



MEMORANDUM

April 4, 2017

To: Chiqui Flowers, Acting Administrator, Oregon Health Insurance Marketplace
 Carolina Marquette, Financial Services Manager

From: Gary Helmer, Senior Economist
 Don Gallogly, Senior Research Analyst

Subject: Oregon Health Insurance Marketplace Report –
 Financial forecast with the adopted CY 2018 administrative charges

Issue

DCBS has adopted CY 2018 assessment rates for individual medical plans and for stand-alone dental. The current rates will be retained for CY 2018. They are:

- \$6.00 per member per month (PMPM) for individual medical health plans
- \$0.57 PMPM for stand-alone dental plans

The retention of these rates was recommended by the Health Insurance Marketplace Advisory Committee at a February 9, 2017 meeting. A public hearing was held March 16, 2017. The department has now adopted these rates.

This memo provides a forecast of medical plan and dental plan enrollment through CY 2021 (shown below). This is based on current enrollment and few other changes. The memo also provides the forecast financial outcomes with this enrollment forecast, the Governor’s Recommended Budget, and the extension of the current assessment rates into the future.

Model - Average monthly enrollment

	2014	2015	2016	2017	2018	2019	2020	2021
Medical	58,307	91,302	122,303	128,525	124,391	125,346	126,226	127,070
% change		57%	34%	5%	-3%	1%	1%	1%
Dental	10,070	13,917	16,091	17,470	17,310	17,443	17,565	17,683
% change		38%	16%	9%	-1%	1%	1%	1%

Please let us know if you would like changes to this forecast.

Summary of assumptions

- The Marketplace’s financial planning report is used for 2015-2017 expenditures. This includes actual expenditures through December 2016.
- The Marketplace’s 2017-2019 biennium expenditures are forecast using the Governor’s Recommended Budget. The projected expenditures, including shared services costs, total \$16.4 million.
- Expenditures are forecast to grow 3 percent per year after the 2017-2019 biennium.
- The individual medical plan enrollment forecast is based on early figures for CY 2017 enrollment, an estimate of Oregon’s population growth, and an assumption about people leaving the Marketplace during CY 2017.
- The analysis includes a preliminary estimate of credits due insurers because of the statutory cap on the Marketplace fund balance.
- The Marketplace received \$6.1 million from the settlement of the Cover Oregon lawsuit. This amount is included in the account balance and in the calculation of the rebate.
- Federal charges for the use of the technology are estimated. They are collected directly by the federal government, so they do not affect the calculation of the proposed assessment.
- The COFA and SHIBA accounts are excluded from this analysis.

Assessment history

The table below shows the history of the Marketplace assessment rates. For our modeling, we assume the current assessment rates will be retained in future years.

	2014	2015	2016	2017	2018
Medical	\$9.38	\$9.66	\$9.66	\$6.00	\$6.00
Dental	\$0.93	\$0.97	\$0.97	\$0.57	\$0.57

Current spending projections

The next table shows the actual and planned expenditures for the current biennium and the Governor’s Recommended Budget expenditures for the 2017-2019 biennium. We assume expenditures will increase 3 percent per year in later years.

DCBS Health Insurance Marketplace expenditures, with 2017-2019 GRB
with actual expenditures through October 2016

	FY 2016	FY 2017	2015-2017 total	FY 2018	FY 2019	2017-2019 total
Marketplace total	\$13,928,419	\$7,028,906	\$20,957,324	\$7,574,135	\$7,820,449	\$15,394,584
DCBS Shared Services	\$474,266	\$595,639	\$1,069,905	\$503,253	\$519,619	\$1,022,872
Total planned expenditures	\$14,402,685	\$7,624,545	\$22,027,230	\$8,077,389	\$8,340,068	\$16,417,456

Marketplace medical-plan enrollment forecast

Because the assessment is levied on a per member per month basis, we need a long-term enrollment forecast to estimate the Marketplace’s revenue. Insurers have reported CY 2017 effectuated enrollment through April. As shown below, the March and April totals are about 6 percent higher than last year’s figures.

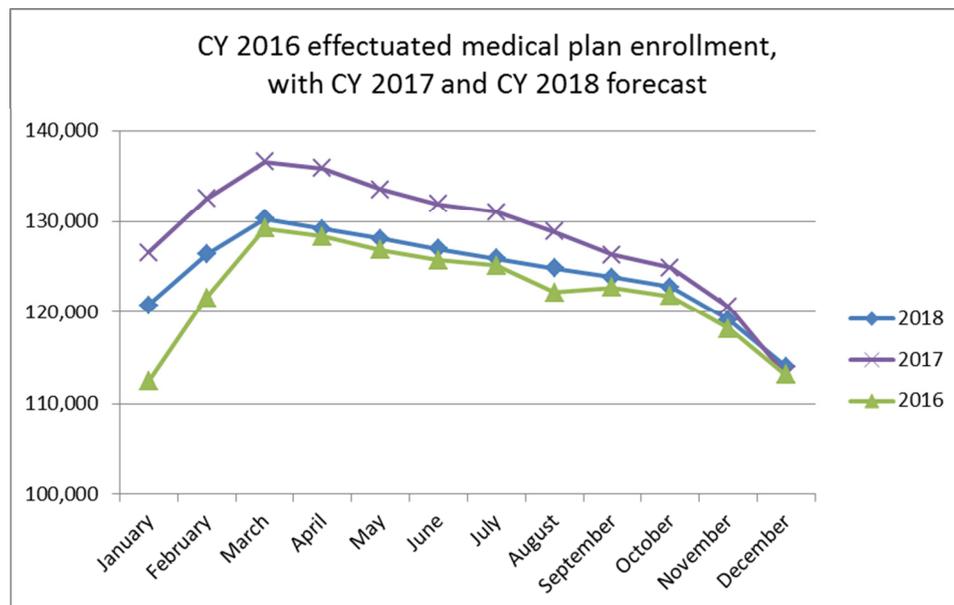
	January	February	March	April
CY 2016	112,424	121,627	129,243	128,405
CY 2017	126,625	132,560	136,615	135,879
% increase	12.6%	9.0%	5.7%	5.8%

There is great uncertainty about future Marketplace enrollment. This analysis was done after the first attempt to pass the American Health Care Act (AHCA) failed. This leaves the Affordable Care Act (ACA) as law, but it is not certain whether the federal government will enforce the individual mandate. Therefore, more people may leave the individual market than did last year.

This forecast is based on two assumptions:

- there will be somewhat more decline in enrollment during the second half of CY 2017 than during the second half of CY 2016
- future enrollment growth will be equal to the growth of Oregon’s under-65 population, currently less than 1 percent per year.

The first assumption builds in an acknowledgment that more people may leave the Marketplace. We have assumed that the December 2017 enrollment figure would decline to the December 2016 enrollment figure. The second assumption attempts to account for Oregon’s changing demographics. The results are shown in the following figure. If the assumptions are correct, the average CY 2018 enrollment will be more than in CY 2016 but less than in CY 2017.



Earlier analysis included assumptions about changes in the percentages of individuals who got insurance, shifts in the percentages who enrolled through the Marketplace, and changes in the economy. These factors may greatly affect future enrollment, but because of their uncertainty, we have not included them in this analysis.

Medical-plan average premiums

Based on four months of insurers' CY 2017 data, the average premium for Marketplace medical plan enrollees is 25 percent higher in CY 2017 than in CY 2016. (This does not account for tax credits.) This is shown in the following table.

Medical plan average premiums, CY 2016 and Jan.-April 2017,
as of the April 2017 report

	CY 2016 ave.		Jan. - April 2017		Ave medical premium		
	Members	Dist.	Members	Dist.	CY 2016	Jan. - April 2017	% change
Atrio Health Plans	1,642	1.3%	6,920	5.2%	\$413	\$527	28%
Bridgespan Health Company	1,274	1.0%	8,671	6.5%	465	568	22%
Kaiser Foundation Health Plan	12,168	9.9%	28,172	21.2%	353	382	8%
Lifewise Health Plan of Oregon	12,079	9.9%			394		
Moda Health Plan	25,925	21.2%	12,526	9.4%	443	613	38%
Oregon's Health CO-OP	5,273	4.3%			414		
Pacificsource Health Plans	913	0.7%	7,765	5.8%	500	558	12%
Providence Health Plan	62,267	50.9%	68,867	51.8%	338	447	32%
Trillium Community Health Plan	32	0.03%			384		
Zoom Health Plan	730	0.6%			266		
Total	122,303	100%	132,920	100%	\$374	\$467	25%

The average premium is needed only to estimate the insurers' costs for using the federal exchange. We have assumed a comparatively small increase of 5 percent per year for later years.

Summary of the medical-plan enrollment and premium forecast

Given the assumptions outlined above, the total CY 2017 member months will be 5.1 percent higher than in CY 2016, and then 3.2 percent lower in CY 2018. At \$6.00 PMPM, the forecast enrollment produces an estimate of \$9.25 million in medical assessment revenue in CY 2017 and \$8.96 million in CY 2018. As shown earlier, the GRB expenditures are forecast to be about \$8.2 million a year.

Medical plan enrollment forecast

	2014	2015	2016	2017	2018	2019	2020	2021
Member months	699,687	1,095,623	1,467,641	1,542,295	1,492,692	1,504,155	1,514,715	1,524,843
Percent change		56.6%	34.0%	5.1%	-3.2%	0.8%	0.7%	0.7%
Ave enrollment per month	58,307	91,302	122,303	128,525	124,391	125,346	126,226	127,070
Ave premium	\$326	\$333	\$374	\$467	\$491	\$515	\$541	\$568
Percent change		2.0%	12.3%	25.0%	5.0%	5.0%	5.0%	5.0%
Total premiums (\$ millions)	\$228.28	\$364.62	\$548.49	\$720.60	\$732.29	\$774.81	\$819.26	\$865.98
Percent change		59.7%	50.4%	31.4%	1.6%	5.8%	5.7%	5.7%
Current assessment rate	\$9.38	\$9.66	\$9.66	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
Assessments (\$ millions)	\$6.56	\$10.58	\$14.18	\$9.25	\$8.96	\$9.02	\$9.09	\$9.15
Rate as % of ave premium	2.9%	2.9%	2.6%	1.3%	1.2%	1.2%	1.1%	1.1%

Stand-alone dental plan enrollment and premiums forecast

Because Cover Oregon did not have any dental premiums data when they created the dental assessment rate, they set the dental assessment rate at 10 percent of the medical assessment rate. DCBS continued that practice through CY 2016. For CY 2017, we set the dental assessment rate so the ratio of the dental rate to the medical rate is the same as the ratio of the average dental premium to the average medical premium. That rate was \$0.57 PMPM.

As shown in the table, insurers have reported increased enrollment and negligible change in the average premium between CY 2016 and the first four months of CY 2017.

Dental plan average premiums: CY 2016 and Jan. - April 2017

	Members				Ave dental premium		
	CY 2016 average		Jan.- April 2017		CY 2016	Jan.- April 2017	% change
	Members	Dist.	Members	Dist.			
Dental Health Services, Inc.	3,303	20.5%	5,649	29.3%	\$19	\$19	0%
Dentegra Insurance Company	207	1.3%	647	3.4%	\$43	\$59	38%
Kaiser Foundation Health Plan	1,469	9.1%	2,892	15.0%	\$35	\$34	-2%
Lifewise Health Plan Of Oregon	10	0.1%			\$28		
Oregon Dental Service	7,769	48.3%	8,872	46.0%	\$39	\$39	0%
PacificSource Health Plans	1,583	9.8%	519	2.7%	\$31	\$47	51%
Trillium Community Health Plan	1,126	7.0%			\$24		
Willamette Dental Insurance	626	3.9%	704	3.6%	\$44	\$43	-1%
Total	16,091	100%	19,282	100%	\$33	\$33	1%

We do not know how dental plan enrollment will grow. The early CY 2017 enrollment has been about 10 higher than the CY 2015 enrollment; we assume that December 2017 enrollment will be 8 percent higher than in December 2016. We assume a growth rate of 1 percent per year in future years. We assume that the average premium will increase 3 percent per year for the same reason. The following table shows the results of these assumptions.

Stand-alone dental plan enrollment forecast

	2014	2015	2016	2017	2018	2019	2020	2021
Member months	120,844	167,005	193,090	209,638	207,714	209,310	210,776	212,191
Percent change		38.2%	15.6%	8.6%	-0.9%	0.8%	0.7%	0.7%
Ave enrollment per month	10,070	13,917	16,091	17,470	17,310	17,443	17,565	17,683
Ave premium	\$27	\$31	\$33	\$33	\$34	\$35	\$37	\$38
Percent change		16.0%	6.1%	0.7%	3.0%	3.0%	3.0%	3.0%
Total premiums (\$ millions)	\$3.3	\$5.23	\$6.42	\$7.01	\$7.16	\$7.43	\$7.71	\$7.99
Percent change		60.4%	22.6%	9.3%	2.1%	3.8%	3.7%	3.7%
Current assessment rate	\$0.93	\$0.97	\$0.97	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57
Assessments (\$ thousands)	\$112.4	\$162.0	\$187.3	\$119.5	\$118.4	\$119.3	\$120.1	\$120.9
Rate as % of ave premium	3.4%	3.1%	2.9%	1.7%	1.7%	1.6%	1.6%	1.5%

Comparison of the current enrollment forecasts to the February 2016 forecast

The following table compares this forecast of member months to the forecast done in February 2016 for the setting of the CY 2017 assessment rates. For medical plans, the average member months are expected to be 6 percent higher than in last year's forecast in CY 2017. We eliminated most of last year's growth assumptions, so the current forecast for later years is less than last year's forecast.

Comparison of the current forecast with the February 2016 forecast
(average member months)

Medical	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
Current forecast	122,303	128,525	124,391	125,346	126,226	127,070
Prior forecast	115,218	120,979	124,609	128,347	132,197	136,163
% difference	6%	6%	0%	-2%	-5%	-7%

Dental	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
Current forecast	16,091	17,470	17,310	17,443	17,565	17,683
Prior forecast	14,377	14,809	15,253	15,711	16,182	16,667
% difference	12%	18%	13%	11%	9%	6%

The February 2016 forecast was used to set the CY 2017 assessment rates.

Statutory cap on the Marketplace account balance

The process for applying the statutory cap on the Marketplace fund balance is defined in OAR 945-030-0020(9). If, at the end of each biennium, the fund balance exceeds the account balance cap, the amount of the difference will be applied to insurers' future assessments as a credit. The formula is

- Balance = Marketplace account balance as of June 30, 2017
- Cap = ¼ of the 2017-2019 Marketplace Legislatively Approved Budget (LAB) and accompanying Shared Services costs
- Rebate = Balance – Cap, if the Balance is larger than the Cap

The following shows the current estimate of the rebate is \$13.6 million. These figures depend on the accuracy of the forecast expenditures through the rest of the current biennium and the budget approved by the legislature.

Estimated OHIM fund balance caps and rebates

	LAB 2015-2017	Est. LAB expenditures 2017-2019	2019-2021
Marketplace	\$26,599,779	\$15,394,584	\$16,332,114
Shared Services	\$2,188,303	\$1,012,108	\$1,073,745
	\$28,788,082	\$16,406,692	\$17,405,859
Fund balance at end of previous biennium		\$17,671,233	\$8,172,658
Fund balance cap		\$4,101,673	\$4,351,465
Est. rebates		(\$13,569,560)	(\$3,821,194)

The COFA and SHIBA accounts are not included in the calculation.

The current OAR states the rebate will be paid as a credit to the insurers participating in the Marketplace when the credit is calculated. Each insurer's portion of the rebate will be the percentage of the assessment it paid during the 2015-2017 biennium. The credit will start no later than October 2017. Carolina is proposing an alternative method that returns the rebate more quickly. Insurers would receive a credit for their entire assessment until their rebate was paid.

Marketplace financial outcomes

The following table summarizes the forecast financial outcomes with the modeled enrollment, the Governor's Recommended Budget, a medical assessment rate of \$6.00 PMPM, and a dental assessment rate of \$0.57 PMPM. The rebates are shown using Carolina's proposed method. The rebates would completely offset the assessments for most of FY 2018.

Oregon Health Insurance Marketplace
Forecast Revenues, Expenses, and Fund Balances,
with adopted \$6.00 PMPM
(actual data through December 2016)

Period	Medical	Dental		Investment/	Total	Marketplace		Total	Ending Fund	Coverage
Ending	Assessment	Assessment	Rebate	Misc	Revenue	Expenses	Chargeback	Expenses	Balance	Ratio
FY 2015	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00
09/30/15	2,405,508	63,370	0	5,715	3,530,501	2,122,493	26,235	2,148,728	1,381,773	0.64
12/31/15	3,012,249	17,326	0	6,663	7,654,341	2,719,950	154,087	2,874,037	6,162,077	2.14
03/31/16	3,425,156	28,173	0	12,669	5,755,784	3,847,084	123,647	3,970,731	7,947,130	2.00
06/30/16	3,638,339	33,524	0	17,958	3,689,821	3,020,976	170,297	3,191,273	8,445,679	2.65
FY 2016	\$12,481,252	\$142,393	\$0	\$43,005	\$20,630,447	\$11,710,503	\$474,266	\$12,184,769	\$8,445,679	2.65
09/30/16	3,500,301	47,868	0	91,970	3,242,918	(815,983)	114,920	(701,063)	12,389,660	4.88
12/31/16	2,629,766	17,198	0	35,675	2,683,337	(2,679,900)	122,527	(2,557,373)	17,630,370	6.20
03/31/17	2,374,800	32,898	0	11,931	2,419,629	2,284,752	118,201	2,402,953	17,647,045	7.34
06/30/17	2,408,682	31,836	0	16,086	2,456,605	2,314,216	118,201	2,432,417	17,671,233	7.26
FY 2017	\$10,913,549	\$129,800	\$0	\$155,662	\$10,801,791	\$1,103,085	\$473,849	\$1,576,935	\$17,671,233	7.26
09/30/17	2,318,142	28,644	(1,325,923)	22,503	1,043,366	1,893,534	123,889	2,017,423	16,697,177	8.28
12/31/17	2,152,146	26,115	(2,178,261)	28,062	28,062	1,893,534	123,889	2,017,423	14,707,816	7.29
03/31/18	2,265,216	31,500	(2,296,716)	30,633	30,633	1,893,534	123,889	2,017,423	12,721,027	6.31
06/30/18	2,306,274	31,684	(2,337,958)	31,373	31,373	1,893,534	123,889	2,017,423	10,734,978	5.32
FY 2018	\$9,041,778	\$117,943	(\$8,138,858)	\$112,572	\$1,133,435	\$7,574,135	\$495,555	\$8,069,690	\$10,734,978	5.32
09/30/18	2,248,446	28,881	(2,248,591)	32,412	61,148	1,955,112	129,138	2,084,250	8,711,876	4.18
12/31/18	2,136,216	26,332	(744,588)	31,413	1,449,372	1,955,112	129,138	2,084,250	8,076,998	3.88
03/31/19	2,282,616	31,742	(244,895)	33,867	2,103,330	1,955,112	129,138	2,084,250	8,096,077	3.88
06/30/19	2,323,986	31,927	(233,988)	38,907	2,160,832	1,955,112	129,138	2,084,250	8,172,658	3.92
FY 2019	\$8,991,264	\$118,882	(\$3,472,063)	\$136,599	\$5,774,682	\$7,820,449	\$516,553	\$8,337,002	\$8,172,658	3.92
09/30/19	2,265,714	29,104	(681,617)	44,053	1,657,254	2,013,766	135,243	2,149,008	7,680,904	3.57
12/31/19	2,152,614	26,534	(1,118,404)	45,704	1,106,448	2,013,766	135,243	2,149,008	6,638,343	3.09
03/31/20	2,298,642	31,964	(1,068,612)	41,565	1,303,560	2,013,766	135,243	2,149,008	5,792,895	2.70
06/30/20	2,340,306	32,151	(966,576)	37,831	1,443,711	2,013,766	135,243	2,149,008	5,087,597	2.37
FY 2020	\$9,057,276	\$119,753	(\$3,835,209)	\$169,153	\$5,510,973	\$8,055,062	\$540,972	\$8,596,034	\$5,087,597	2.37
09/30/20	2,281,614	29,307	(810,787)	34,289	1,534,423	2,074,178	139,303	2,213,481	4,408,539	1.99
12/31/20	2,167,728	26,720	(490,113)	30,391	1,734,726	2,074,178	139,303	2,213,481	3,929,784	1.78
03/31/21	2,314,008	32,179	(325,504)	27,578	2,048,262	2,074,178	139,303	2,213,481	3,764,564	1.70
06/30/21	2,355,954	32,367	(321,911)	26,691	2,093,101	2,074,178	139,303	2,213,481	3,644,184	1.65
FY 2021	\$9,119,304	\$120,573	(\$1,948,315)	\$118,950	\$7,410,512	\$8,296,714	\$557,211	\$8,853,925	\$3,644,184	1.65

Federal exchange technology charges

The federal technology charges are separate from the assessment and are paid directly by insurers to the federal government. Therefore, they affect neither revenue nor expenditures. The federal technology charge is 1.5 percent of premium in CY 2017 and 2 percent thereafter. The following table shows the estimated charges. The CY 2017 costs are expected to be equivalent to a charge of \$7.01 PMPM on medical plans. The total revenue collected is expected to be \$10.9 million.

Estimated federal technology costs

	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
Medical premiums (\$ millions)	\$720.60	\$732.29	\$774.81	\$819.26	\$865.98
Dental premiums (\$ millions)	\$7.0	\$7.2	\$7.4	\$7.7	\$8.0
Total (\$ millions)	\$727.6	\$739.5	\$782.2	\$827.0	\$874.0
Federal charge	1.5%	2.0%	2.0%	2.0%	2.0%
Federal revenue (\$ millions)	\$10.91	\$14.79	\$15.64	\$16.54	\$17.48
Federal charge - medical PMPM	\$7.01	\$9.81	\$10.30	\$10.82	\$11.36

Summary

The following table provides a summary by calendar year using the enrollment forecast, expenditure assumptions, the federal technology charges, and the adopted assessment rates. Given these assumptions, the Marketplace assessment would be 1.2 percent of the average premium in CY 2018, the federal technology charge would be 2.0 percent, so the total costs of marketplace participation would be about 3.2 percent of the average premium.

Medical and dental combined, with CY 2018 adopted assessment rate

	2014	2015	2016	2017	2018	2019	2020	2021
Total premiums (\$ millions)	\$231.545	\$369.849	\$554.910	\$727.611	\$739.450	\$782.241	\$826.970	\$873.969
Total assessments (\$ millions)	\$6.675	\$10.746	\$14.365	\$9.373	\$9.075	\$9.144	\$9.208	\$9.270
Total fed. charges (\$ millions)				\$10.914	\$14.789	\$15.645	\$16.539	\$17.479
Assessment and fed. charges (\$ millions)	\$6.675	\$10.746	\$14.365	\$20.287	\$23.864	\$24.789	\$25.748	\$26.749
Total % of ave premium	2.9%	2.9%	2.6%	2.8%	3.2%	3.2%	3.1%	3.1%

Portions of ORS 741.105 Charges and fees to be paid by insurers and state programs

- (1) The Department of Consumer and Business Services shall establish, by rule, an administrative charge. The department shall impose and collect the charge from all insurers and state programs participating in the health insurance exchange. The Health Insurance Exchange Advisory Committee shall advise the department in establishing the administrative charge. The charge must be in an amount sufficient ... to pay the administrative and operational expenses of the department
- (2) Each insurer's charge shall be based on the number of individuals ... who are enrolled in health plans offered by the insurer through the exchange....
- (3)(a) If charges collected under subsection (1) of this section exceed the amounts needed for the administrative and operational expenses of the department in administering the health insurance exchange, the excess moneys collected may be held and used by the department to offset future net losses.
 - (b) The maximum amount of excess moneys that may be held under this subsection is the total administrative and operational expenses of administering the health insurance exchange anticipated by the department for a six-month period. Any moneys received that exceed the maximum shall be applied by the department to reduce the charges imposed by this section.

Portion of Division 30 Administrative Charge for Operating Expenses

945-030-0020 Establishment of Administrative Charge Paid by Insurers

- (1) After consulting with the advisory committee... the Marketplace will annually provide a report on administrative charges to the Director of the Department of Consumer and Business Services.
- (2) The report will be posted on the Marketplace's website for public review and comment.
- (3) At a minimum, the report will include:
 - (a) A projection of Marketplace operating expenses, including the Marketplace's share of the department's shared services expenses and operating expenses borne by the Marketplace and reimbursed by another agency, based on the department's budgets, assuming for this purpose that the operating expenses in any actual or expected biennial budget are distributed evenly over the biennium;
 - (b) A projection of Marketplace enrollment for the next calendar year; and
 - (c) A proposed administrative charge for the next calendar year.
- (4) The department will hold a public hearing on a proposed administrative charge.
- (9) By the 30th day of September of every odd year, the department shall:
 - (a) Calculate the maximum amount of funds that the department may hold under ORS 741.105(3)(b) by calculating:
 - (A) The Marketplace's fund balance as of the 30th day of the immediately preceding June minus:
 - (B) One-fourth of the Marketplace's budgeted operating expenses for the two-year period beginning on the first day of the immediately preceding July and ending on the 30th day of June of the following odd year;
 - (c) Credit each individual carrier participating in the Marketplace an amount equal to the pro-rata share of any positive difference obtained from the calculation described in paragraph (9)(b) of this rule based on the total assessments the carrier paid to the department during the two-year period described in paragraph (9)(a)(A) of this rule plus the pro-rata share of the total assessments paid during the two-year period described in paragraph (9)(a)(A) of this rule by carriers no longer selling qualified health plans through the Marketplace.
- (10) Except as provided in paragraph 11 of this rule, the department shall apply the credit described in paragraph (9)(c) of this rule by reducing each monthly charge assessed during the period described in paragraph (9)(a)(B) by one-twenty-fourth of the credit....