Health Insurance Rate Review and Time For Affordability

Leanne Gassaway
Regional Vice President, State Advocacy
America's Health Insurance Plans
May 3, 2013

Oregon Rate Review Process

Carrier Files Rates

- Rate changes must be filed for approval or disapproval by the OID and are made available for public inspection.

Public Comment

- 30-day period for public comments; All public comments are posted online.
- Public Hearing Held

OID Review

- OID conducts review of premium rates which must be:
  - actuarially sound,
  - reasonable and not excessive, inadequate or unfairly discriminatory, and
  - based on reasonable administrative expenses.

<u>Required Elements in Every Rate Filing:</u>

1. Filing Description
2. Rate Filing Summary
3. Actuarial Memorandum
4. Rate Tables and Factors
5. Plan Relatives
6. Development of Rate Change and Base Rate
7. Trend Information and Projections
8. Premium Retention
9. Worksheet for Individual Rates
10. Covered Benefit or Plan Design Changes
11. Cost Containment and Quality Improvement Efforts
12. Insurer's Financial Position
13. Certification of Compliance
14. Administrative Cost Itemization

Rate Review Authority (*ORS 743.018 and OAR 836-053-0471)*

Wakely Report

- Wakely, an national actuarial consulting firm, was retained by the state of Oregon to analyze the impact of the ACA on Oregon's individual and small group markets in 2014.

- "*Actuarial Analysis: Impact of the Affordable Care Act (ACA) on Small Group and Individual Market Premiums in Oregon*"
  - Published July 31, 2012

Accessible at http://www.cbs.state.or.us/ins/consumer/federal-health-reform/wakely-aca-ActuarialAnalysis-20120731.pdf

Wakely Report (July 2012)

- Included Assumptions:
- Implementation of **guaranteed issue** and other ACA requirements is will significantly raise premiums in the individual market.
- **The impact to each individual will vary** significantly based on:
  - Current insured status, eligibility for subsidy, age, current benefit design
- ACA impact will also **vary by carrier** due to many factors including:
  - Current risk profile of plan's membership, current underwriting practices, benefit levels and demographic composition
- A **broad range of uncertainty** exists around the impact of changes in morbidity from the newly insured/uninsured.

Items NOT Considered:

- **Changes in the participation** of currently insured individuals, small groups, and large groups.
  - Assumes everyone currently buying insurance will stay, even if rates increase dramatically.
  - Assumes small employers will continue to offer insurance.
  - Assumes large employers will still offer insurance.
- **Adverse selection** due to guaranteed issues provisions.
  - Assumes individuals will not "time" insurance purchase with health needs.
  - Assumes penalties are sufficient to influence individuals' behaviors.

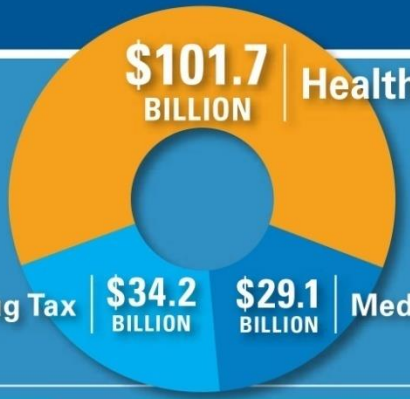
Health Insurance Tax:
MAKING HEALTH CARE MORE EXPENSIVE

TIME FOR AFFORDABILITY.

What Is the Health Insurance Tax?

The health care reform law imposes a massive new sales tax on health insurance which will increase the cost of coverage for individuals, small businesses, and public program beneficiaries with private insurance. The tax begins at $8 billion in 2014 and rises to $14.3 billion in 2018, increasing annually thereafter based on premium growth. The Joint Committee on Taxation projects that between 2013 and 2022 the new tax will total $101.7 billion.

The Health Insurance Tax Is Larger than All the Other Industry Specific Taxes Combined



How It Impacts the Economy[1]

Reduce future private sector employment by 125,000 | **59%** of jobs created would have been at small employers

Reduce potential sales by at least $18 billion | **50%** of lost sales would have been made by small employers

How It Impacts You[2]

IF YOU PURCHASE COVERAGE >>	ON YOUR OWN	THROUGH A SMALL EMPLOYER	THROUGH A LARGE EMPLOYER
Individual	Average increase in premiums of **$2,150** over 10 years.	Average increase in premiums of **$2,760** over 10 years.	Average increase in premiums of **$2,610** over 10 years.
Family	Average increase in premiums of **$5,080** over 10 years.	Average increase in premiums of **$6,830** over 10 years.	Average increase in premiums of **$7,130** over 10 years.

MEDICARE 65+ YEARS

If you have a Medicare Advantage plan, the tax could cost you on average **$3,590** more in higher premiums and reduced benefits over 10 years.

MEDICAID

Medicaid health plan costs could increase **$1,530** over 10 years, putting pressure on already strained state budgets, which could lead to decreased benefits and potentially create coverage disruption.

1 Effects of the PPACA Premium Tax on Small Businesses and Their Employees, http://www.nfib.com/Portals/0/PDF/AllUsers/research/studies/ppaca/health-insurance-tax-study-nfib-2011-11.pdf
2 Estimated Premium Impacts of Annual Fees Assessed on Health Insurance Plans, http://www.ahip.org/Workarea/linkit.aspx?ItemID=2147483716. The Oliver Wyman study examined the ten year period from 2014-2023.

Health Insurance Tax:
MAKING HEALTH CARE MORE EXPENSIVE FOR OREGON

TIME FOR AFFORDABILITY.

What Is the Health Insurance Tax?

The health care reform law imposes a massive new sales tax on health insurance which will increase the cost of coverage for individuals, small businesses, and public program beneficiaries with private insurance. The tax begins at $8 billion in 2014 and rises to $14.3 billion in 2018, increasing annually thereafter based on premium growth. The Joint Committee on Taxation projects that between 2013 and 2022 the new tax will total $101.7 billion.

The Health Insurance Tax Is Larger than All the Other Industry Specific Taxes Combined

How It Impacts the National Economy[1]

Reduce future private sector employment by **146,000 to 262,000** jobs by 2022

Reduce potential sales between **$19 billion and $35 billion** by 2022

How It Impacts Oregonians[2]

IF YOU PURCHASE COVERAGE IN OREGON >>	ON YOUR OWN	THROUGH A SMALL EMPLOYER	THROUGH A LARGE EMPLOYER
Individual	Average increase in premiums of **$2,078** over 10 years.	Average increase in premiums of **$2,953** over 10 years.	Average increase in premiums of **$2,767** over 10 years.
Family	Average increase in premiums of **$4,692** over 10 years.	Average increase in premiums of **$6,886** over 10 years.	Average increase in premiums of **$7,109** over 10 years.

MEDICARE 65+ YEARS

If you have a Medicare Advantage plan, the tax could cost you on average **$2,897** more in higher premiums and reduced benefits over 10 years.

MEDICAID

Medicaid health plan costs could increase **$1,727** over 10 years, putting pressure on already strained state budgets, which could lead to decreased benefits and potentially create coverage disruption.

1 Effects of the PPACA Premium Tax on Small Businesses and Their Employees: An Update, http://www.nfib.com/Portals/0/PDF/AllUsers/research/studies/ppaca/health-insurance-tax-study-nfib-2013-03.pdf
2 Estimated Premium Impacts of Annual Fees Assessed on Health Insurance Plans, http://www.ahip.org/Workarea/linkit.aspx?ItemID=2147483716. The Oliver Wyman study examined the ten year period from 2014-2023.

Age Rating Restrictions:
THREATENING AFFORDABILITY FOR ALL AGES

TIME FOR AFFORDABILITY.

There is broad agreement that for health care coverage to be affordable the young and healthy need to purchase coverage to help cover the costs of those who are older and sicker. The Affordable Care Act (ACA) strictly limits how much premiums can vary based on a person's age. This will result in significantly higher premiums for younger individuals and families, increasing the likelihood that younger, healthier people will choose to wait to purchase health insurance until after they get sick or injured, thus driving up costs for everyone - young and old.

Current Coverage

Older patients typically incur significantly higher health care costs than younger people.

To help ensure coverage remains affordable, most states[1] allow premiums for an older person to be at least five times more than what a younger person would pay for the same policy.

Starting in 2014 the ACA Limits How Much Premiums Can Vary Based on Age

Starting January 2014, the ACA limits the premium an older person can be charged to no more than three times what a younger person is paying for the same policy.

Impact of Age Rating Changes on Health Insurance Premiums[2]

If the young and healthy wait to buy coverage until they need it, older people could face cost increases that likely exceed the savings due to age rating changes. Without broad participation,

costs will increase for everyone — young and old.

Premiums

1 Currently 42 states have age rating bands that are 5:1 or more.
2 Adapted from Chart 1, Kurt Giesa and Chris Carlson. Age Band Compression Under Health Care Reform. Contingencies. January/February 2013. This shows the pure effect of age band compression on premiums by excluding the impact of the essential health benefits package, selection effects, and other factors assumed in CBO premium estimates relied on in the article to facilitate comparison to premium assistance.

AHIP

Essential Health Benefits:
ADDITIONAL BENEFITS = HIGHER COSTS

TIME FOR AFFORDABILITY.

Starting on January 1, 2014, the Affordable Care Act (ACA) requires that all health insurance policies sold in the individual market and to small employers cover a broad range of benefits, many of which are not included in some policies today. As a result, millions of people will be required to purchase health insurance that is more comprehensive and more expensive than they have now.

Current Coverage

Individuals purchasing coverage on their own can choose a plan that best meets their needs and budget.

Add Benefits

Requirement of 10 Categories of Coverage

- Maternity Care
- Hospitalization
- Rehabilitative & Habilitative Services
- Laboratory Services
- Pediatric Services
- Prescription Drugs
- Mental & Behavioral Health Treatment
- Ambulatory Patient Services
- Preventive & Wellness Services
- Emergency Services

There are ten categories of required benefits that have to be included in all policies—some of which are not included in policies today. [1]

Reduce Cost-Sharing

Limits on Cost-Sharing

The health reform law limits patient cost-sharing:

- No cost-sharing for preventive care services
- No annual limits
- No lifetime limits
- Cap on out-of-pocket costs

Meet Minimum Actuarial Value Test

Minimum Actuarial Value of 60% or More

Actuarial value is the percentage of health care costs the plan will cover for an average beneficiary.

Higher Premiums*
(Impact depends on current coverage)

Independent Estimates of Premium Impact* in Individual Market (Prior to Proposed Regulations)[2]

.13%	2.2%	3%	3.2%	6%	6%	8%	8%	13%	20%	20%	33%
RHODE ISLAND	COLORADO	NEVADA	ALASKA	WISCONSIN	OREGON	MINNESOTA	MARYLAND	CONNECTICUT	OHIO	INDIANA	MAINE

* Prior to application of premium subsidies

1 According to the U.S. Department of Health and Human Services, many individuals and families purchasing coverage on their own do not currently have coverage for some of these services, such as maternity services (62 percent), substance abuse services (34 percent), mental health services (18 percent), and prescription drugs (nine percent).

2 Research Findings: Independent Studies Estimate the Cost and Coverage Impact of the Affordable Care Act in Selected States, AHIP

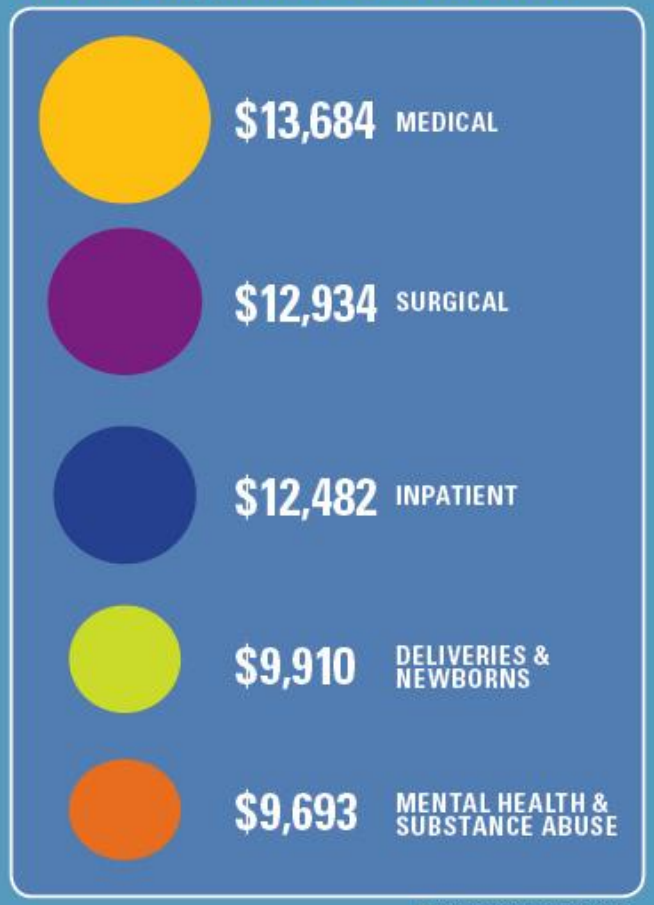
AHIP

The Rising Costs of Treatments:

NEW REPORT, SAME OLD STORY – HIGHER PRICES DRIVING INCREASE IN HEALTH CARE SPENDING

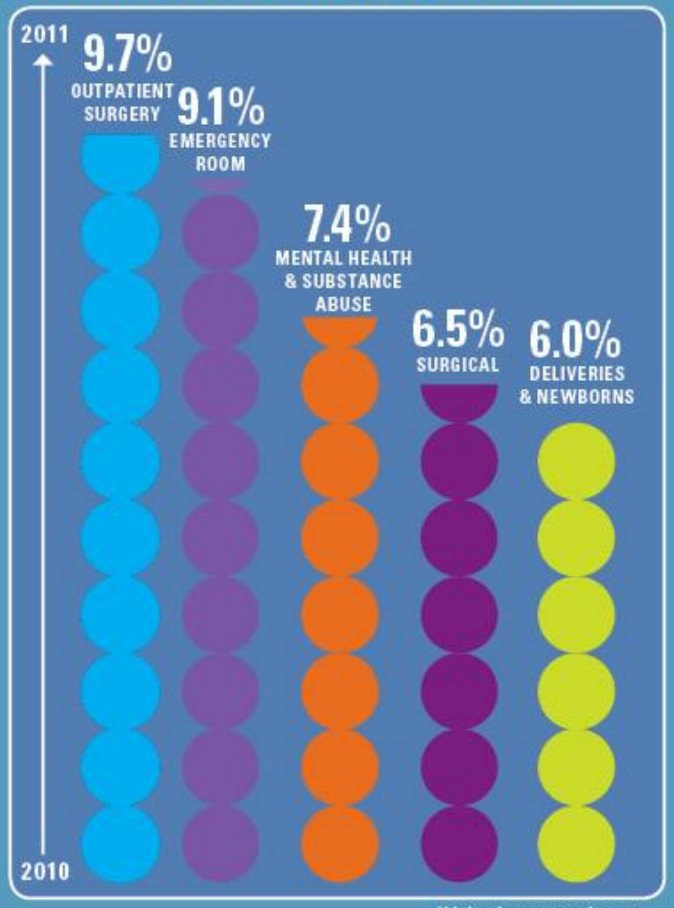
According to the Health Care Cost Institute (HCCI), "higher prices were the primary driver of per capita health spending in 2011." The charts below illustrate a few key findings from their 2011 Health Care Cost and Utilization Report. These diagrams outline the five most expensive treatments and the five fastest growing treatments by unit price in 2011. HCCI calculates the unit price by dividing the price paid for the service by the intensity or complexity of each service.

5 Most Expensive Treatments*



*Unit price per service 2011

5 Fastest Growing Treatments*



*Unit price per service 2011

"...spending growth was driven primarily by increases in the prices paid...For all major service categories, increases in prices paid were driven by increases in the underlying unit price."

-Health Care Cost Institute Cost and Utilization Report: 2011

1 Health Care Cost and Utilization Report: 2011, http://www.healthcostinstitute.org/2011report

Provider Consolidation
LESS COMPETITION AND HIGHER COSTS

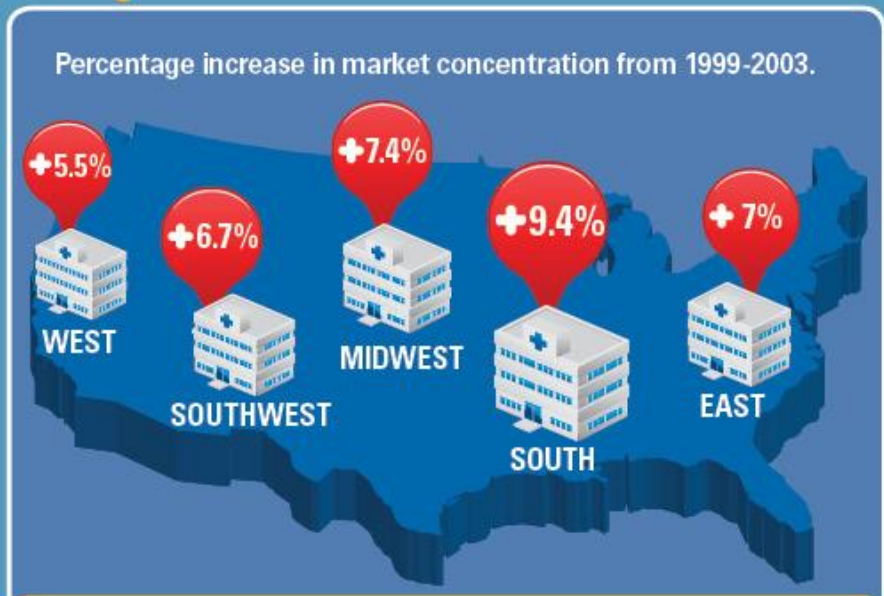
Research demonstrates that when hospitals consolidate, either merging with other hospitals or buying up physician practices, health care costs go up. Provider consolidation gives hospitals greater negotiating strength and limits competition, resulting in higher prices for services, higher costs for patients, and no improvement in the quality of care delivered.

Physicians Are Becoming Hospital Employees[1]

"Last year, a 15-minute visit to a doctor in private practice cost $69...That same visit to a hospital-employed physician cost $124."

-Orlando Sentinel

Increasing Market Concentration Leads to Higher Prices for Consumers[2]



"Research suggests that hospital consolidation in the 1990s raised prices by at least five percent and likely significantly more. Prices increase 40 percent or more when merging hospitals are closely located."

-Robert Wood Johnson Foundation

1. Jameson, Marni. "As Hospitals Take over Doctors' Practices, Fees Rise." Orlando Sentinel. N.p., 15 Sept. 2012. Web. <http://articles.orlandosentinel.com/2012-09-15/health/os-hospitals-buy-physicians-20120915_1_hospital-executives-hospital-employee-physician-practices?pagewanted=all>.
2. Vogt, William B., Ph.D., and Robert Town, Ph.D. How Has Hospital Consolidation Affected the Price and Quality of Hospital Care? Rep. N.p., Feb. 2006. Web. <http://www.rwjf.org/content/rwjf/en/research-publications/find-rwjf-research/2006/02/how-has-hospital-consolidation-affected-the-price-and-quality-of.html>.

Congressional Budget Office Estimate of Premiums and Subsidies for Exchange Enrollees in 2016

Single Policy

Income Relative to Federal Poverty Level	Premium Cap as a Share of Income[1]	Middle of Income Range[2]	Enrollee Premium for the 2nd Lowest Cost Silver Plan[3]	Premium Subsidy[4]
100–150%	2.1%–4.7%	$14,700	$300	94%
150–200%	4.7%–6.5%	$20,600	$1,200	77%
200–250%	6.5%–8.4%	$26,500	$2,000	62%
250–300%	8.4%–10.2%	$32,400	$3,000	42%
300–350%	10.2%	$38,300	$3,900	25%
350–400%	10.2%	$44,200	$4,500	13%
400–450%	NA	$50,100	$5,200	0%

Family Policy (Family of Four)

Income Relative to Federal Poverty Level	Premium Cap as a Share of Income[1]	Middle of Income Range[2]	Enrollee Premium for the 2nd Lowest Cost Silver Plan[3]	Premium Subsidy[4]
100–150%	2.1%–4.7%	$30,000	$600	96%
150–200%	4.7%–6.5%	$42,000	$2,400	83%
200–250%	6.5%–8.4%	$54,000	$4,000	72%
250–300%	8.4%–10.2%	$66,400	$6,100	57%
300–350%	10.2%	$78,300	$7,900	44%
350–400%	10.2%	$90,100	$9,200	35%
400–450%	NA	$102,100	$14,100	0%

Source: Congressional Budget Office, Letter to the Honorable Evan Bayh, 2009; Staff of the Joint Committee on Taxation