

# 2015 Insurance Marketplace – Impact to Providers

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# Presentation Overview

- Indiana 2014 Marketplace Overview
- Marketplace Plan Selection & Affordability
- Key Issues for 2015
- Long Term Marketplace Strategy for Healthcare Providers

# Reliance Statement

- The views expressed in this presentation are those of the presenter, and not those of Milliman or HFMA. Nothing in this presentation is intended to represent a professional opinion or be an interpretation of actuarial standards of practice.

# INDIANA 2014 MARKETPLACE OVERVIEW

# 2014 Indiana Marketplace Overview

- What does it mean?

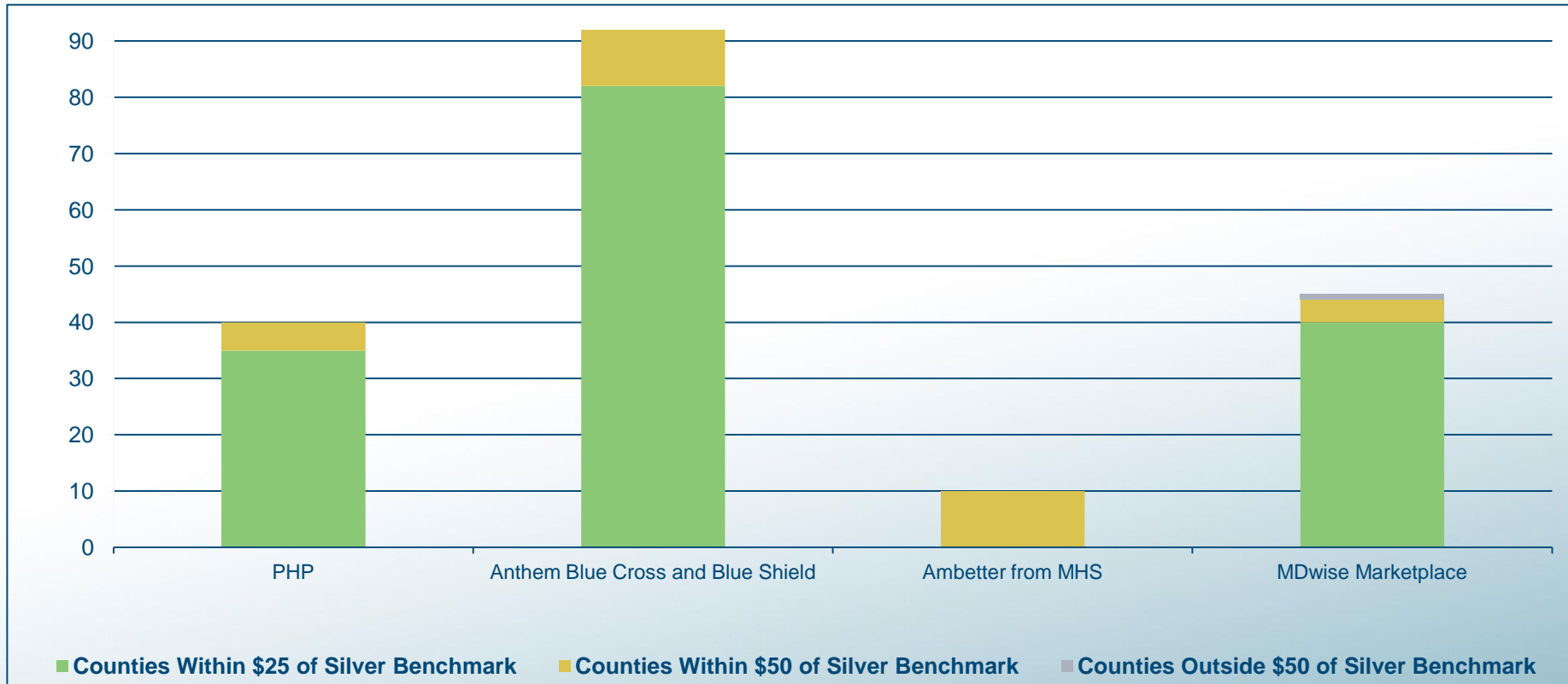
*As initial data on ACA come out, it's spun as either meaningless or definitive. [It's] neither, but interesting and suggestive.*

- *Kip Piper, Former CMS, OMB Official*

<https://twitter.com/KipPiper/status/465562591192813568>

# 2014 Indiana Marketplace Overview

- Number of Counties Insurers Offer Coverage and Price Competitiveness

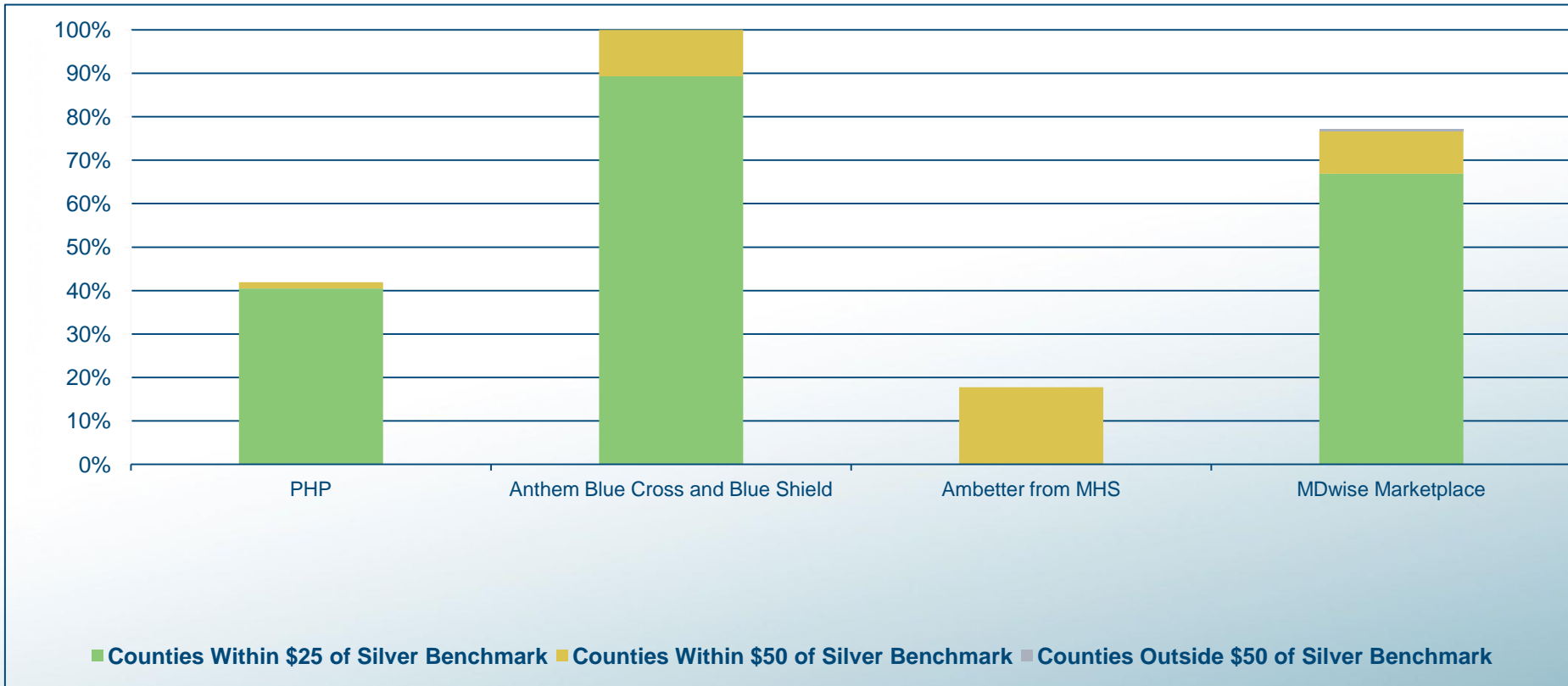


## Notes:

1. Source: <https://data.healthcare.gov>
2. Premium relativity measured by 21 year-old non-tobacco premium.
3. Off-Exchange insurer offering not included in chart.

# 2014 Indiana Marketplace Overview

## Population Offered Coverage & Price Competitiveness

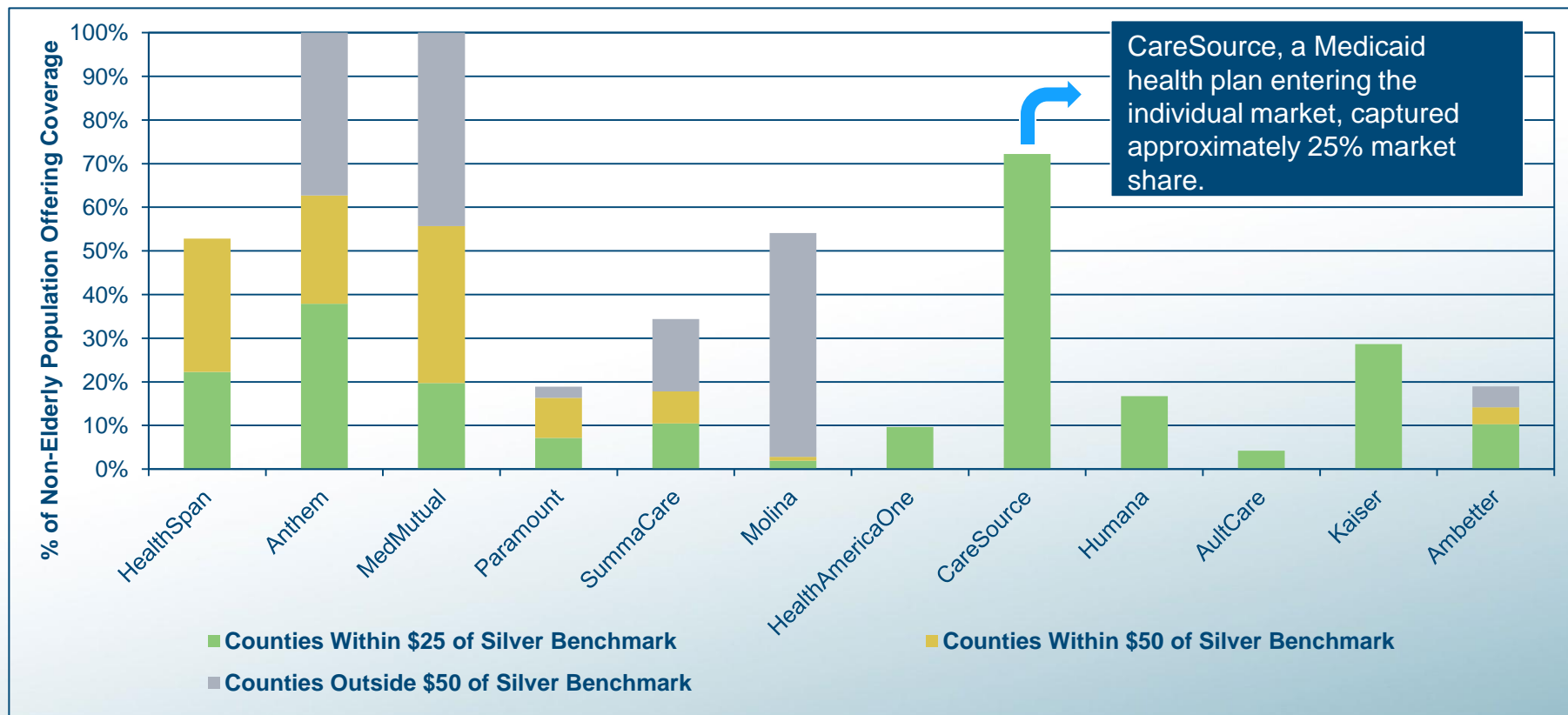


### Notes:

1. Source: <https://data.healthcare.gov>
2. Premium relativity measured by 21 year-old non-tobacco premium.
3. Population defined as non-elderly (under 65).

# 2014 Indiana Marketplace Overview

- For Comparison – Ohio Marketplace Insurers & Pricing



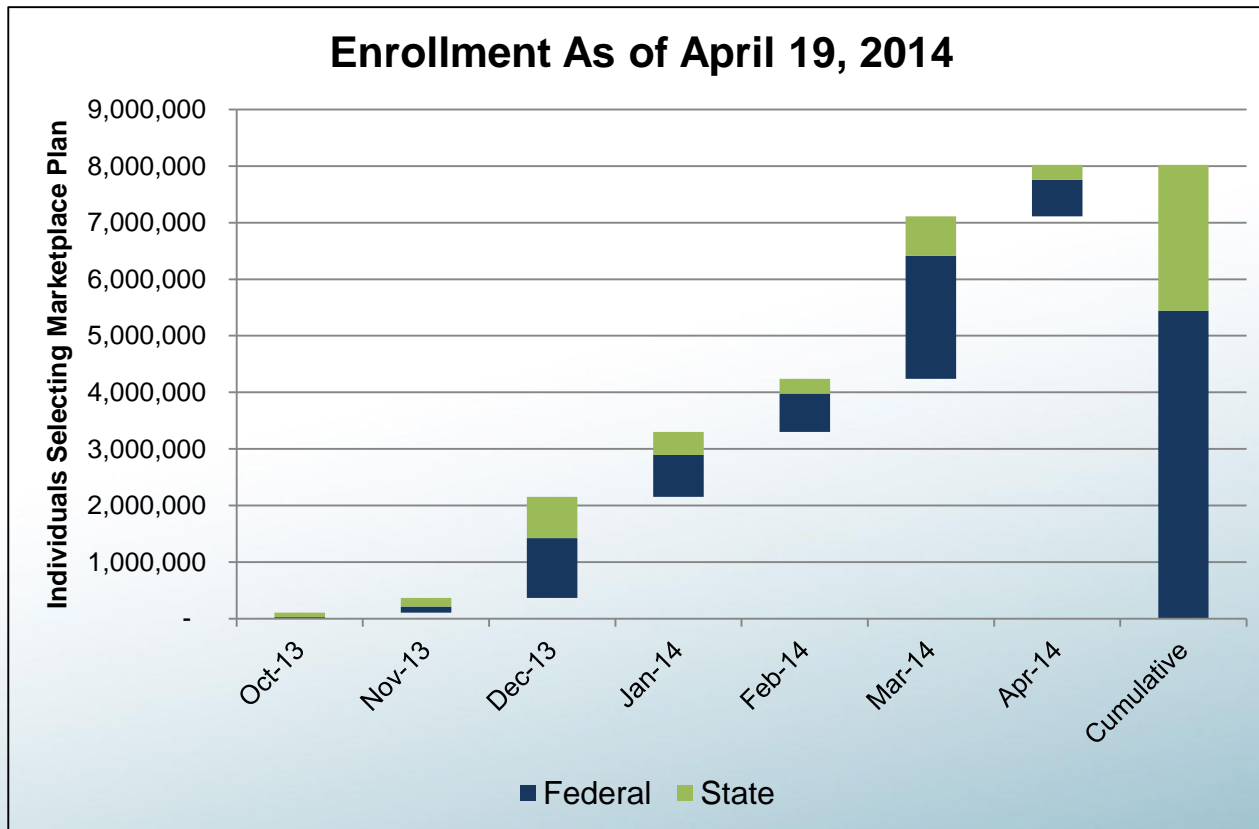
## Notes:

- Source: <https://data.healthcare.gov>
- Premium relativity measured by 21 year-old non-tobacco premium.
- Population defined as non-elderly (under 65).



# 2014 Indiana Marketplace Overview

- National Individual Marketplace Enrollment

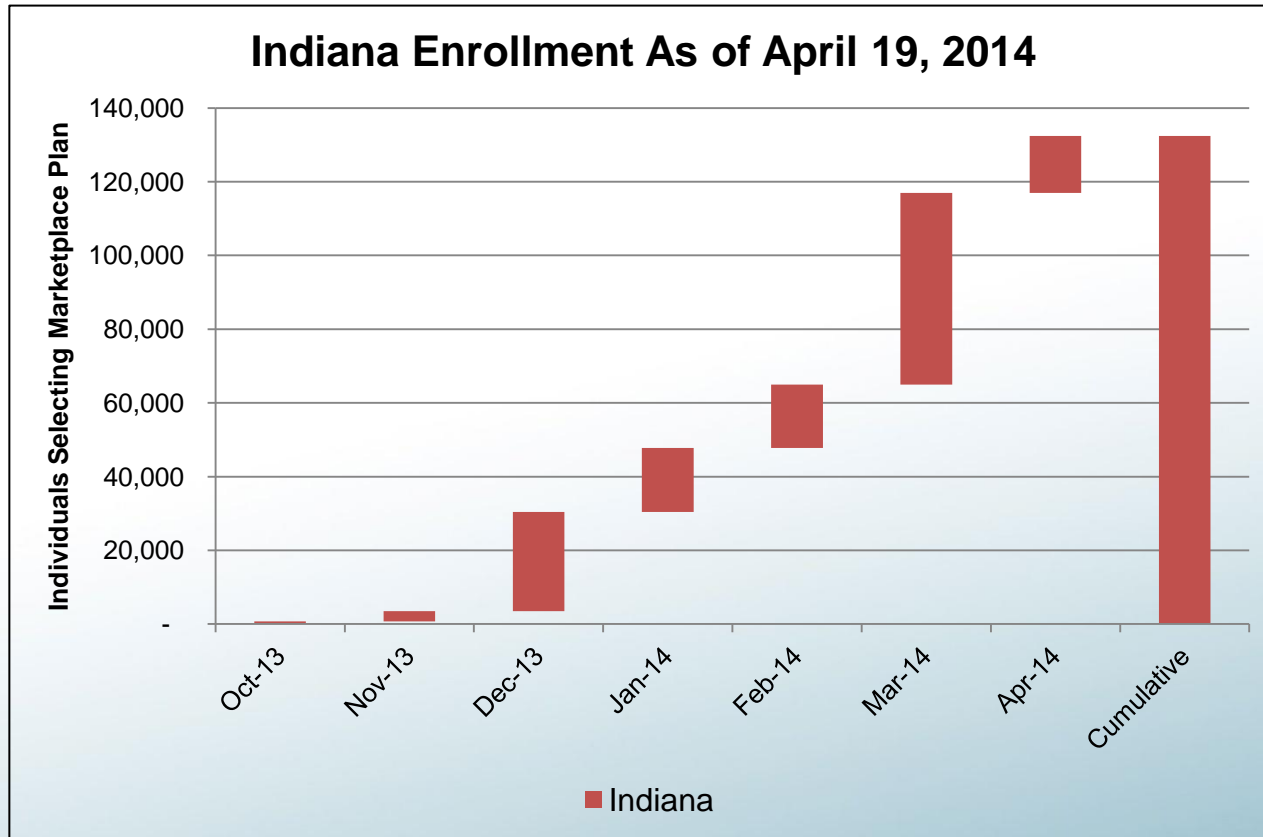


Sources:

1. [http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib\\_2014apr\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib_2014apr_enrollment.pdf)
2. [http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib\\_2014Apr\\_enrollAddendum.pdf](http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib_2014Apr_enrollAddendum.pdf)

# 2014 Indiana Marketplace Overview

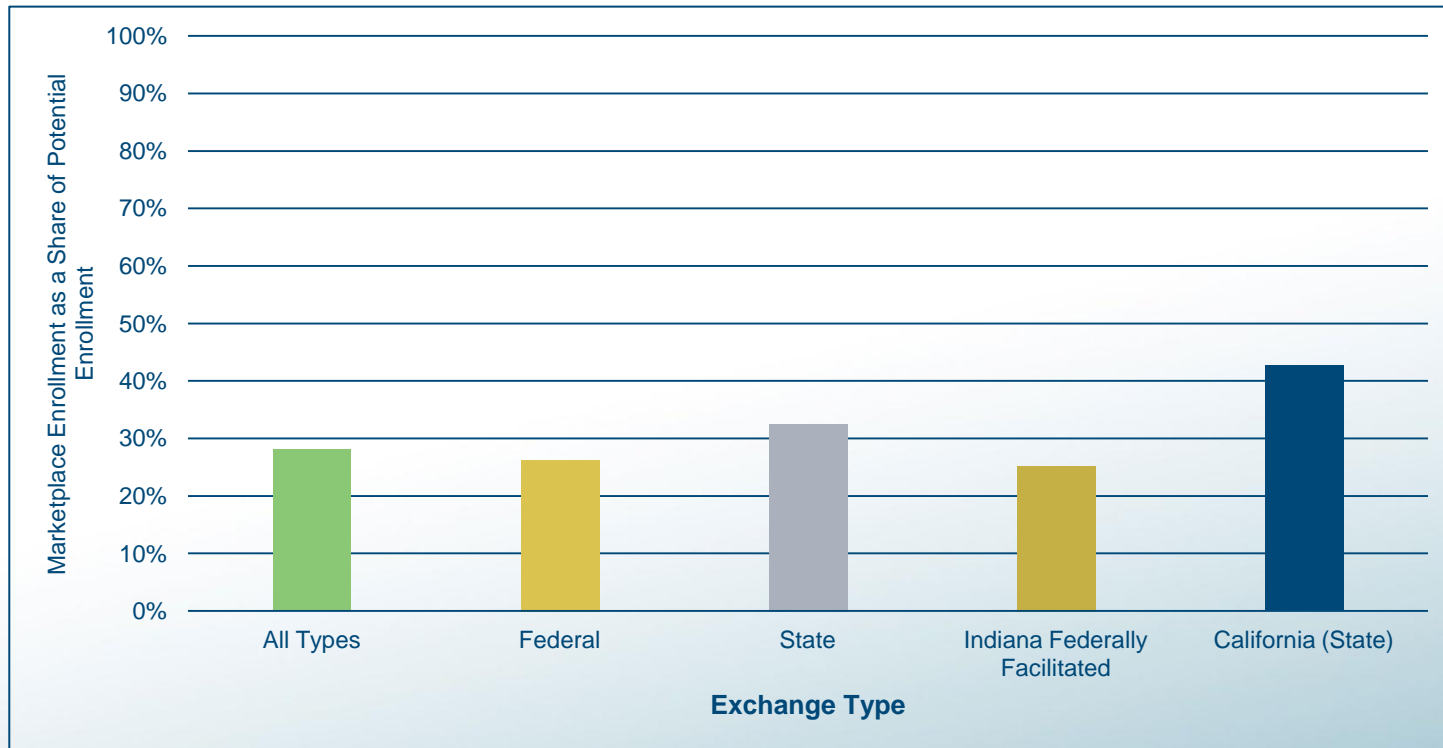
- Indiana Individual Marketplace Enrollment



Source: [http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib\\_2014Apr\\_enrollAddendum.pdf](http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib_2014Apr_enrollAddendum.pdf)

# 2014 Indiana Marketplace Overview

- % of Potential Marketplace Population Selecting a Plan (April 2014)



Source: <http://kff.org/health-reform/state-indicator/marketplace-enrollment-as-a-share-of-the-potential-marketplace-population/#>

Note: Based on HHS marketplace enrollment data through April 19, 2014. KFF states the 'potential marketplace population' is based on legally-residing individuals who are uninsured or purchase non-group coverage, have incomes above Medicaid/CHIP eligibility levels, and who do not have access to employer-sponsored coverage.

# MARKETPLACE PLAN SELECTION & AFFORDABILITY

# Marketplace Plan Selection & Affordability

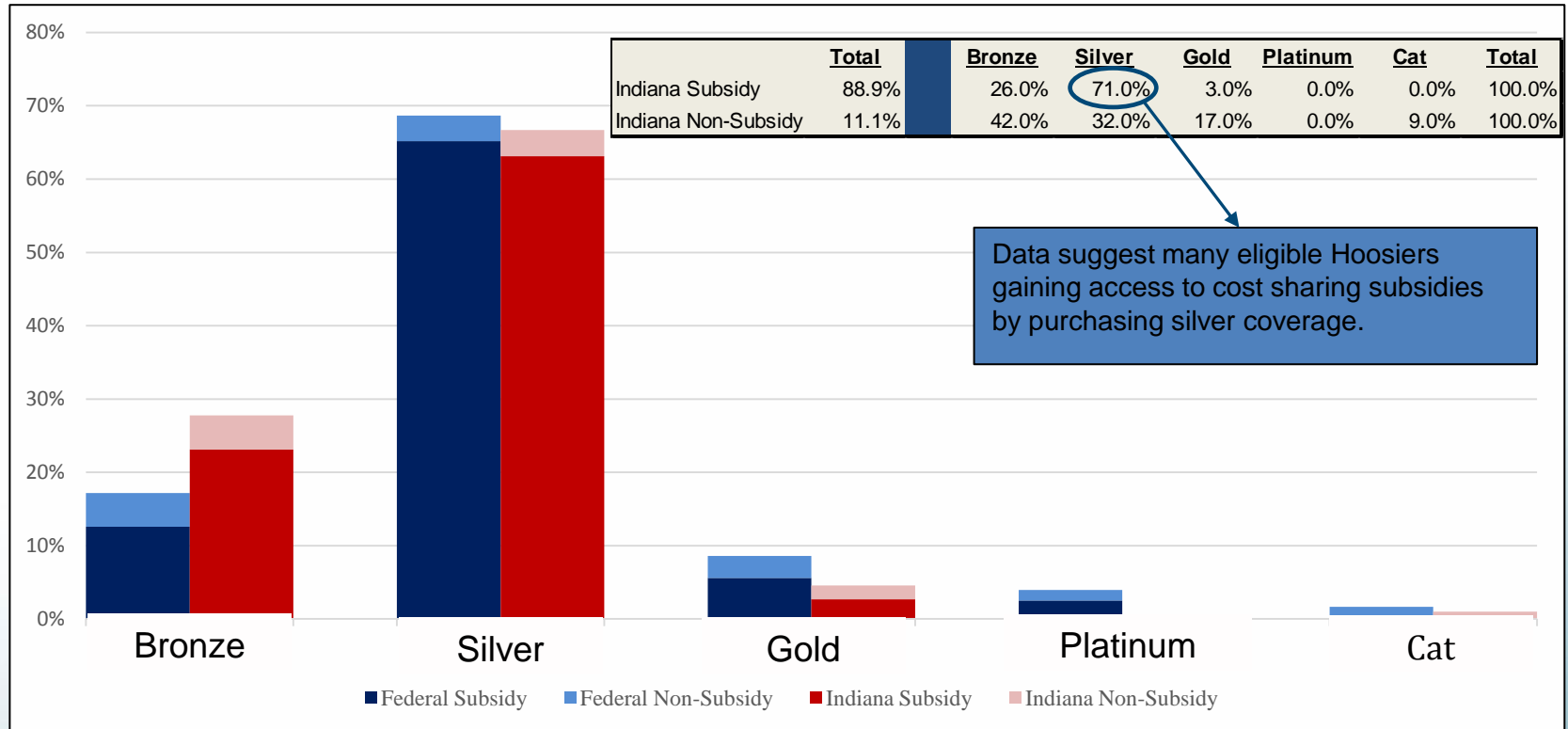
- 89% of Hoosiers selected a marketplace plan with premium assistance.
  - Average premium before tax credits - \$424 per month
  - Average tax credit amount - \$336 per month
  - Net premium contribution after tax credits - \$88 per month
- 87% of federally-facilitated marketplace enrollees received premium assistance.
  - Average premium before tax credits - \$346 per month
  - Average tax credit amount - \$264
  - Net premium contribution after tax credits - \$82

Sources:

1. <http://aspe.hhs.gov/health/reports/2014/Premiums/2014MktPlacePremBrf.pdf>, Page 23.

# Marketplace Plan Selection & Affordability

- Federal and Indiana Marketplace Plan Selection



Sources:

- [http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib\\_2014apr\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib_2014apr_enrollment.pdf)
- [http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib\\_2014Apr\\_enrollAddendum.pdf](http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib_2014Apr_enrollAddendum.pdf)

# Marketplace Plan Selection & Affordability

- Consumers show a strong preference for lowest cost plans

HHS- Reported QHP Selection by Relative Plan Cost Federally Facilitated Marketplace – Individual Health Insurance Market					
Metallic Tier	Percent Who Selected Plan With Lowest or Second-Lowest Cost	Percent Who Selected Lowest-Cost Plan	Percent Who Selected Plan With Second-Lowest Cost	Percent Who Selected Other Plans	Median Number of QHPs Available to Consumers
Bronze	60%	39%	21%	40%	11
Silver	65%	43%	22%	35%	13
Gold	54%	37%	16%	46%	10
Platinum	69%	50%	19%	31%	1

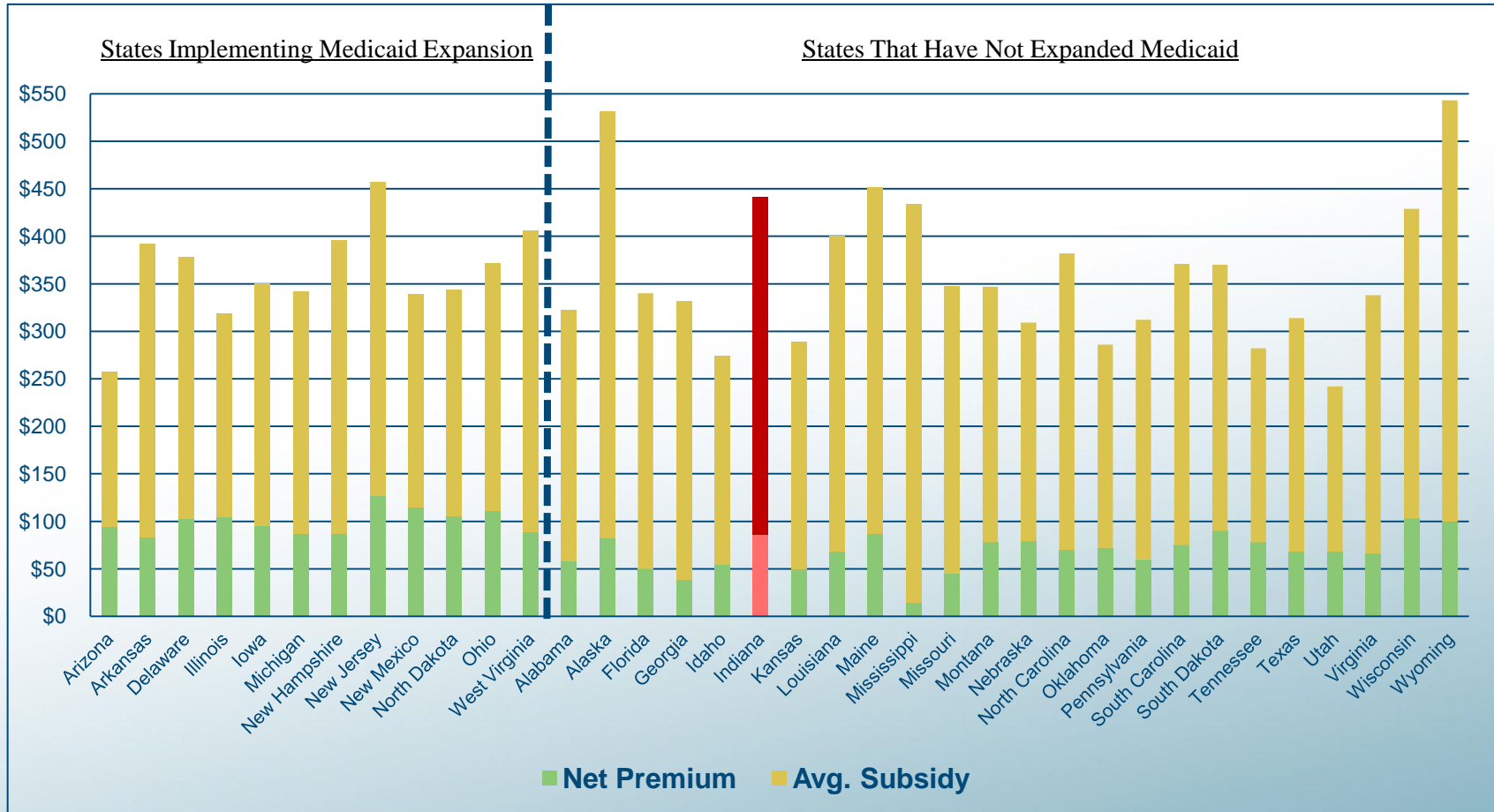
- Median premium differential between the lowest-cost and second- lowest-cost silver plan is approximately \$11 on a monthly basis for a single 40 year-old (based on the national average silver benchmark premium).
- This pricing advantage grows to approximately \$20 and \$40 on a monthly basis relative to the 3<sup>rd</sup> third- and 4<sup>th</sup> fourth-lowest-cost silver plans offered, respectively in the market.

Sources:

- <http://aspe.hhs.gov/health/reports/2014/Premiums/2014MktPlacePremBrf.pdf>, Page 8, Table 4.
- Median number of QHPs available to consumers from <http://www.milliman.com/uploadedFiles/insight/2013/2014-federal-insurance-exchange-insurer-participation.pdf>.

# Marketplace Plan Selection & Affordability

- Average Monthly Silver Plan Premiums Before and After Tax Credits for Individuals Who Selected Silver Plans through the 2014 FFM



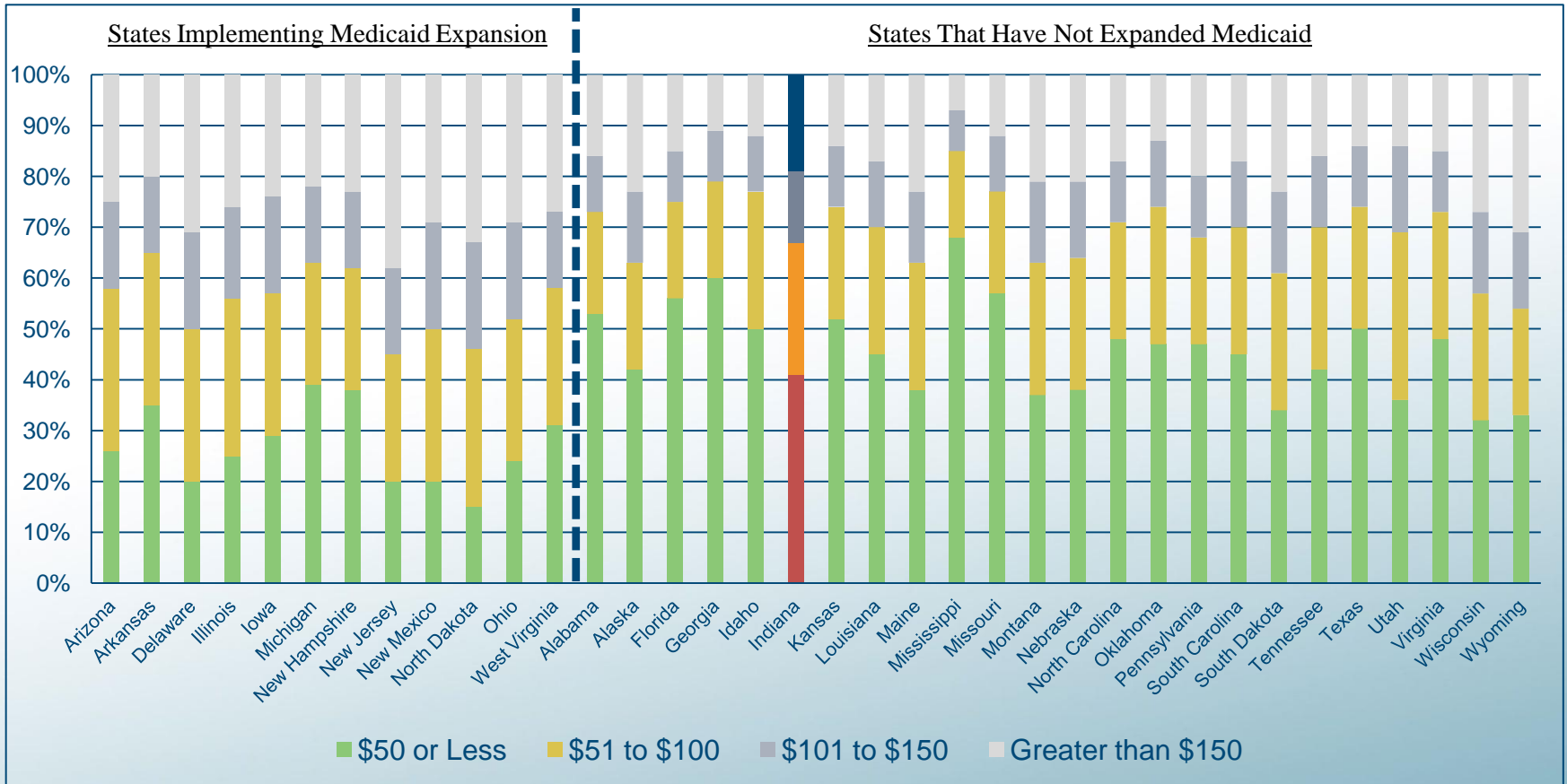
Sources:

1. <http://aspe.hhs.gov/health/reports/2014/Premiums/2014MktPlacePremBrf.pdf>
2. <http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>



# Marketplace Plan Selection & Affordability

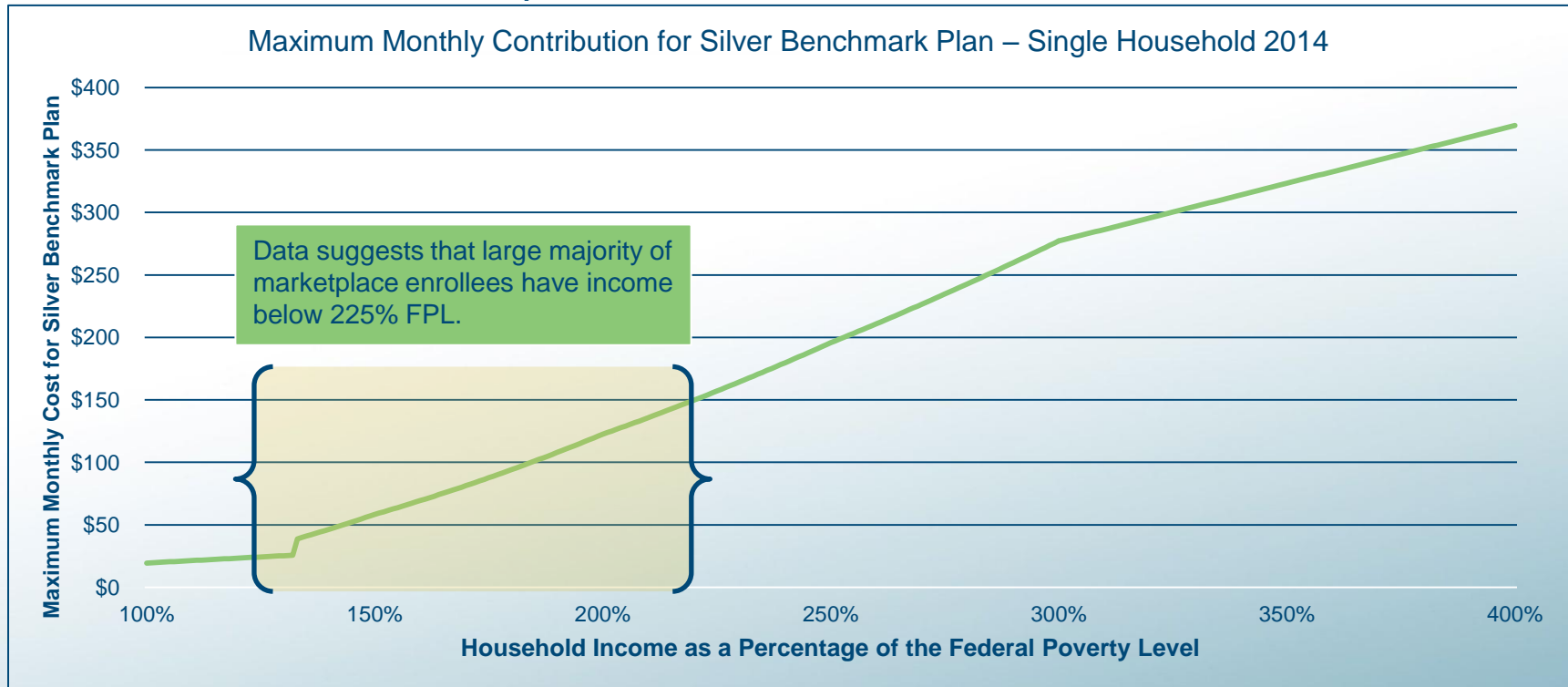
- Distribution of Marketplace Plan Selections by Monthly Premiums after Tax Credits through the 2014 FFM



Sources:  
 1. <http://aspe.hhs.gov/health/reports/2014/Premiums/2014MktPlacePremBrf.pdf> 2. <http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>

# Marketplace Plan Selection & Affordability

- Average net premium contribution for silver plans:
  - Indiana - \$86
  - All Federal Marketplace States - \$69



Source: <http://aspe.hhs.gov/health/reports/2014/Premiums/2014MktPlacePremBrf.pdf>, Page 24.

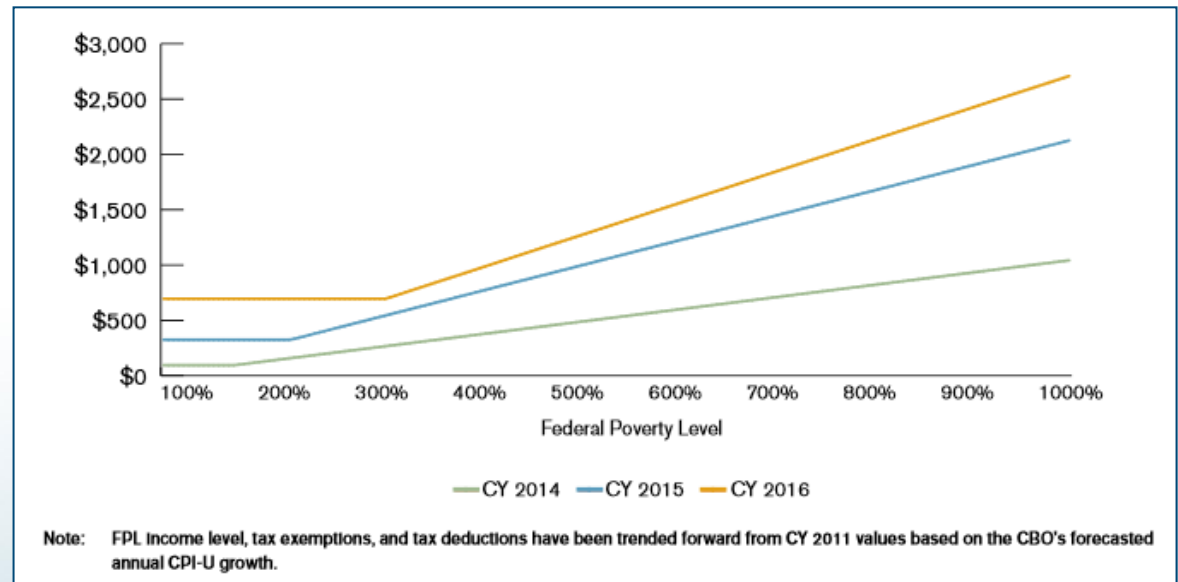
# PLANNING FOR 2015

# Key Issues for 2015

## Individual Mandate – The Stick Becomes Bigger

- How much will insurance participation increase?
- Penalty increases to greater of \$325/2% of income (above tax filing threshold).
- Penalty capped at national average bronze plan premium.

### Single Household – Estimated Individual Mandate Penalties 2014 – 2016 by Household Income



Source: <http://us.milliman.com/uploadedFiles/insight/health-published/measuring-strength-individual-mandate.pdf/>

# Key Issues for 2015

- New Insurers Entering Marketplace
  - 4 Insurers in 2014, 9 in 2015 (Individual Marketplace)

<u>Insurer</u>	<u>New Entrant</u>
All Savers Insurance (United Health)	Yes
Anthem	No
CareSource	Yes
Coordinated Care (Centene)	No
IU Health	Yes
MDWise	No
Physicians Health Plan of Northern Indiana	No
Southeastern Indiana Health Organization (SIHO)	Yes
Time Insurance Company	Yes

Source: <http://www.in.gov/idoi/2869.htm>

# Key Issues for 2015

## ■ Premium Changes

- In the absence of insurer competition, subsidy eligible population insulated to a large extent from premium increases (cost of 2<sup>nd</sup> Lowest Silver remains stable).
- Position of current plan relative to 2<sup>nd</sup> Lowest Silver may drive significant out-of-pocket net premium changes.
- Potential for volatile market share changes exists.

# Key Issues for 2015

- Premium Changes – Sample Illustration
  - Single 40 Year Old, Marion County, Income 150% FPL
- 2014 Silver Plan Options (Actual Premiums)

Insurer	Insurer Plan	Monthly Premium	Subsidy Value	Net Premium Contribution
Anthem	1	\$339	\$297	\$42
Anthem	2	\$354	\$297	\$57
Anthem	3	\$360	\$297	\$63
Anthem	4	\$360	\$297	\$63
Anthem	5	\$368	\$297	\$71
MDWise	1	\$356	\$297	\$59

	Silver Subsidy Benchmark Plan
	Lowest Cost Plan

# Key Issues for 2015

- 2015 Premium Scenarios – Single 40 Year Old, Marion County, Income 150% FPL (SAMPLE ILLUSTRATION)

Scenario 1: Marketwide 10% Premium Increase						
Insurer	Insurer Plan	Monthly Premium	Subsidy Value	2015 Net Premium Cost	2014 Net Premium Cost	Change From 2014
Anthem	1	\$373	\$332	\$41	\$42	(\$1)
Anthem	2	\$389	\$332	\$57	\$57	\$0
Anthem	3	\$396	\$332	\$64	\$63	\$1
Anthem	4	\$396	\$332	\$64	\$63	\$1
Anthem	5	\$404	\$332	\$72	\$71	\$1
MDWise	1	\$391	\$332	\$59	\$59	\$0

Scenario 2: Anthem 5% Increase, MDWise 2% increase						
Insurer	Insurer Plan	Monthly Premium	Subsidy Value	2015 Net Premium Cost	2014 Net Premium Cost	Change From 2014
Anthem	1	\$356	\$306	\$50	\$42	\$8
Anthem	2	\$371	\$306	\$65	\$57	\$8
Anthem	3	\$378	\$306	\$72	\$63	\$9
Anthem	4	\$378	\$306	\$72	\$63	\$9
Anthem	5	\$386	\$306	\$80	\$71	\$9
MDWise	1	\$363	\$306	\$57	\$59	(\$2)

	Silver Subsidy Benchmark Plan
	Lowest Cost Plan

Scenario 3: Anthem 5% Increase, MDWise 2% Increase + New Insurer						
Insurer	Insurer Plan	Monthly Premium	Subsidy Value	2015 Net Premium Cost	2014 Net Premium Cost	Change From 2014
Anthem	1	\$356	\$248	\$108	\$42	\$66
Anthem	2	\$371	\$248	\$123	\$57	\$66
Anthem	3	\$378	\$248	\$130	\$63	\$67
Anthem	4	\$378	\$248	\$130	\$63	\$67
Anthem	5	\$386	\$248	\$138	\$71	\$67
MDWise	1	\$363	\$248	\$115	\$59	\$56
New Insurer	1	\$285	\$248	\$37	NA	NA
New Insurer	2	\$305	\$248	\$57	NA	NA

Significant market share changes possible.

Note, values do not reflect indexing of FPL / premium tax credits.



# Key Issues for 2015

- **HIP (Healthy Indiana Plan) 2.0** [Pending HHS Approval]
  - All non-elderly adult population ages 19-64 with household income under 138% FPL will become eligible for HIP.
  - Individuals eligible for HIP will no longer be eligible for premium assistance in the marketplace.
  - Material number of 2014 marketplace enrollees may switch to HIP on January 1, 2015 [subject to scheduled implementation].

More information: <http://www.in.gov/fssa/hip/2445.htm>

# LONG TERM MARKETPLACE STRATEGY FOR HEALTHCARE PROVIDERS

# Long Term Marketplace Strategies – Consideration #1

## Consumer Purchasing Behavior

- Premium assistance will assure affordability of lowest cost plans.
- Consumers must pay full premium difference for more expensive plans.
- Highly sensitive to out-of-pocket cost differences



## Contracting strategy

- Lower reimbursement for greater market share?
- Be aware of potential market share shift to lower reimbursement levels (i.e. traditional commercial insurer to Medicaid plan in marketplace).
- Low reimbursement does not necessarily equal lower net premiums for subsidy – eligible consumers (likely less cost to federal government).

# Long Term Marketplace Strategies – Consideration #2

## Provider Networks

- Insurers have more limited means to create price advantage.
- Intense focus on creating “high value” network
- Nationally, insurers reporting 5% to 20% premium reduction through network strategy<sup>1</sup>.



## Network Development

- Benchmark provider utilization and cost amongst peers and competition
- How are insurers creating their network (price, efficiency)?
- Be prepared for more intense focus on networks from employer market.

1. <http://www.ahip.org/MillimanReportHPN2014/>

# Long Term Marketplace Strategies – Consideration #3

## Marketplace Population

- Estimated to grow to 24 million nationally by 2016<sup>1</sup>.
- Employer plan excise tax begins in 2018.
- Employer mandate – political future?
- Employer market migrating to private exchange platform?



## Future Revenue

- Revenue from marketplace likely to become larger stream of revenue each year.
- Gravitation from employer purchasing to household purchasing (private exchanges)?
- Provider reimbursement likely to become more transparent over time.

1. [http://www.cbo.gov/sites/default/files/cbofiles/attachments/45231-ACA\\_Estimates.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45231-ACA_Estimates.pdf)

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