



State of Wisconsin

Individual Market 2020 Medicaid Expansion Estimates

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Introduction

The State of Wisconsin (“Wisconsin”) Office of the Commissioner of Insurance (“OCI”) retained Wakely Consulting Group, LLC (“Wakely”) to analyze the potential effects of Medicaid on the individual market. This report focuses on Medicaid Expansion in Wisconsin.

This document has been prepared for the sole use of Wisconsin, although we understand that it may be distributed to carriers in the state of Wisconsin. 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.

Potential Medicaid Expansion

One policy issue that could materially affect the individual Affordable Care Act (ACA) market in Wisconsin is if Wisconsin decides to expand Medicaid. Such an expansion would shift current individual market enrollees who are below 138% of the Federal Poverty Limit (FPL) and eligible for Medicaid out of the individual market over the long term. According to the Centers for Medicare & Medicaid Services (CMS) data, there were approximately 33,615 consumers with a non-cancelled plan selected as of the end of Open Enrollment with incomes between 100% and 138% FPL.

Since the CMS data is 2019 Open Enrollment data, Wakely used this information, along with market information, to estimate the average enrollees between 100% and 138% FPL in 2020. Wakely estimated that, on average, approximately 25,000 to 30,000 on-Exchange enrollees would be newly Medicaid eligible if Wisconsin expanded its Medicaid program to 138% FPL. In other words, an average of 25,000 to 30,000 enrollees would likely shift out of the individual market, should the state expand Medicaid to 138% FPL, over the long term. It is important to note that the 25,000 to 30,000 is an average number of enrollees over the course of the year.

The large shift of enrollees out of the individual market into Medicaid is likely to produce direct effects on individual ACA market premiums. Previous research has shown that Medicaid Expansion reduces individual market premiums. For example, HHS conducted in-depth analysis on the impact of Medicaid Expansion on premiums. Controlling for numerous factors, HHS¹ estimated that, on average, premiums were 7% lower in states that expanded Medicaid. Sen and Deliere² estimated that Marketplace premiums were on average 11% lower in states that expanded Medicaid compared to states that did not, controlling for demographic and health

¹ <https://aspe.hhs.gov/pdf-report/effect-medicaid-expansion-marketplace-premiums>

² Sen, Aditi and Thomas Deliere (2018). “How does expansion of public health insurance affect risk pools and premiums in the market for private insurance?” *Journal of Health Economics*

characteristics of the state. These reports are not in conflict and just demonstrate the potential range in relative premium changes due to improvements in morbidity Wisconsin's ACA individual market. The effects (e.g., premium reduction due to improved morbidity) may not be completely realized in the first year of Medicaid Expansion. Nonetheless, Medicaid Expansion in Wisconsin could change both the size of the individual market and the morbidity of Wisconsin's ACA individual.

Data and Methodology

To estimate the average number of enrollees between 100% and 138% FPL in the Individual Market Wakely used the following assumptions:

1. Wakely used non-cancelled plan selections for the 2019 benefit year as of Open Enrollment provided to Wakely by the Wisconsin's OCI on April 2, 2019.
2. Wakely adjusted that amount to account for net attrition over the course of the year to calculate an average number of enrollees.
3. Wakely assumed that the level of 2020 enrollment for the 100% to 138% FPL cohort was constant relative to 2019 for the high estimate. For the low estimate, Wakely estimated overall enrollment in 2020 using Center for American Progress estimates for mandate impact for Wisconsin for 2025.³ These estimates were adjusted by updated CBO estimates on the impact of limited short-term duration plans and Association Health Plans on the individuals and the year 2020. Subsidized enrollment was reduced by the proportions in the CBO modeling and lower due to effective repeal of the mandate as calculated by the CBO in the low estimate.⁴

³ <https://www.americanprogress.org/issues/healthcare/news/2017/12/05/443767/estimates-increase-uninsured-congressional-district-senate-gop-tax-bill/>

⁴ https://www.cbo.gov/system/files?file=2019-01/54915-New_Rules_for_AHPs_STPs.pdf

Reliances and Caveats

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

- The 2016, 2017, 2018, and 2019 Open Enrollment Report PUF produced by HHS^{5 6 7 8}
- Effectuated Enrollment Reports released by CMS⁹
- CBO Analysis of the Individual Market¹⁰
- Research on Effects of Medicaid Expansion on the Individual Market¹¹
- Center for American Progress Estimates of the Impact of the Mandate Repeal on the Individual Market^{12 13}
- Data on plan selections for the 100 to 138% FPL cohort provided calculated by CMS and provided by Wakely by Wisconsin’s Department of Insurance 4/02/2019.

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

- Data Limitations. As discussed above, Wakely relied on point in time non-cancelled coverage information from CMS. To the extent to which effectuated enrollment data differs from non-cancelled coverage for this particular cohort of enrollees the results could differ.
- Political Uncertainty. There is significant policy uncertainty. Future federal actions or requirements in regards to, reinsurance funds, income verification, auto-enrollment, or CSR payments could dramatically change premiums and enrollment. In particular, CSR funding or changes to rules about how CSR requirements are accounted for in premiums (i.e., “silver-loading”) could dramatically change enrollment, claim costs, and premiums in future years. Furthermore, if Wisconsin expands Medicaid to 138% FPL this would alter the results in this report, as noted above.

⁵ <https://aspe.hhs.gov/health-insurance-marketplaces-2016-open-enrollment-period-final-enrollment-report>

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

⁷ https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2018_Open_Enrollment.html

⁸ https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2019_Open_Enrollment.html

⁹ <https://www.cms.gov/sites/drupal/files/2018-11/11-28-2018%20Effectuated%20Enrollment%20Table.pdf>

¹⁰ https://www.cbo.gov/system/files?file=2019-01/54915-New_Rules_for_AHPs_STPs.pdf

¹¹ <https://aspe.hhs.gov/pdf-report/effect-medicaid-expansion-marketplace-premiums>

¹² <https://www.americanprogress.org/issues/healthcare/news/2017/12/05/443767/estimates-increase-uninsured-congressional-district-senate-gop-tax-bill/>

¹³ Sen, Aditi and Thomas Deliere (2018). “How does expansion of public health insurance affect risk pools and premiums in the market for private insurance?” *Journal of Health Economics*

- **Enrollment Uncertainty.** Additionally, there is enrollment uncertainty. Beyond changes to potential rates and policy, individual enrollee responses to these changes also has uncertainty. All of these uncertainties result in limitations in providing point estimates on reinsurance parameters.

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 also contributed significantly to this report.

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 carriers 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 actuaries are 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 'Data and Methodology' and '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 and regulations regarding health benefit plans may have a material impact on the results. Any changes in issuer actions as well as complete 2018 or 2019 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 supersedes 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