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State of Oregon

Section 1332 State Innovation Waiver
Actuarial and Economic Analysis: Additional Data

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Introduction

As part of Oregon's 1332 application, Wakely performed actuarial analysis on the effects of their proposed reinsurance program. Since the analysis was conducted, Oregon's 2018 rates have changed due to two reasons: 1) the rates being finalized since the initial application of the waiver, and 2) CSR payments no longer being funded by the Federal government. Table 1 and Table 2 show the estimated effects of the reinsurance policy on 2018 baseline rates, updated to include the impact of the final approved premium rates for 2018 and the CSR payments being defunded.

Table 1: 2018 Average Enrollment and Premium Data / Estimates

	2018
Baseline	
Total Non-Group Enrollment	198,850
Total Non-Group Premium PMPM	$532.71
Total Non-Group Premiums	$1,271,152,801
Post-Reinsurance (with Waiver)	
Total Non-Group Enrollment	202,020
Total Non-Group Premium PMPM	$494.49
Total Non-Group Premiums	$1,198,768,270

The modeling to estimate total enrollment and total premiums aligned with the methods previously described in Oregon's 1332 waiver application with slight adjustments to account for premium changes and member movement for the 2018 benefit year that occurred subsequent to the initial application.[1] To summarize, the 2018 enrollment and premium estimates were calculated using the 2018 rate filings as of July 3, 2017 as well as 2017 data from the Center for Medicaid and Medicare Services (CMS) and Oregon, which included the following steps:

1. The state average premium was based on the 2016 EDGE data and trended by observed premium increases in 2017 (to estimate 2017) and by Oregon's 2018 rating filing increases (to estimate 2018).

2. The 2018 individual market enrollment was calculated using 2017 data from CMS and Oregon[2] and adjusted to account for changes in enrollment due to net attrition

[1] http://healthcare.oregon.gov/DocResources/1332-application.pdf

[2] Exchange enrollment was derived from the Effectuated Enrollment report (ibid). Off-Exchange data was derived from Oregon's quarterly enrollment report http://dfr.oregon.gov/business/report-data/Pages/health-ins-enroll.aspx

throughout 2017 and estimated attrition from the 2018 premium changes. For further information please see the initial report.[3]

The key differences from the original report include incorporating the final approved rate filings and higher premiums due to CSR payments being defunded. One issuer had a final premium increase that was two percentage points higher than what was included in the original analysis (excluding the effects of CSRs). Average non-group premiums were adjusted to account for this higher premium.

The new baseline was also adjusted to account for increased premiums due to CSR payments no longer being funded by the Federal government. Wakely received the impact of this change to premium rates from the state of Oregon, which is a 7.1% increase to silver premiums (both on and off Exchange). Higher silver premiums were estimated to have a differing effect depending on the enrollees income.

- Enrollees in silver plans who are ineligible for subsidies were estimated to experience increased attrition due to the higher silver premiums. Attrition was estimated using a non-linear enrollment response function estimated by the Council of Economic Advisors (CEA take-up function).[4] The function computes expected enrollment change based on premium rate increases and portion of the market that is not receiving subsidies.
- Enrollees who are subsidy eligible are not expected to have attrition given that the APTC subsidy structure insulates them from premium increases. However, the increase in subsidies is expected to increase metal level switching. In particular, individuals with income between 200% FPL and 400% FPL would have greater opportunities to change metal levels given the relative increase in affordability of bronze and gold premiums. We based metal level switching on an analysis conducted by Covered California.[5] The analysis estimated the percent enrollment decrease in silver and the increase in enrollment in bronze and gold plans due to the defunding of CSR payments by the Federal government. Wakely used the same proportional decrease in silver plans estimated in the Covered California analysis and re-allocated that shift by the relative proportional shift estimated for gold and bronze plans. One key difference is that the California analysis estimated enrollment shifts resulting from a premium increase in excess of 16%. To account for this difference, Wakely reduced the enrollment changes by the relative difference in Oregon's premium increase (7.1%) and the Covered California's report estimate (16.6%). The new metal level allocation was multiplied by the average premium by metal level to create a new statewide average premium.

Enrollment was re-estimated for these changes (finalized rate filings and the defunding of the CSRs) using the CEA take-up function, described previously.

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[3] http://healthcare.oregon.gov/DocResources/1332-application.pdf
[4]https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf
[5] https://www.coveredca.com/news/pdfs/Appendix-Consequences_of_Terminating_CSR.pdf

Table 2 captures the second lowest cost silver plan premium for a 40-year old non-tobacco user in 2018 both with and without reinsurance. The "waiver" section is directly from the carrier rate filings accounting for the changes described previously. Given the request to display the second lowest cost silver by rating area, we have selected one county (with the highest population) to represent the entire rating area. In reality, there are several instances where we choose the second lowest cost silver plan for the rating area that is different than what is available in many of the counties. However, different methods at identifying the second-lowest cost silver yielded the same reduction due to reinsurance (a reduction of 7.2 percent).

Table 2: 2017-2018 Second Lowest Silver Premium PMPMs By Rating Area (40-Year Old, Non-Tobacco)

Rating Area	Representative County	2018 Baseline	2018 Waiver	Rate Change from Baseline to Waiver
1	Multnomah	$409	$380	-7.2%
2	Lane	$501	$465	-7.2%
3	Marion	$410	$381	-7.2%
4	Deschutes	$526	$488	-7.2%
5	Coos	$486	$451	-7.2%
6	Umatilla	$563	$523	-7.2%
7	Jackson	$505	$469	-7.2%

Appendix A

Reliances and Caveats

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

- Wakely collected a complete set of 2016 EDGE Server XML data from each individual market carrier except one carrier who was a negligible portion of the market. The carrier had fewer than 50 members on the 2016 individual market (or approximately 0.02% of the market). The exclusion of the carrier's data is not expected to impact results.

  This data collected from the other 2016 individual market carriers includes

  - The inbound enrollment, medical, pharmacy, and supplement files that were submitted by each carrier to the EDGE Server.
  - The corresponding response files that apply an accept/reject status to the claims in the inbound files.
  - The final outbound files that were produced in May 2016. These files include the risk adjustment, reinsurance, and enrollee claims detail/enrollee claims summary reports.

- Similar 2015 EDGE data from the carriers was used at a high level to test for reasonability of the 2016 data given the possibility that the Co-op closing mid-2016 could cause 2016 to have data anomalies.

- Member-level Co-op enrollment data indicating each member's enrollment within the Co-op and their enrollment within a new plan after the termination of the Co-op. This data was provided by Oregon.

- CMS reports (2016 Final Open Enrollment Report, 2016 March Effectuated Enrollment Report, 2017 Plan and Premium Report, 2017 Final Open Enrollment Report).

- Oregon's quarterly Department of Financial Regulation Enrollment reports, which was provided by Oregon.[6]

- Oregon's CY 2017 effectuated enrollment, April 2017 billing report, and the impact to silver rates from CSR payments not being funded by the Federal government, which were all provided by Oregon.

- 2018 rate filings as of November 1st 2017, Unified Rate Review Templates (URRTs), and other related public information, which were all provided by Oregon.

[6] http://dfr.oregon.gov/business/report-data/Pages/health-ins-enroll.aspx

- The paper “Evaluating the Potential Consequences of Terminating Direct Federal Cost-Sharing Reduction (CSR) Funding” conducted by Wesley Yin and Richard Domurat for Covered California was used to estimate shifts in metal level due to premium increases due to CSR increases.

Wakely made some assumptions in working with the available data. These assumptions may impact the results of the analyses and were reviewed by Oregon for reasonability.

Enrollment, medical, pharmacy, and supplemental records that were rejected by the EDGE server were removed from the analyses. Wakely utilizes independent logic per the guidance of the EDGE Server Business Rules to identify records that are accepted but not valid for use in the EDGE Server. Medical, pharmacy, and supplemental records that were orphaned, voided, or replaced were removed from the analyses.

The majority of the enrollment (including premiums) and paid claim information provided in the EDGE Server data appeared to be accurate and complete. However, one of the carriers indicated that there was an error in the submission of their 2016 individual market EDGE data that resulted in some membership not being included. The excluded membership accounts for approximately 1.3% of member months in the 2016 individual market. Wakely’s understanding is that the premium and claim amounts are also excluded for these enrollees. The exclusion of these enrollees is anticipated to have a negligible impact. Any additional errors in the EDGE server data or other source data could have an impact on the results of these analyses.

Any impact due to private commercial reinsurance was not reflected in the analyses.

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

- Political Uncertainty. There is significant policy uncertainty. Future federal actions in regards to mandate enforcement or Oregon’s referendum could dramatically change premiums and enrollment in 2018 or future years. Other changes, such as a shorter open enrollment period, introduction of SEP verification, and other regulatory changes could influence enrollment and morbidity.

- Additional Rate Filings Adjustments. Any change to current rate filings in the form of premium changes or issuer participation may change premium, claims, or enrollment projections.

- 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 and impacts of a 1332 waiver.

- Reinsurance Operations. The EDGE data did not perfectly align with the data as reported in the issuer's rate filings. Wakely was able to work with Oregon to identify reasons for the largest discrepancies, and any remaining discrepancies between the EDGE data and the data reported in the issuer's rate filings are not expected to materially impact results. However, there could be underlying differences that were not discovered during Wakely's review of the data, which may impact the results.

In addition, the EDGE data is currently being used without adjustment to calculate the reinsurance parameters. If actual operations of the reinsurance program differ from the EDGE data configurations, Wakely's analysis would need to be adjusted to match actual reinsurance data requirements. For example, if the reinsurance program includes claims with discharge dates in 2019, Wakely's results may currently underestimate reinsurance payments. Conversely, if the reinsurance program excludes claims with start dates before 2018, Wakely's current process may be overestimating the reinsurance payments. Changes to assumed data requirements, actual data requirements, and data submission quality for reinsurance operations may impact the results.

Appendix B

Disclosures and Limitations

Responsible Actuary. Julie Peper and Danielle Hilson are the actuaries responsible for this communication. They are Members of the American Academy of Actuaries and Fellows of the Society of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to issue this report.

Intended Users. This information has been prepared for the sole use of the management of Oregon. Wakely understands that the report will be made public and used in the 1332 waiver process. Distribution to such 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. This information is proprietary.

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 Oregon 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 Oregon.

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 assumptions.

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, including actions in regards to mandate enforcement or Oregon's referendum. In addition, any changes in carrier actions as well as emerging 2017 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 (the report, including appendices) constitutes the entirety of actuarial report and supersede any previous communications on the project.

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