

NCOIL Spring Meeting

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

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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



2015 Changes – Recent Developments (cont.)

- 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

- 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?



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