

Examining Marketplace Impacts Following Implementation of a BHP in Oregon

Prepared for the HB 4035 Task Force

Tuesday, October 18, 2022

8:30 am – 12:00 pm PT

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- **Overview of Today's Presentation**
- **Recap: Oliver Wyman's Microsimulation Model**
- **Impacts on the Market**
- **Deep Dive: Key Findings**
- **Case Examples**
- **Key Takeaways and Looking Ahead**

Overview of Today's Presentation

- **Goals for today:**

- Briefly recap the Oliver Wyman Healthcare Reform Microsimulation Model (HRM) works to measure the two step impact of losing silver loading.
- Share key findings from both Step 1 and Step 2 analyses, focusing on how the Step 1 results lead to a dynamic set of additional changes as the market reacts to revised premium rates that reflect reduced silver loading and anticipated morbidity changes.

- **Next steps for Nov. 1 and Nov. 15 presentations:**

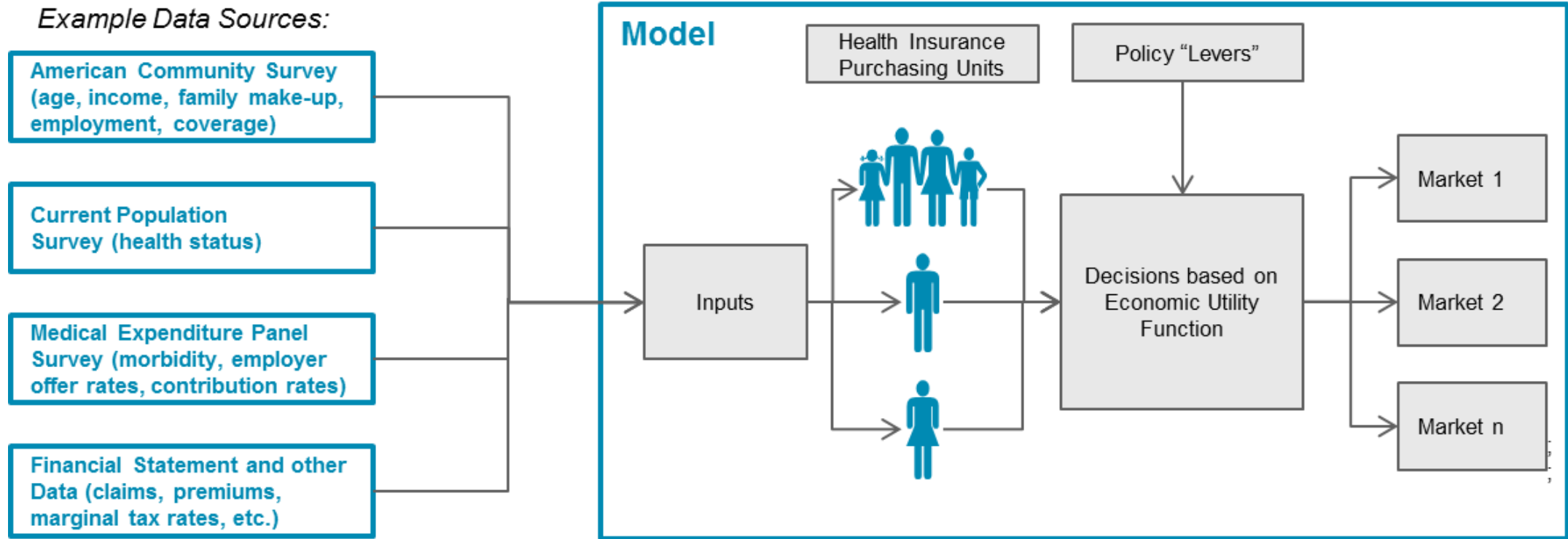
- Nov 1: Explain cost/revenue analysis methodology
- Nov 15: Share estimated federal 1331 revenue and cost of TF BHP proposal

- 1. Removing BHP population from Marketplace is expected to have a modest overall impact on the remaining Marketplace:**
 - Overall enrollment remains relatively constant because the continuation of ARPA subsidies results in a majority of enrollees facing lower net premiums today than before ARPA subsidies were implemented in 2021.
 - Premiums for unsubsidized consumers decrease because of improved morbidity of the risk pool and because of decrease in Silver premiums.
 - Purchasing power for subsidized consumers decreases as Second Lowest Cost Silver (SLCS) Premium decreases 10-12% due to a loss of silver loading. Few enrollees leave the market because of this, but some move from Gold to Silver since Gold has become more expensive relative to Silver.
- 2. Case studies show that impacts vary significantly by age and income, and not as much by rating region.**
- 3. Higher morbidity in BHP population and decreased premiums in Marketplace impact BHP revenue and cost but much depends on rest of the forthcoming BHP analysis, which will incorporate:**
 - Morbidity of populations coming from Medicaid and uninsured
 - Cost of Medicaid-like benefits

Recap: Microsimulation Model

Oliver Wyman's Healthcare Reform Microsimulation (HRM) model is a rigorously vetted model based on utility maximization.

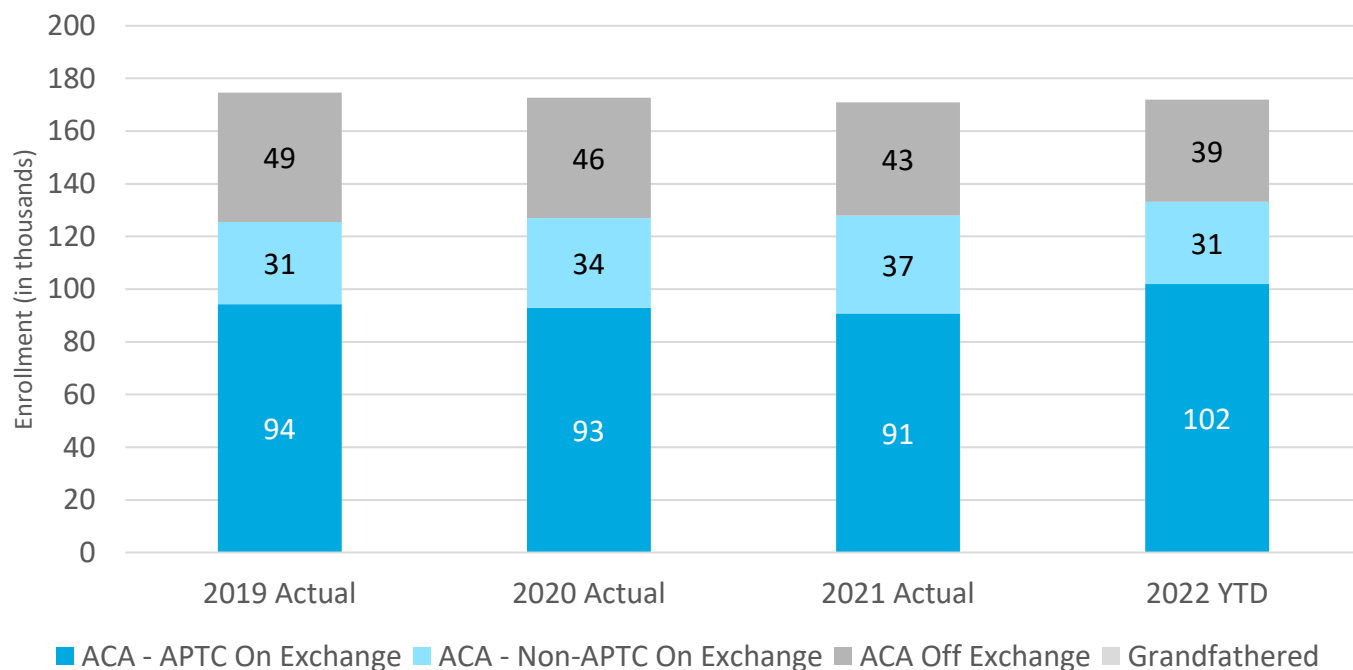
Model overview



Impacts on the Market

Enrollment in the Oregon Individual Market has Remained Relatively Stable in Recent Years, But With a Shift to More Subsidized Coverage in 2022

Average Annual Individual Market Enrollment



Proportion of ACA Members Receiving APTCs

2019	2020	2021	2022 YTD ¹
54.0%	53.8%	53.1%	59.3%

Proportion of ACA Members Enrolling Through the Exchange

2019	2020	2021	2022 YTD ¹
71.9%	73.5%	74.8%	77.5%

- Proportion of members enrolling through the exchange has gradually increased from 2019 through 2022, likely driven in part by ARPA. However, even with the enhanced ARPA-level subsidies offered in 2022, the on-exchange proportion of enrollment has only increased slightly
- While there was an increase in 2022 APTC enrollment, the number of Non-APTC on-exchange enrollment did not see a large decrease from prior years

¹ 2022 YTD represents data through June 2022, annualized
Sources: Oregon Quarterly Enrollment Report, Carrier data call responses

A Two Step Process was Used to Determine the Expected Impact on Premium Rates and Resulting Changes in Enrollment

Removing 138-200% population leads to a second round of changes in the Marketplace

Step 1

Removing the 138-200% FPL population from the Marketplace and making no adjustments to premium rates

- Assess the impact on morbidity and silver loading

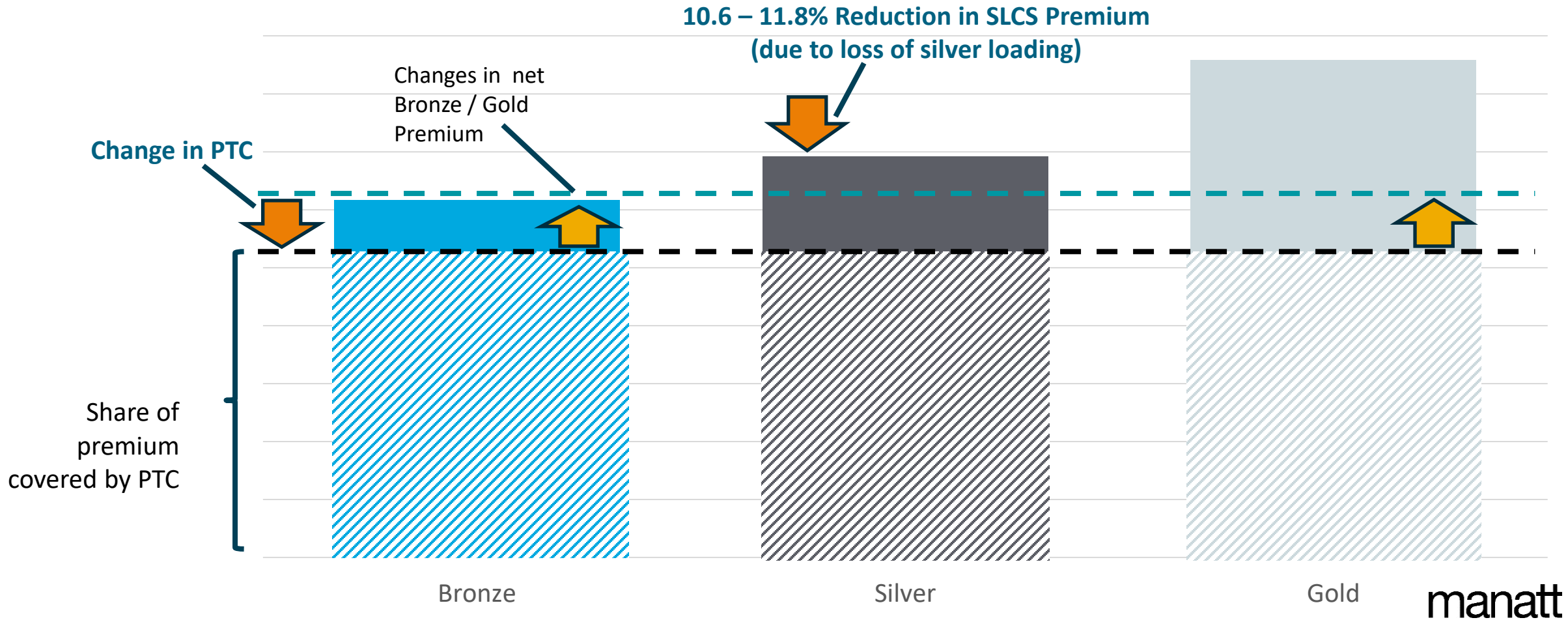
Step 2

After removing the 138-200% FPL population, revise premium rates to reflect morbidity changes and reduced silver loading in the residual Individual ACA market

- Leads to dynamic changes in consumer behavior that results in further needed adjustment to the market morbidity and silver loading, and continues until the market reaches a new equilibrium

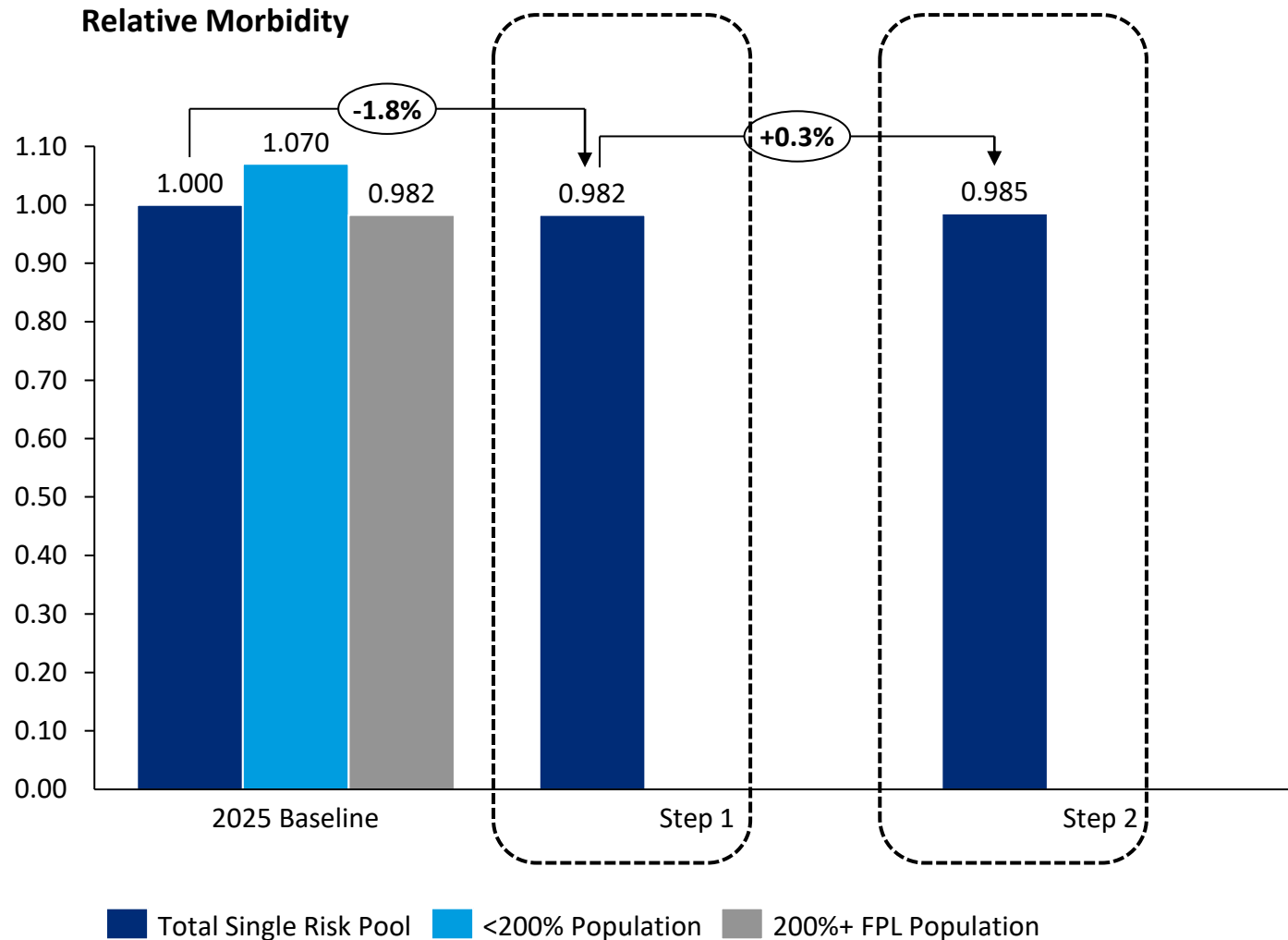
On-Exchange Silver Plans will Require Adjustments to the Level of the Silver Load in Step 2

Removing the BHP population will result in a 10.6 to 11.8% reduction in silver loading, which will decrease the costs of the second-lowest cost silver (SLCS) plan and consequentially, the amount of APTCs available, all else equal.



Deep Dive: Key Findings

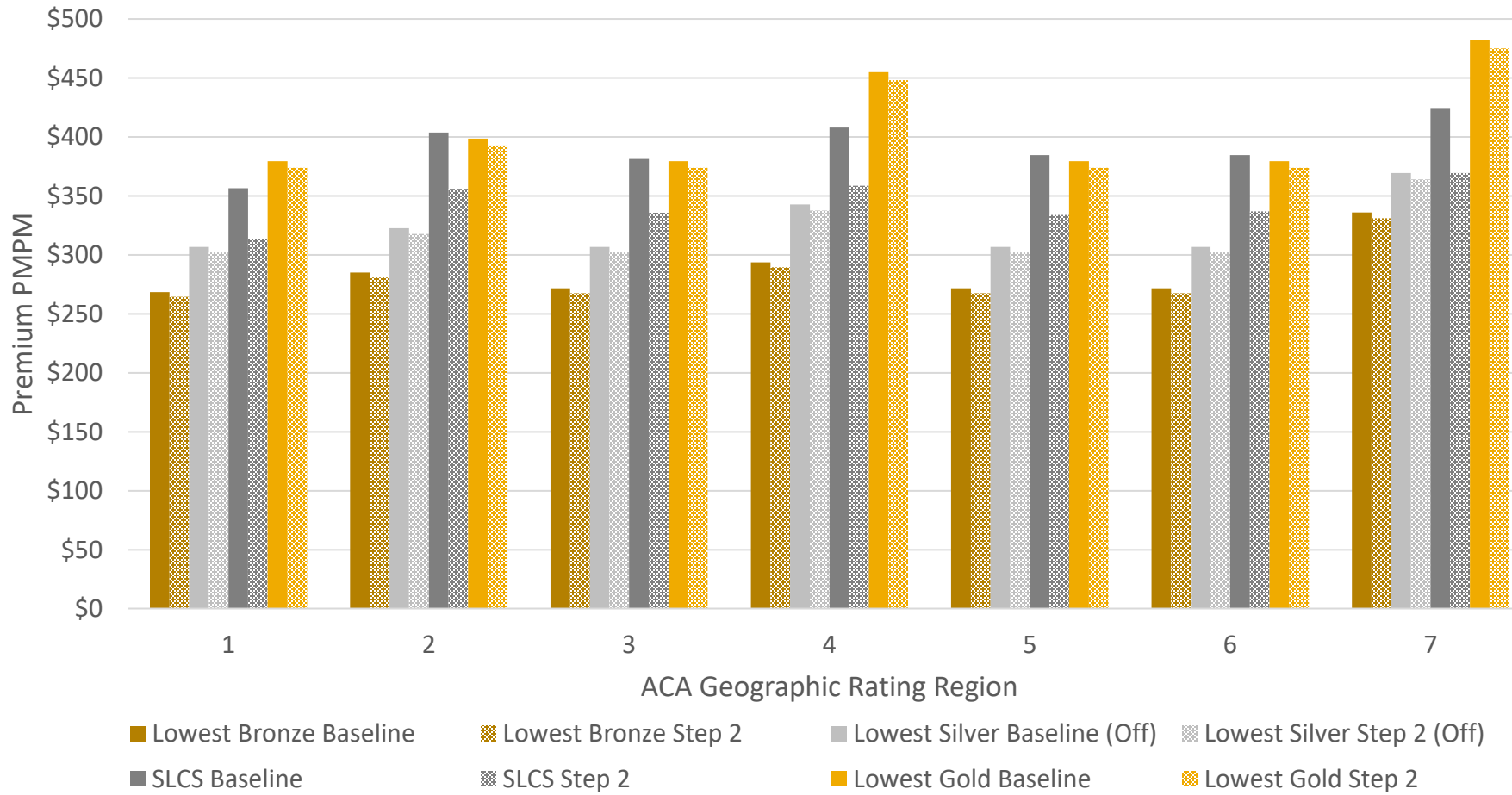
Removing Members with Incomes <200% FPL is Expected to Result in a 1.5% Improvement in the Morbidity of the ACA Market



- The impact that removing the population with incomes below 200% FPL in Step 1 is expected to have on the ACA single risk pool was developed from information obtained through a carrier data call
 - Allowed claims were normalized for differences in demographics and induced utilization due to benefit differences for each cohort
 - A secondary validation of the reasonableness was performed using ACA risk scores and other information provided by the carriers
- The morbidity impact of removing the population with incomes below 200% FPL varies by carrier from -3.7% to 0.0%, however expected offsetting adjustments to each carriers' risk transfer liability should result in a similar impact on expected allowed claims for all carriers
- Once premium rates are reduced to reflect this lower morbidity, the silver loading is adjusted to reflect the remaining population enrollment, and consumers are modeled to make changes to their coverage based on these new premium rates, the market morbidity is expected to experience an offsetting deterioration of 0.3%.

The SLCS Rates Decrease Significantly with the BHP in Place

2024 Lowest Cost Gross Premium PMPM at Each Metal Level¹ – 21 Year-Old - Baseline vs. Step 2

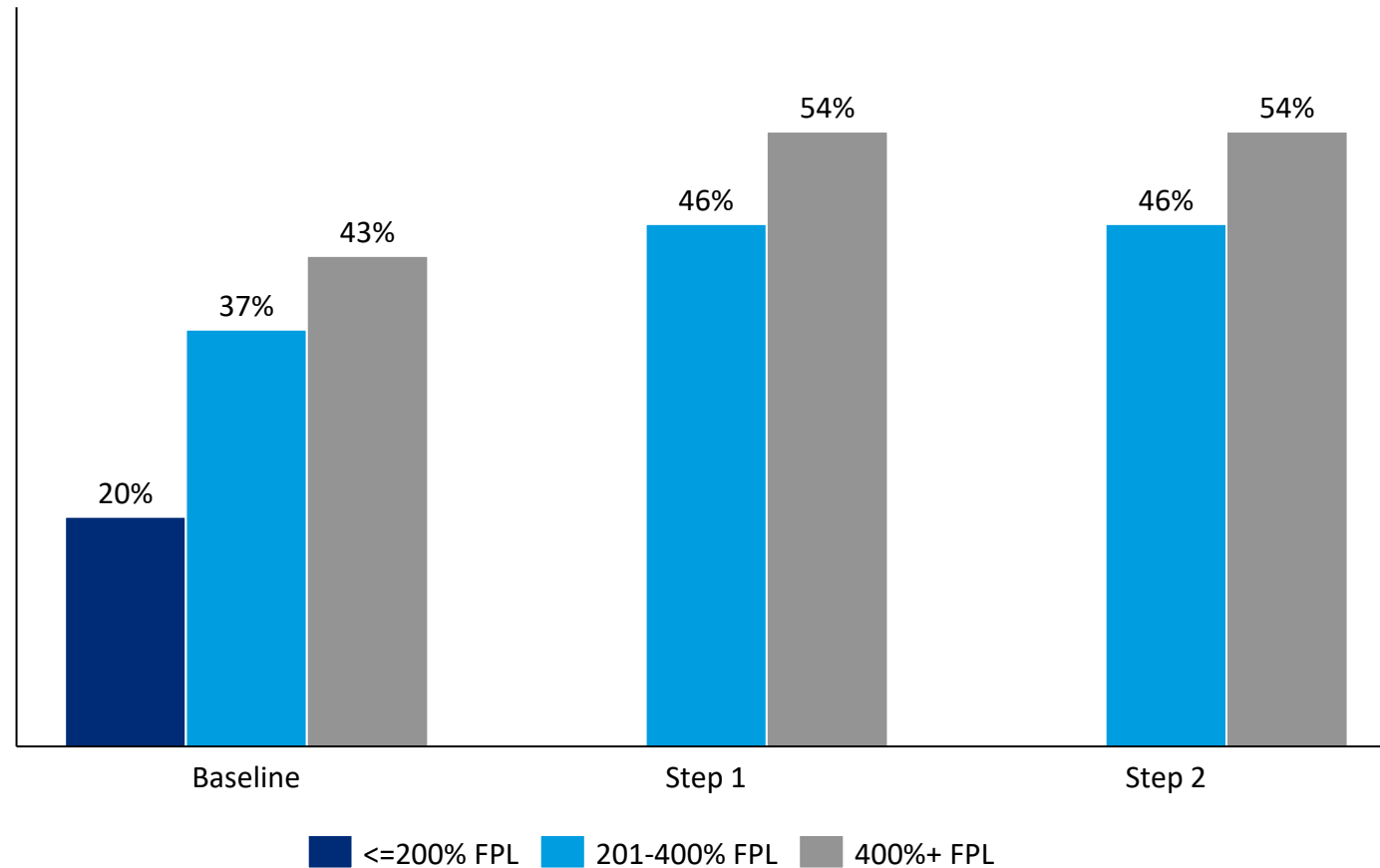


- The SLCS rates decrease significantly due to the reduction in silver loading, and become lower than the lowest cost Gold rates in all Rating Regions
 - The difference is significant in Rating Regions 4 and 7
- All rates are expected to decrease slightly due to expected morbidity improvement
- Given the small remaining silver load, the SCLS rates become much closer to the lowest cost Silver rates Off-Exchange

¹The lowest cost premium rates within the region were used for each ACA Rating Region

The Distribution of Enrollees with Household Incomes > 200% FPL are Expected to Lean Towards the 400%+ FPL Population with a BHP in Place

Distribution of Individual ACA Market Enrollees by FPL %

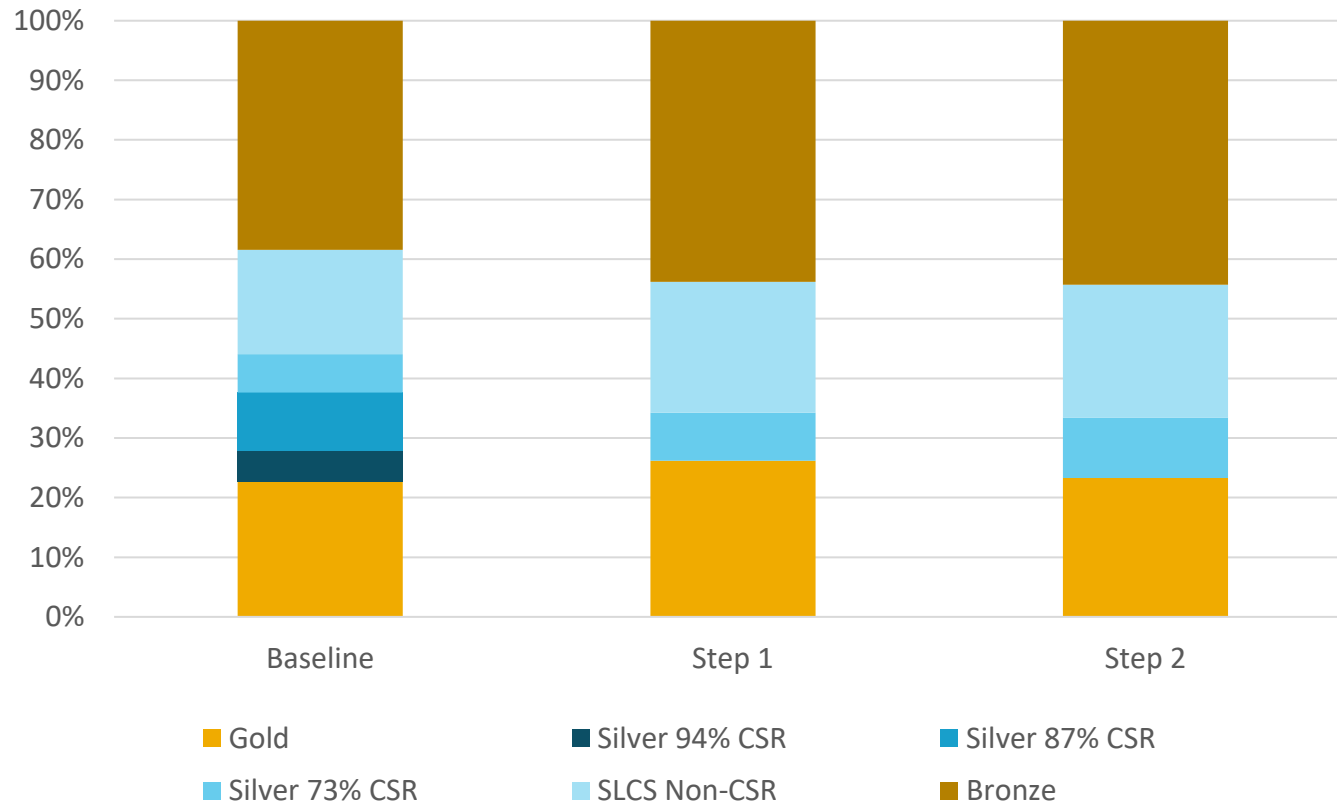


Scenario	Total Marketplace Enrollment
Baseline	178,000
Step 1	142,200
Step 2	141,400

- The baseline market shrinks by approximately 20% when excluding the BHP-eligible population (0-200% FPL)
- Approximately 54% of the remaining population have income that exceeds 400% FPL when the BHP-eligible population is removed from the market
- Enrollment is expected to decrease minimally as members react to the new premium rates offered, with essentially no change in the split by income over/under 200% FPL
- **Many people above 400% FPL will continue to be subsidized with ARPA subsidies remaining in place.**

Oregon's Individual Market Distribution by Metal Level is Expected to Shift Away from Silver Plans in Step 1 and Then Slightly Away from Gold in Step 2

Distribution of Individual ACA Market Enrollees by Metal Level



Distribution of Individual ACA Market Enrollment

Metal Level	Baseline	Step 1	Step 2
Platinum	0	0	0
Gold	40,400	37,200	32,900
Silver	69,200	42,700	45,800
<i>SLCS Non-CSR</i>	31,200	31,200	31,500
<i>73% CSR</i>	11,500	11,500	14,300
<i>87% CSR</i>	17,400	0	0
<i>94% CSR</i>	9,100	0	0
Bronze	68,400	62,300	62,700
Catastrophic	0	0	0
Total¹	178,000	142,200	141,400

Members with Incomes Over 200% FPL are Expected to Experience Little Movement Despite the Revised Premium Rates

Plan Type	Bronze Subsidized	Bronze Non-Subsidized	Silver 73% CSR	Silver Non-CSR Subsidized	Silver Non-Subsidized	Gold Subsidized	Gold Non-Subsidized	Other Insurance	Uninsured	Total
Baseline Coverage (200% + FPL Only)	37,000	25,300	11,500	13,800	17,300	21,400	15,900	200	0	142,400
Coverage with BHP in Place (Step 2)	36,800	25,900	14,200	12,800	18,900	15,600	17,300	100	900	
Net Change	(200)	600	2,700	(1,000)	1,600	(5,800)	1,400	(100)	900	

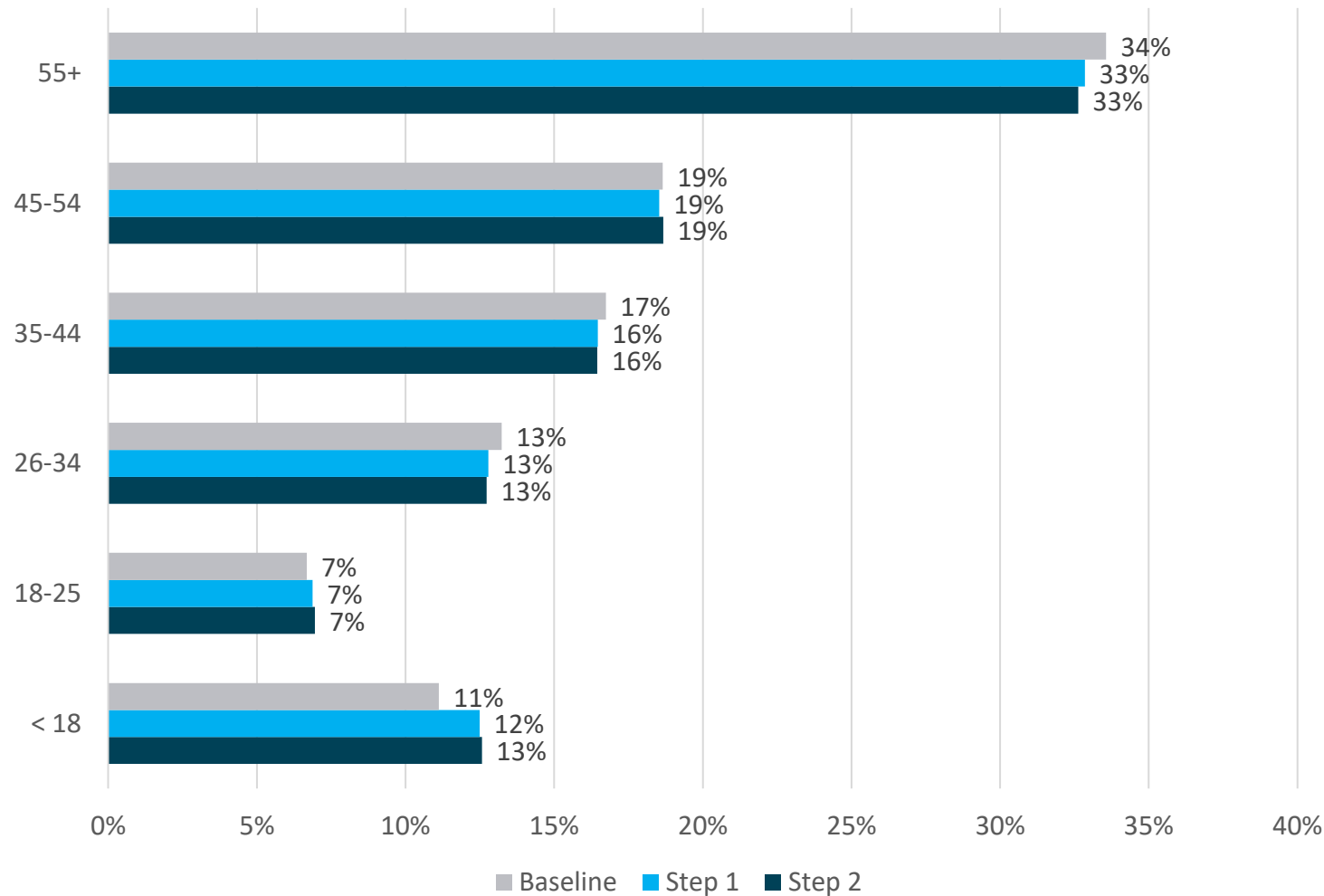
Represents Individual ACA Market Members

- There is little movement in enrollment among the non-subsidized population as the rates available to them decrease 1.5%, relative to the baseline
- The subsidized population experiences reductions in their APTCs, leading to higher net premiums for Bronze and Gold coverage, relative to the baseline, while the premium they pay for Silver coverage is largely unchanged
 - As a result there is some movement from Bronze and Gold, into Silver
 - The decrease in premium rates for the SLCSF due to Silver loading being reduced also results in some households that previously qualified for APTCs no longer qualifying, as the full premium for Silver coverage is now below the applicable percentage of their income

Row and column totals for a given metal level do not tie to totals on the prior slide due to rounding

The Age Distribution of Oregon's Individual Market is Expected to Experience Minor Shift When Removing the <200% FPL Population

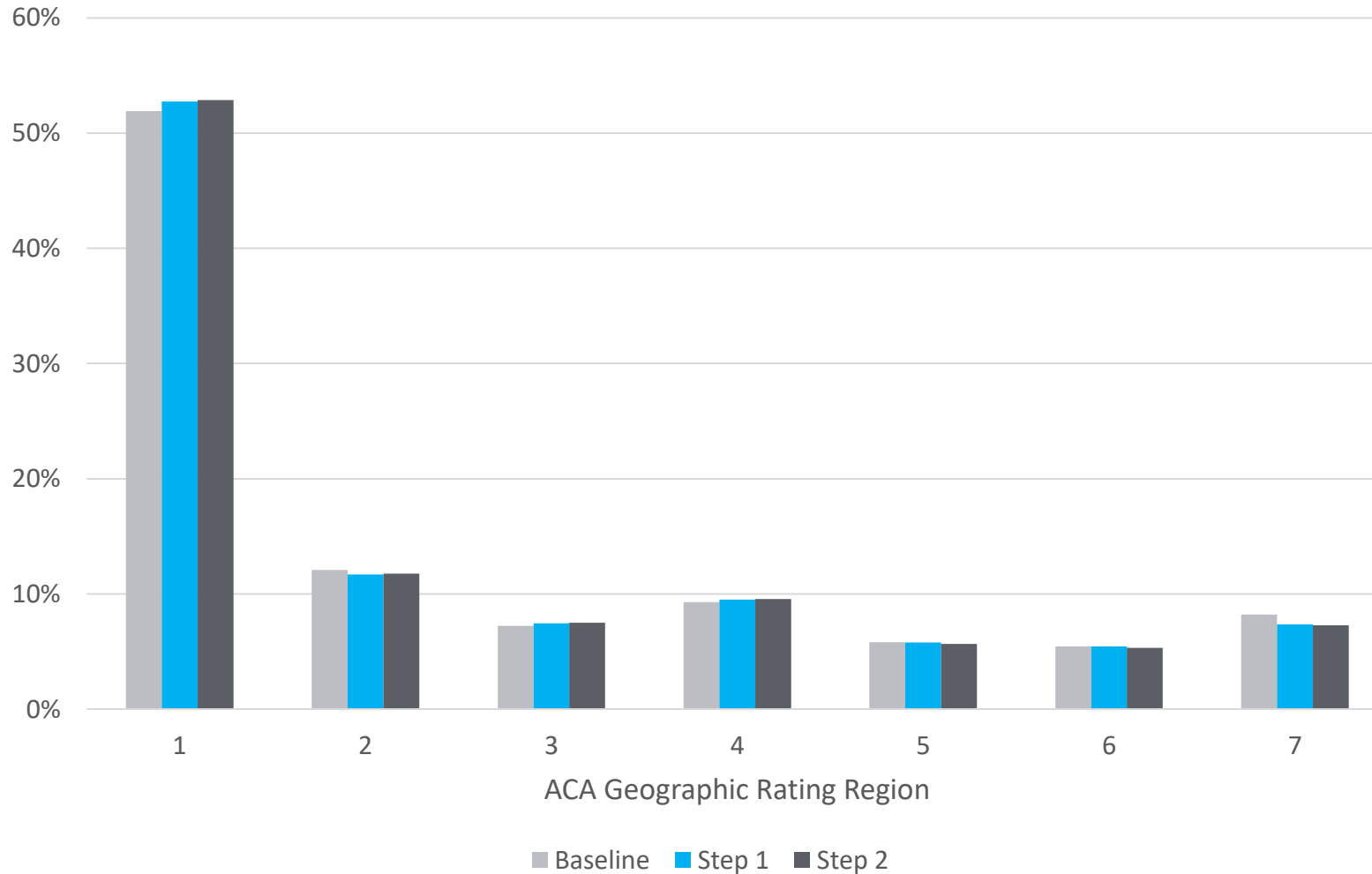
Distribution of Individual ACA Market Enrollees by Age



- Removing the <200% FPL population from the Individual ACA Market leads to the <18 age bracket representing a slightly larger portion of the total market share with older age brackets representing a slightly smaller market share

The Distribution of Oregon's Individual Market Membership by Rating Region for the 200%+ FPL Population is Similar to the Baseline

Distribution of Individual ACA APTC Market Enrollees by Geographic Rating Region



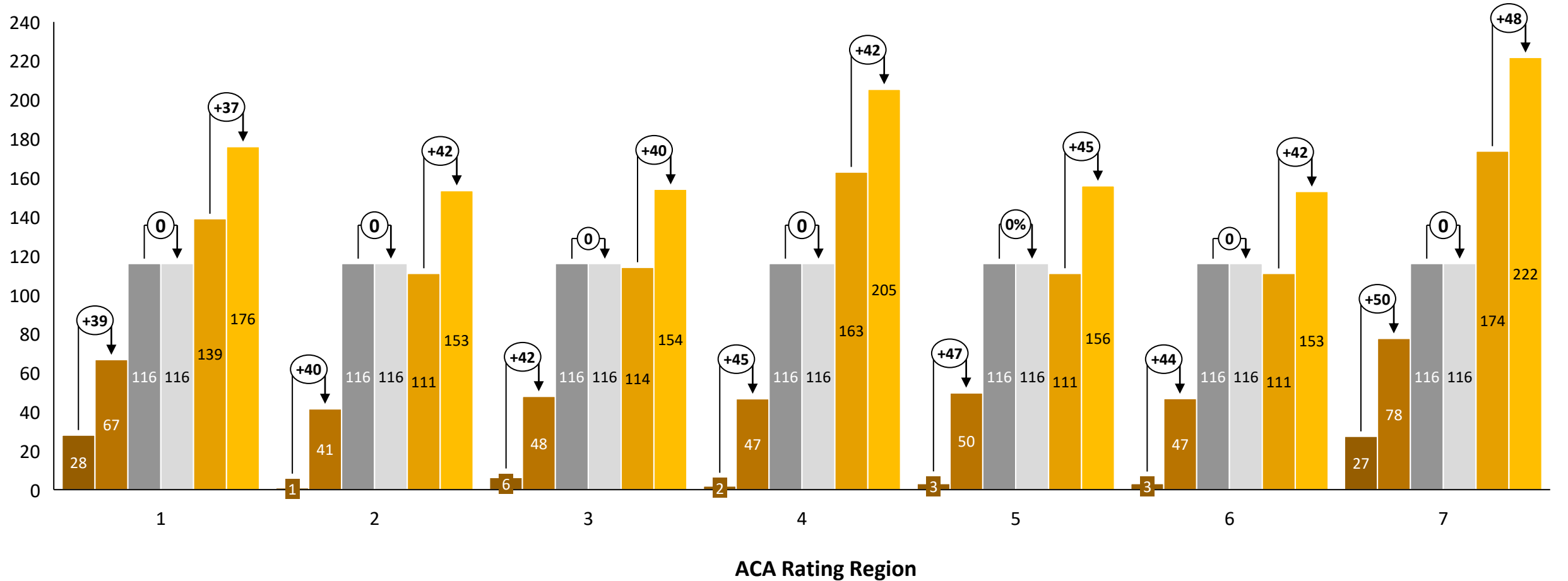
- Geographical shifts are expected to be relatively minor
- The largest membership shifts from the baseline to Step 2 are expected to occur in Rating Regions 1 and 7, which observe shifts of +1.0% and -0.9% of total market share, respectively

Case Examples

Case Study: Change in Subsidized Premium - Baseline to Step 2

21 Year-Old; 250% FPL

2024 Subsidized Premium at Each Metal Level¹ – Baseline to Step 2 – 21 Year-Old with Income of 250% FPL (≈\$34,000 / yr)



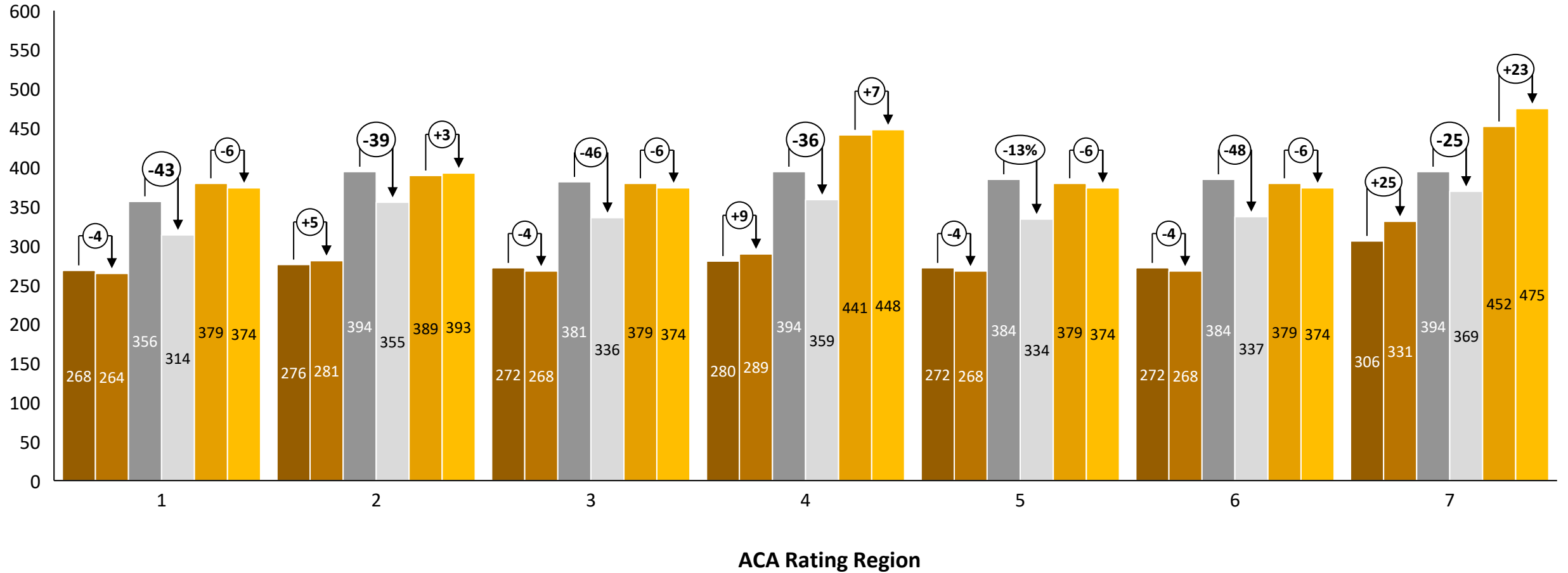
■ Lowest Cost Bronze
 ■ Lowest Cost Bronze (Step 2)
 ■ Second Lowest Cost Silver
 ■ Second Lowest Cost Silver (Step 2)
 ■ Lowest Cost Gold
 ■ Lowest Cost Gold (Step 2)

¹The geographic area with the lowest SLCS rate within each ACA Rating Region was used

Case Study: Change in Subsidized Premium - Baseline to Step 2

21 Year-Old; 400% FPL

2024 Subsidized Premium at Each Metal Level¹ – Baseline to Step 2 – 21 Year-Old with Income of 400% FPL (≈\$54,400 / yr)



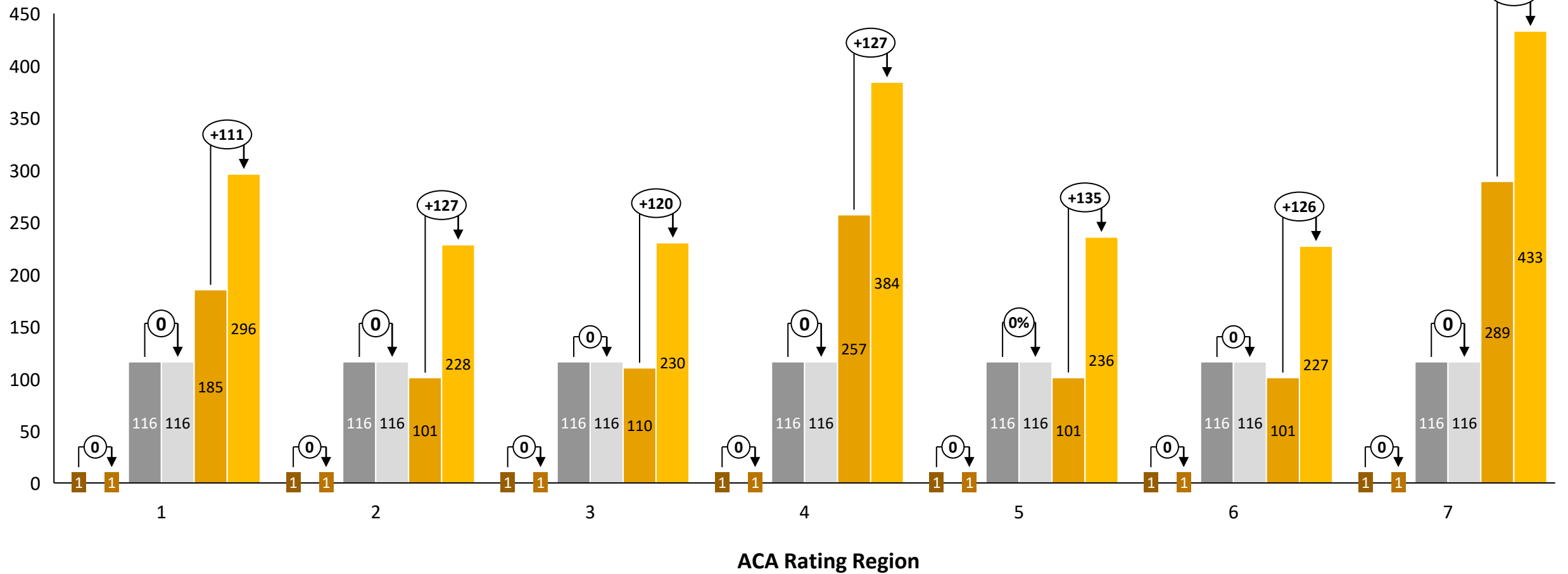
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Case Study: Change in Subsidized Premium - Baseline to Step 2

64 Year-Old; 250% FPL

2024 Subsidized Premium at Each Metal Level¹ – Baseline to Step 2 – 64 Year-Old with Income of 250% FPL (≈\$34,000 / yr)



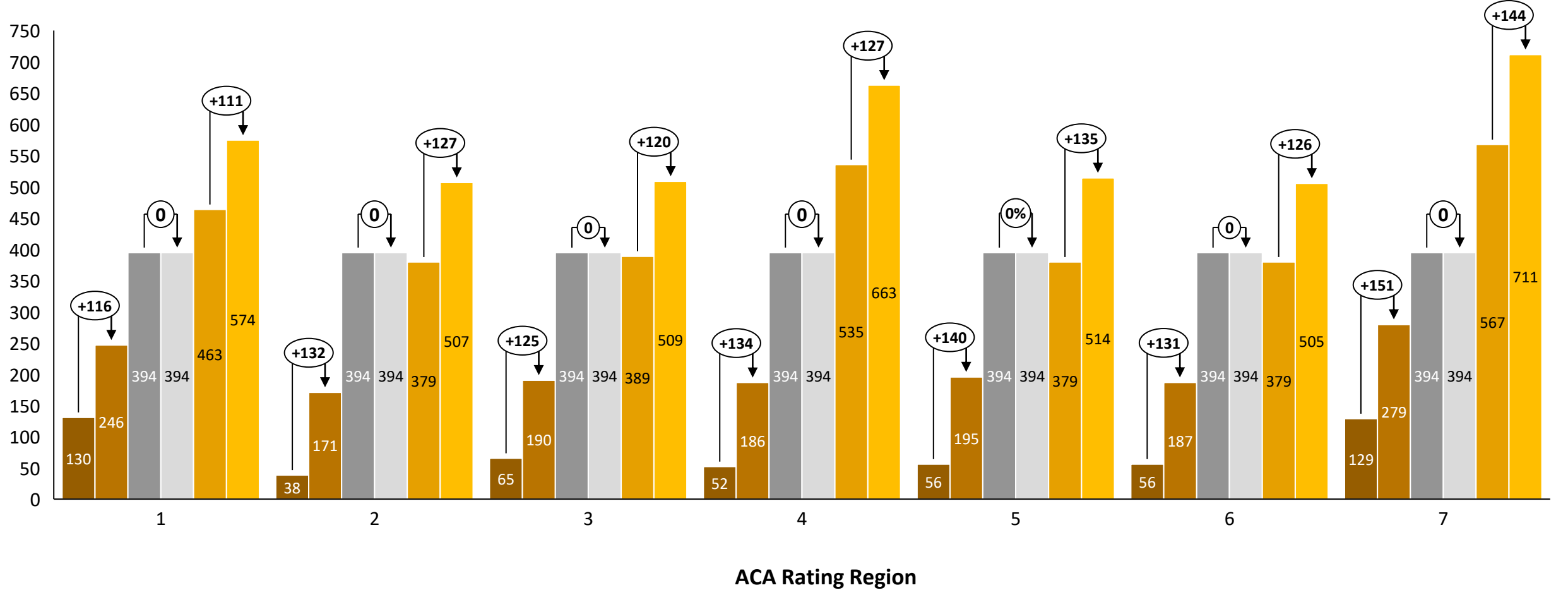
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Case Study: Change in Subsidized Premium - Baseline to Step 2

64 Year-Old; 400% FPL

2024 Subsidized Premium at Each Metal Level¹ – Baseline to Step 2 – 64 Year-Old with Income of 400% FPL (≈\$54,400 / yr)

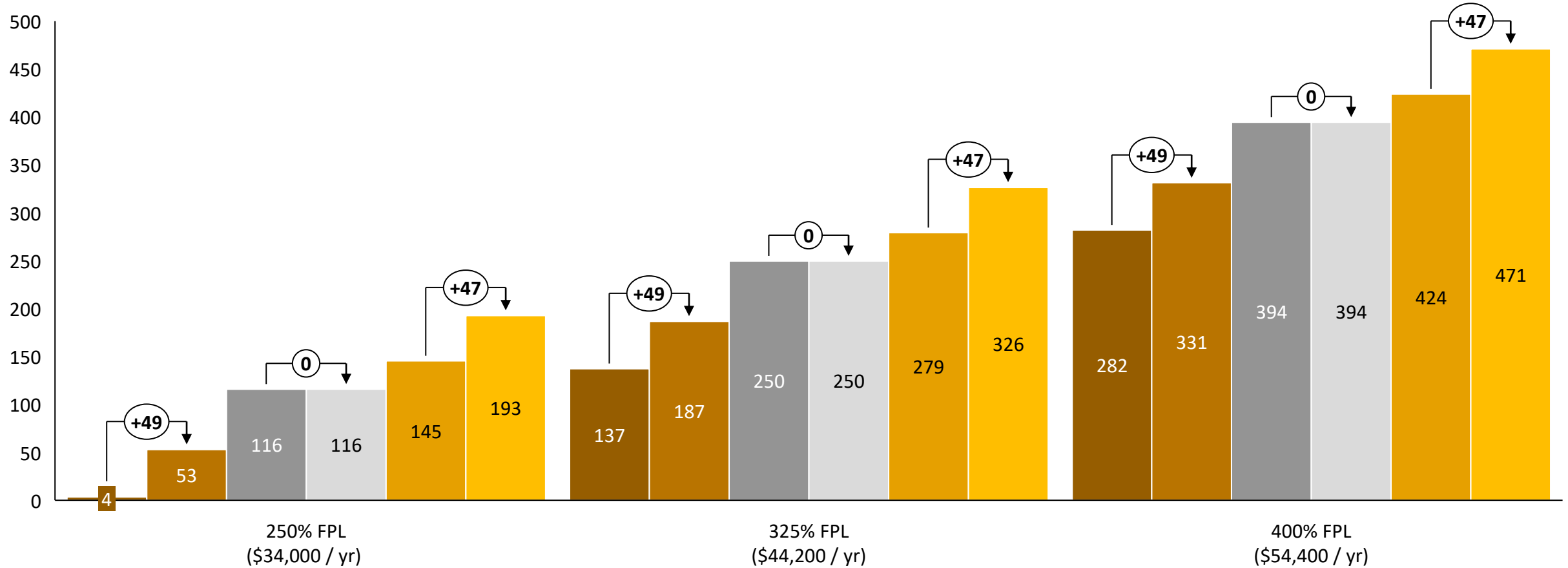


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¹The geographic area with the lowest SLCS rate within each ACA Rating Region was used

Case Study: Change in Subsidized Premium - Baseline to Step 2 40 Year-Old; Rating Region 1

2024 Subsidized Premium at Each Metal Level¹ – Baseline to Step 2 – 40 Year-Old Rating Region 1



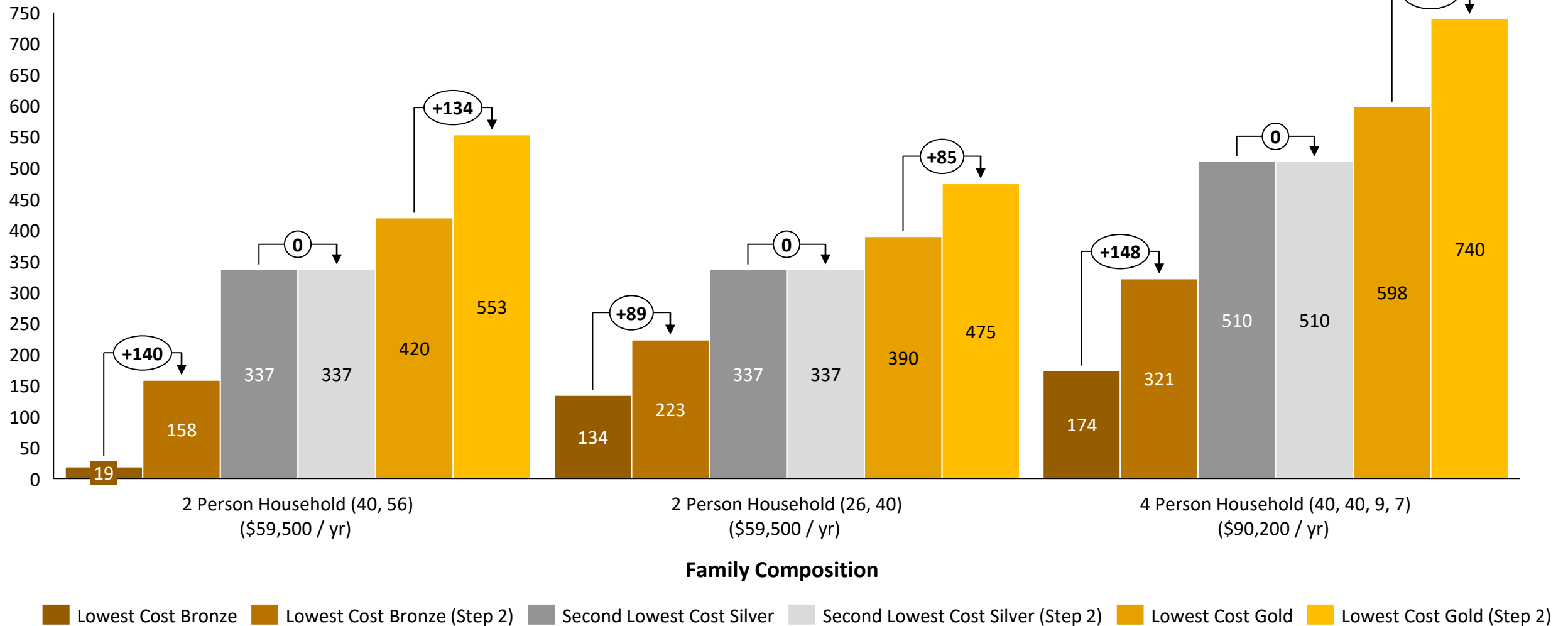
■ Lowest Cost Bronze
 ■ Lowest Cost Bronze (Step 2)
 ■ Second Lowest Cost Silver
 ■ Second Lowest Cost Silver (Step 2)
 ■ Lowest Cost Gold
 ■ Lowest Cost Gold (Step 2)

¹The geographic area with the lowest SLCS rate within Rating Region 1 was used

Case Study: Change in Subsidized Premium - Baseline to Step 2

Rating Region 1; 325% FPL

2024 Subsidized Premium at Each Metal Level¹ – Baseline to Step 2 - Rating Region 1; 325% FPL



¹The geographic area with the lowest SLCS rate within Rating Region 1 was used

Key Takeaways and Looking Ahead

1. Removing BHP population from Marketplace is expected to have a modest overall impact on the remaining Marketplace:

- Overall enrollment remains relatively constant because the continuation of ARPA subsidies results in a majority of enrollees facing lower net premiums today than before ARPA subsidies were implemented in 2021.
- Premiums for unsubsidized consumers decrease because of improved morbidity of the risk pool and because of decrease in Silver premiums.
- Purchasing power for subsidized consumers decreases as Second Lowest Cost Silver (SLCS) Premium decreases 10-12% due to a loss of silver loading. Few enrollees leave the market because of this, but some move from Gold to Silver since Gold has become more expensive relative to Silver.

2. Case studies show that impacts vary significantly by age and income, and not as much by rating region.

3. Higher morbidity in BHP population and decreased premiums in Marketplace impact BHP revenue and cost but much depends on rest of the forthcoming BHP analysis, which will incorporate:

- Morbidity of populations coming from Medicaid and uninsured
- Cost of Medicaid-like benefits

Looking Ahead

Upcoming Task Force meetings are scheduled for November 1 and November 15.

Manatt and Oliver Wyman will present:

- **Nov. 1:** Framework and Methodology for BHP Cost/Revenue Analysis
- **Nov. 15:** Findings from BHP Cost/Revenue Analysis, including Anticipated Federal Funding, Estimated Cost of TF BHP Proposal

Thank You

Appendix

Oliver Wyman's Healthcare Reform Microsimulation (HRM) Model is a Rigorously Vetted Model Based on Utility Maximization

High-level tenets of utility maximization modeling

Prices	Goods and services have prices that force consumers to choose between them and other alternatives within income constraints
Revealed Preferences	Consumers have (subjective) preferences for goods and services, which are directly observable through historical data
Rationality	Consumers act rationally and exhibit predictable behavior based on their available option set and information
Inertia	Consumers have stickiness to their legacy coverage and may not be aware of cheaper alternatives (influence of inertia sourced from past economic studies and model calibration)

Vetting by government bodies and major associations in the course of past work



Successful legislative and regulatory deployments

Transitional Reinsurance Program (Section 1341 of the Affordable Care Act)

• \$20bn impact

Section 1332 State Innovation Waivers

• \$1bn impact (annual reduction in premiums)

Similar models deployed by top organizations

Health Insurance Simulation Model (HISIM2)

- Health insurance coverage
- Premiums
- Input to baseline budget projections

Health Insurance Policy Simulation Model (HIPSM)

- Cost and coverage effects of proposed health care policy options

Data Sources Underlying the Calibration and Deployment of Oliver Wyman's HRM Model

POPULATION INPUTS




INSURANCE MARKET INPUTS




POLICY REQUIREMENTS

Demo/Sociographic



American Community Survey

Health Status



Current Population Survey

MEPS Household Comp

• *Self-reported*

Employer Coverage

- Offer rates
- Take-up rates
- Employee contributions
- Industry


MEPS Household / Employer Comp.

Claims Data

- Allowed cost
- OOP cost

MarketScan

Market Size and Financial Flows



- Segment sizing
- Premium PMPM
- Claims PMPM

MLR Reports

Supplemental Health Care Exhibit


Statutory Financial Reports

EDGE Server Files

Carrier Rate Filings

Supplemental Data From Carriers

Premium and Plan Choice



- Lowest 1 or 2 By Metal Level
- CSR / Subsidy


SBM and FFE Premiums

All Payer Claim Databases

ASPE/CMS Published Data

Supplemental Data From Carriers

Legal Structure



- Medicaid Pre-ACA, Waivers
- State subsidies
- State specific Market Rules

Rules - Medicaid and State Programs

State Insurance Law Components

Commercial Coverage

Subsidies

- Basis (Age, Income)
- Level of funding
- CSR

U/W and Rating

- Guaranteed Issue
- Rating Rules (e.g., 3-to-1)

Benefits

- Actuarial Values
- EHB requirements

Supporting Legislation

Taxes

- Tax Treatment of ER Sponsored Coverage
- Individual Tax Credits

Other

- Unemployment benefits
- COBRA

Medicaid

Eligibility

- Federal requirements
- State decisions
- Pre-ACA State Programs

Funding

- Funding Levels
- Structure / Block Grants
- Waiver updates

Oliver Wyman's HRM Model Allows for Assessing the Impact of Policy Changes at a Granular Level, Driving More Precise Assumptions

Model overview

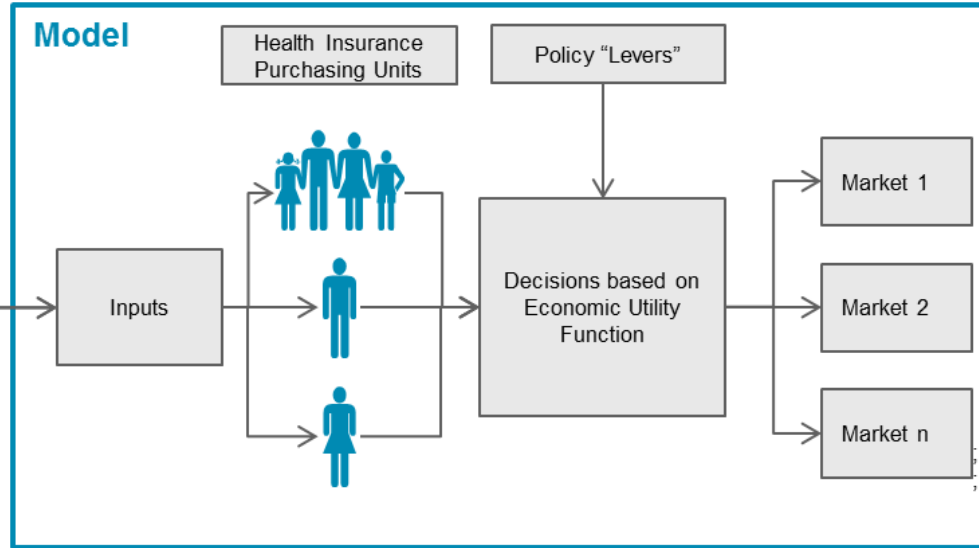
Example Data Sources:

American Community Survey (age, income, family make-up, employment, coverage)

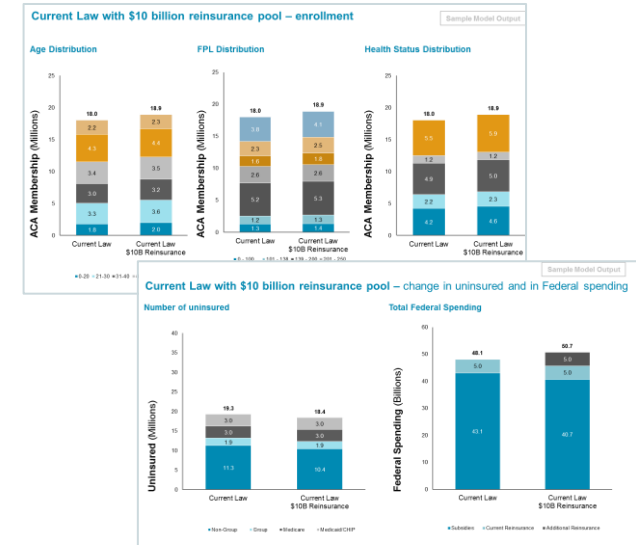
Current Population Survey (health status)

Medical Expenditure Panel Survey (morbidity, employer offer rates, contribution rates)

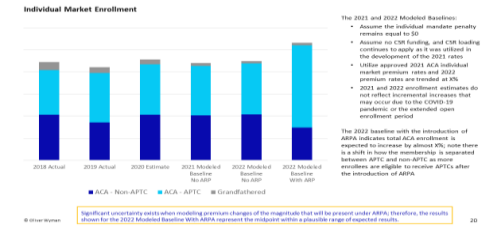
Financial Statement and other Data (claims, premiums, marginal tax rates, etc.)



Sample Model Output



THE 2021 AND 2022 MODELED BASELINES WITHOUT ARPA REFLECT A STABLE MARKET RELATIVE TO 2020; THE 2022 MODELED BASELINE WITH ARPA DEMONSTRATES THE EXPECTED CHANGES IN ENROLLMENT DUE TO INCREASED APFCs AND ELIGIBILITY



Members with Incomes Over 200% FPL are Expected to Experience Little Movement Despite the Revised Premium Rates

Coverage with BHP in Place (Step 2)

	Coverage with BHP in Place (Step 2)									Total
	Bronze Subsidized	Bronze Non-Subsidized	Silver 73% CSR	Silver Non-CSR Subsidized	Silver Non-Subsidized	Gold Subsidized	Gold Non-Subsidized	Other Insurance	Uninsured	
Bronze Subsidized	35,200	700	400	100	0	0	0	0	600	37,000
Bronze Non-Subsidized	0	25,200	0	0	100	0	0	0	0	25,300
Silver 73% CSR	100	0	11,400	0	0	0	0	0	0	11,500
Silver Non-CSR Subsidized	0	0	0	12,400	1,400	0	0	0	0	13,800
Silver Non-Subsidized	0	0	0	0	17,300	0	0	0	0	17,300
Gold Subsidized	1,400	0	2,400	300	0	15,600	1,400	0	300	21,400
Gold Non-subsidized	0	0	0	0	0	0	15,900	0	0	15,900
Other insurance	100	0	0	0	100	0	0	X	0	200
Uninsured	0	0	0	0	0	0	0	0	X	0
Total	36,800	25,900	14,200	12,800	18,900	15,600	17,300	100	900	142,400

Baseline Coverage (200% + FPL Only)

Represents Individual ACA Market Members

- There is little movement in enrollment among the non-subsidized population as the rates available to them decrease 1.5%, relative to the baseline
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