

State of Wisconsin

Individual Market Data Elements for 2019 Pass-Through Calculations

September 14, 2018

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Introduction

The Office of the Commissioner of Insurance (“OCI”) in the State of Wisconsin (“Wisconsin”) retained Wakely Consulting Group, LLC (“Wakely”) to analyze the effects of a state-based reinsurance program on the 2019 individual Affordable Care Act (ACA) market. In particular, Wakely was to estimate the effect of the 1332 reinsurance waiver on the second lowest cost-silver plan (“SLCP”) by rating area and on total premiums in the ACA individual market. These four data elements will be used by the Departments of Health and Human Services (“HHS”) and Treasury (“the Treasury”) to calculate the pass-through amounts for the 2019 waiver year for Wisconsin.

This document has been prepared for the sole use of Wisconsin, although we understand that it may be distributed to HHS and the Treasury. This document contains the results, data, assumptions, and methods used in our analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements. Using the information in this report for other purposes may not be appropriate.

Total Premiums in ACA Market with and without the waiver.

The modeling to estimate total enrollment and total premiums aligned with the methods previously described in Wisconsin’s 1332 waiver application with slight adjustments to account for enrollment changes for the 2018 benefit year that occurred subsequent to the approved application, actual premium rate increased filed by the issuers for 2019, and for additional data/policy changes that are applicable to the 2019 benefit year.¹ Table 1 summarizes total premiums with and without the 1332 waiver.

Table 1: 2019 Estimated Average Enrollment and Premium

	2019
Baseline (with waiver)	
Total Non-Group Enrollment	209,582
Total Non-Group Premium PMPM	\$719.48
Total Non-Group Premiums	\$1,809,478,603
Without Waiver	
Total Non-Group Enrollment	207,932
Total Non-Group Premium PMPM	\$802.17
Total Non-Group Premiums	\$2,001,549,593

¹<https://oci.wi.gov/Documents/Regulation/WI%201332%20Waiver%20Application%20and%20All%20Attachments.pdf>

To do this, Wakely completed the following steps:

1. The data was adjusted to 2018 using the following steps:
 - a. Emerging 2018 enrollment as of May 2018 was used as a starting point for 2018 members, but an assumption was made for attrition since enrollment drops off throughout the year. Using the actual CMS attrition from May to average 2017, the average members for 2018 were estimated. This results in more enrollees in 2018 than projected for the 1332 waiver application.
 - b. Emerging 2018 premium data was estimated using the 2018 premium information collected for the waiver analysis.
2. Once 2018 data was estimated, the data was further adjusted to estimate the 2019 total premiums with the 1332 waiver:
 - a. Premiums per member per month were decreased by the 2019 rate filing amount, or 4.2%. The 2019 decrease was calculated taking a weighted average of the premium change by issuer and their 2018 premium by issuer.
 - b. The 2019 enrollment was estimated to increase as a result of the premium decreases among the unsubsidized enrollees. Enrollment increases as a result of the lower premiums was estimated using a non-linear enrollment response function estimated by the Council of Economic Advisors (CEA take-up function).² The function computes expected enrollment change based on premium rate increases and portion of the market that is not receiving subsidies. The resulting enrollment was checked for reasonability using Wisconsin's specific experience. Given the high proportion of individuals with APTCs relative to total ACA non-group market and following discussions with Wisconsin, for our best estimate, we assumed that the effective repeal of the mandate and short term limited duration plans would not impact Wisconsin's enrollment. Wisconsin specific effect of the mandate was arrived at through qualitative discussions with Wisconsin's Department of Insurance and the issuers.
 - c. To estimate the total premiums, with the reinsurance waiver, the average enrollment was multiplied by average premiums and by 12 to account for the full year.
3. To estimate total ACA individual market premiums without a waiver:
 - a. 2019 premiums were increased by the gross premium weighted reinsurance amount included in the 2019 rate filings, yielding an average premium increase of

²https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

6.8%.

- b. Enrollment losses as a result of the higher premiums was estimated using a non-linear enrollment response function estimated by CEA.³
- c. To estimate the total premiums, without the reinsurance waiver, the average enrollment was multiplied by average premiums and by 12 to account for the full year.

Second Lowest Cost Silver Plan Premium

Table 2 captures the second lowest cost silver plan premium for a 21-year old non-tobacco user in 2019 both with and without the waiver. Given the request to display the second lowest cost silver by rating area, the rating area’s SLCP amount was calculated by weighting the 2019 SLCP by county, as identified in the 2019 rate filings, by county enrollment within each rating area. The effect of the waiver was calculated by identifying the SLCP issuer’s reinsurance adjustment in its 2019 rate filing and then weighting that amount by county enrollment, to produce a rating area level waiver impact. Please note that the impact of reinsurance is slightly larger on the second lowest cost-silver plan. This is because issuers that are associated with the second lowest cost silver plan had larger reinsurance effects than the state average.

**Table 2: 2019 Second Lowest Silver Premium PMPMs
By Rating Area (21-Year Old, Non-Tobacco)**

Rating Area	2019		No Waiver / Waiver
	Waiver	No Waiver	
1	\$440.07	\$476.14	8.2%
2	\$299.72	\$339.62	13.3%
3	\$443.18	\$483.38	9.1%
4	\$502.20	\$564.32	12.4%
5	\$468.72	\$526.70	12.4%
6	\$468.46	\$521.24	11.3%
7	\$326.40	\$369.86	13.3%
8	\$498.67	\$551.58	10.6%

³https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

Table 2 (cont.)

Rating Area	2019		No Waiver / Waiver
	Waiver	No Waiver	
9	\$439.21	\$475.21	8.2%
10	\$459.16	\$515.96	12.4%
11	\$433.94	\$483.94	11.5%
12	\$440.07	\$476.14	8.2%
13	\$463.94	\$521.33	12.4%
14	\$313.08	\$348.86	11.4%
15	\$318.11	\$360.46	13.3%
16	\$441.66	\$485.80	10.0%

Reliances and Caveats

The following is a list of the data Wakely relied on for the analysis:

- The 2016, 2017, and 2018 Open Enrollment Report PUF produced by HHS^{4 5 6}
- Effectuated Enrollment Reports released by CMS⁷
- Wisconsin’s 2018 Open Enrollment data⁸
- May 2018 effectuated enrollment by issuer, and 2018 and 2019 second lowest cost silver plan data provided by OCI
- CEA Take-Up Function⁹
- Other data as captured in the 1332 waiver application.¹⁰

⁴ <https://aspe.hhs.gov/health-insurance-marketplaces-2016-open-enrollment-period-final-enrollment-report>

⁵ https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/Plan_Selection_ZIP.html

⁶ https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2018_Open_Enrollment.html

⁷ <https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf>

⁸ <https://content.govdelivery.com/accounts/MDHC/bulletins/1d0717e>

⁹ https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

¹⁰ <https://oci.wi.gov/Documents/Regulation/WI%201332%20Waiver%20Application%20and%20All%20Attachments.pdf>

The following are additional reliances and caveats that could have an impact on results:

- **Data Limitations.** The entire year of 2018 was not yet available. As a result, there is uncertainty on attrition patterns or other changes to the 2018 year. Changes to base estimates could influence estimates. Wakely also had limited insight into exactly how carriers weighted reinsurance impacts at a county level. Wakely made some assumptions on the weighting but different data may influence the results.
- **Political Uncertainty.** There is significant policy uncertainty. Future federal actions or requirements in regards to outreach, income verification, or outstanding legal cases could change the estimates enclosed in this report.
- **Enrollment Uncertainty.** Additionally, there is enrollment uncertainty. Beyond changes to potential rates and policy, individual enrollee responses to these changes also has uncertainty.
- **Premium Uncertainty.** Given the potential change in enrollment, metal level enrollment decisions or other enrollment decisions could influence the average premium in the market.

Disclosures and Limitations

Responsible Actuaries. Julie Peper is the actuary responsible for this communication. She is a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. She meets the Qualification Standards of the American Academy of Actuaries to issue this report. Michael Cohen and Michael Forster contributed significantly to the analysis and memo.

Intended Users. This information has been prepared for the sole use of the state of Wisconsin. Distribution to parties should be made in its entirety and should be evaluated only by qualified users. The parties receiving this report should retain their own actuarial experts in interpreting results.

Risks and Uncertainties. The assumptions and resulting estimates included in this report and produced by the modeling are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. Wakely does not warrant or guarantee that Wisconsin or the issuers will attain the estimated values included in the report. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

Conflict of Interest. The responsible actuary is financially independent and free from conflict concerning all matters related to performing the actuarial services underlying these analyses. In addition, Wakely is organizationally and financially independent of the state of Wisconsin.

Data and Reliance. We have relied on others for data and assumptions used in the assignment. We have reviewed the data for reasonableness, but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly. The information included in the 'Reliances and Caveats' sections identifies the key data and reliances.

Subsequent Events. These analyses are based on the implicit assumption that the ACA will continue to be in effect in future years with no material change. Material changes in state or federal laws regarding health benefit plans may have a material impact on the results included in this report. In addition, any changes in issuer actions as well as complete 2018 enrollment and experience could impact the results. There are no other known relevant events subsequent to the date of information received that would impact the results of this report.

Contents of Actuarial Report. This document constitutes the entirety of actuarial report and supersede any previous communications on the project. However, more information regarding the analysis preceding this report can be found in the formal 1332 waiver report produced by Wakely on behalf of Wisconsin.

Deviations from ASOPs. Wakely completed the analyses using sound actuarial practice. To the best of our knowledge, the report and methods used in the analyses are in compliance with the appropriate ASOPs with no known deviations. A summary of ASOP compliance is listed below:

ASOP No. 23, Data Quality

ASOP No. 41, Actuarial Communication