASA
Member, Federal Health Committee

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Agenda

- Overview of rating
- Individual and small group rates
- Changes in 2015
  - Regulatory
  - Other
  - Recent developments and discussions
- Participation
Overview of Rating:  
Premiums Reflect Many Factors

- Risk pools—who is covered
- Projected medical costs—health care utilization and prices
- Other premium components—administrative costs, taxes, profit
Overview of Rating: Premiums Reflect Many Factors

- Laws and regulations affecting:
  - Risk pools
  - Projected health spending
  - Other premium components
  - Limits on overall premiums (or premium increases)
  - Limits on how premiums can vary across individuals
Individual Rates

- Rates have less disparity within the individual market across the country due to guaranteed issue/community rating and essential health benefits (EHBs)
  - Rates will continue to vary by contracting levels and efficiency
  - Lower participation rates by state will slow the rate at which rates have less disparity across the country
Individual vs. Small Group Rates

- Individual and small group rates are also experiencing less disparity across the country.

- Primary reasons include:
  - EHBs
  - Identical rating structures (e.g., 3:1 unisex rates)
  - Eventual expiration of the temporary reinsurance program
  - Individual employee choice on SHOP

- However, variations will continue to exist between the markets due to the effects of small group employer choice which minimizes employee adverse selection.
2015 Regulatory Changes

- Factors that could put upward pressure on rates
  - Increase in the health insurer tax
  - Increase in the individual mandate penalties should encourage more participation, help stabilize the markets, and mitigate rate increases
  - Additional preventive requirements could increase rates

- Factors that could put downward pressure on rates
  - Decrease in the individual temporary reinsurance coverage could increase individual rates and decrease all other rates
  - Decrease in the reinsurance contribution
2015 Changes - Other

- Pent up demand wear off – for those newly covered in 2014
  - Effect depends on the 2014 participation rates vs. 2015 participation rates
  - Claims are likely to decrease over time for these newly covered members which also could mitigate the rate changes
2015 Changes – Recent Developments

- Grandfathering of current members will affect the pool of people going into metallic products (transition)

- Allowing consumers to keep plans that would have been cancelled could result in:
  - Younger and healthier individuals renewing prior coverage
  - Older and less healthy individuals obtaining new coverage in the new ACA marketplaces
  - Higher rate increases

- The impact on rates will be less for states and insurers that already had allowed policyholders to renew their 2013 coverage into 2014
How long will the transition last – until the end of 2014, to 2015, or indefinitely?

- End of 2014 – metallic rates for 2015 be about the same as they would have been
- Until renewal date in 2015 – metallic rates for 2015 probably higher, as few people need to purchase new metal level products
- Beyond 2015 – metallic rates will reflect different populations of previously uninsured and subsidy eligible, with likely higher rate increase required than without transitioning
Recent Discussions

- Delay in the reinsurance contributions – will there be enough money to pay the reinsurance recoveries?
- Delay of the insurer tax – would help mitigate rate increases
- Delay of individual / employer mandate – possible fewer people purchase metallic plans, potentially increasing rates
Participation is the key to estimating what will occur with rates in the future

- If 2014 participation is lower than expected and build into rates, rate increase are likely higher in 2015 to reflect the smaller size pool and likely less healthy population

- Depends on transition rules as well
Participation (cont.)

- If transitioning indefinitely, fewer members likely in the new metallic products. Lower participation leads to higher rates.

- If 2014 has higher than expected participation, rate increase may be lower than otherwise expected.
Questions?
Staff Contact Information

Tim Mahony
Health Policy Analyst (State)
American Academy of Actuaries
1850 M St., NW (Suite 300)
Washington, DC 20036
202-223-8196
mahony@actuary.org