MEMORANDUM

February 6, 2020

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Chiqui Flowers, Administrator, Oregon Health Insurance Marketplace
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From: Gary Helmer, Senior Economist
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Subject: Oregon Health Insurance Marketplace Report – CY 2021 Administrative Charges
Medical Advisory Committee Material

Issue

DCBS needs to determine assessment rates for Marketplace individual medical plans and for stand-alone dental plans for CY 2021. The current assessment rates are:

- $5.50 per member per month (PMPM) for individual medical health plans
- $0.36 PMPM for stand-alone dental plans

ORS 741.105 requires that proposed rates be discussed with the Health Insurance Marketplace Advisory Committee. OAR 945-030-0020 requires a report on the proposed assessment, a public hearing, and a decision on the assessment rates by March 31.

This memo provides information on Marketplace expenditures and possible enrollment patterns. These generate estimates of the assessment rates that would cover expenditures. The memo also discusses the assessment rebate and the estimated costs of the federal technology.

Summary

- We use expenditure assumptions based on the department’s 2019-2021 Legislatively Approved Budget (LAB). It assumed expenditures will be about $16.0 million during the biennium.
- Like last year, we have taken a cautious approach and modeled a drop of enrollment of 5 percent in CY 2020 and another 5 percent in CY 2021.
- Our financial analysis suggests that the current PMPM rates should be retained for CY 2021.

Assessment rate history

The following table shows the history of the Marketplace assessment rates. The CY 2014 and CY 2015 rates were set by Cover Oregon. The CY 2016 rates were set jointly by Cover Oregon and DCBS because they were done early in 2015, before SB 1 transferred control to DCBS. They were then lowered for CY 2017 and for CY 2020.

History of assessment rates

	CY 2014	CY 2015 & CY 2016	CY 2017 - CY 2019	CY 2020	CY 2021
Medical PMPM	$9.38	$9.66	$6.00	$5.50	TBD
Dental PMPM	$0.93	$0.97	$0.57	$0.36	TBD

Cover Oregon did not have dental premiums data when they created the dental assessment rate, so they set the dental assessment rate at 10 percent of the medical assessment rate. For CY 2017, we set the dental assessment rate so the ratio of the dental rate to the medical rate equaled the ratio of the average dental premium to the average medical premium. Average dental premiums have not risen as fast as medical premiums, so, based on this formula, the CY 2020 dental rate was set at 6.5 percent of the medical rate.

Current expenditure projections

The following table shows our current expenditure forecast. The figures are based on the 2019-2021 Legislatively Approved Budget (LAB). It assumes the division's expenditures will be $14.2 million in the 2019-2021 biennium. (All expenditure figures exclude COFA and SHIBA.)

The department's principal divisions are charged for the central services costs they incur. These include IT, financial, communications, and administrative services. We assume that the division will have about $1.7 million in shared services costs, so the total expenditures will be about $15.9 million for the current biennium.

Marketplace expenditures, LAB

CY 2016-2019 actuals and FY 2020-2025 forecast

	Marketplace expenditures	Shared services	Total expenditures
FY 2016	$11,710,503	$474,266	$12,184,769
FY 2017	$4,570,408	$521,606	$5,092,014
FY 2018	$4,678,932	$945,702	$5,624,634
FY 2019	$5,924,885	$684,233	$6,609,118
FY 2020	$6,870,393	$802,615	$7,673,008
FY 2021	$7,357,825	$870,723	$8,228,548
FY 2022	$7,578,560	$896,844	$8,475,404
FY 2023	$7,805,917	$923,750	$8,729,666
FY 2024	$8,040,094	$951,462	$8,991,556
FY 2025	$8,281,297	$980,006	$9,261,303

FY 2020 runs from July 2019 through June 2020.
FY 2016-2019 figures are actuals. FY 2020 - 2025 are forecast expenditures. FY 2020 includes two quarters of actual expenditures.

The table shows actual expenditures for FY 2016 - FY 2019. The decrease in expenditures between FY 2016 and FY 2017 was due to reductions in legal fees related to the Cover Oregon and Oracle lawsuit and decreases in technology fees related to the transition from Cover Oregon to DCBS. The FY 2017 figure understated true operating expenditures because it included a $2.2 million reimbursement for IT contracts that was recorded as a reduction of expenditures in accordance with the Oregon Accounting Manual; some of these expenses occurred in FY 2016. The FY 2018 expenditures were also lower because of refunds due to telecommunications and IT contracts.

The FY 2020 figures are based on actual expenditures through Dec. 2019 and projected expenditures through June 2020.

After FY 2021, we assume expenditures will increase 3 percent per year.

Marketplace medical-plan enrollment forecast

The assessment rate needed to fund the Marketplace's operations depends on the forecast of individual medical-plan enrollment. In past years, the advisory committee has discussed being cautious and assuming that federal changes might lead to a significant decline in enrollment. Last year, we used Chiqui's recommendation that we take a cautious approach and model a drop of enrollment of 5 percent in CY 2019 and another 5 percent in CY 2020. This still permitted a rate reduction. This approach was conservative; as of the latest reports, CY 2019 average monthly medical plan enrollment was about 4.6 percent above CY 2018 average enrollment.

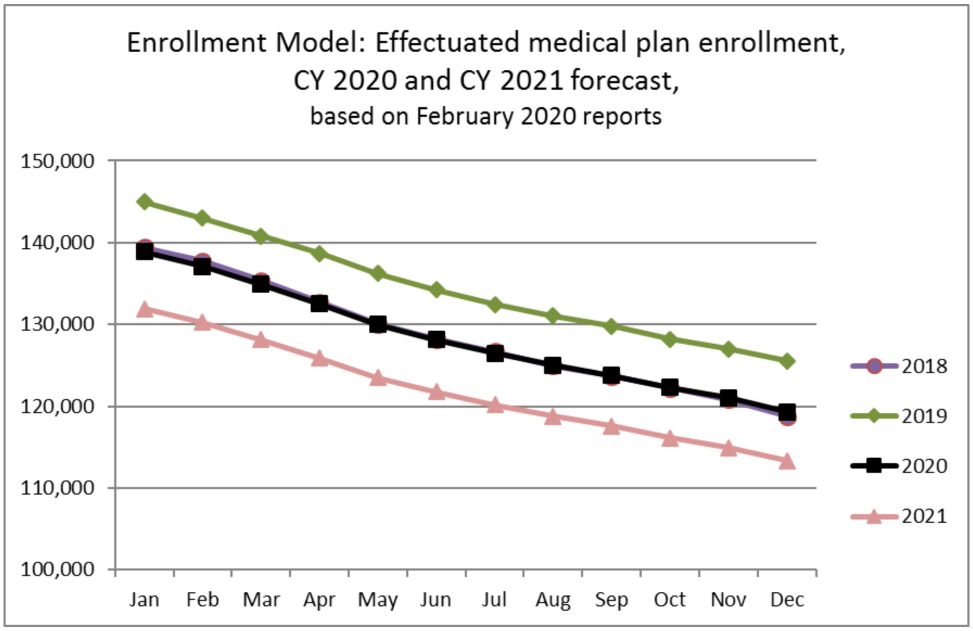
Insurers have submitted their February 2020 billing reports. The initial enrollment numbers are slightly lower than the CY 2019 for the first two months. We also know that CMS's CY 2020 plan selections were about 1.4 percent lower than CY 2019 plan selections, so it is reasonable to assume that enrollment should be a bit lower in CY 2020 than in CY 2019.

We have provided the following model:

- CY 2020 enrollment is 5 percent lower than CY 2019 enrollment
- CY 2021 enrollment is 5 percent lower than CY 2020 enrollment
- CY 2022 and later enrollment increases by 0.6 percent per year

The 0.6 percent increase in the later years reflects the growth in Oregon's under-65 population.

This forecast is illustrated in the following figure. The CY 2020 enrollment is forecast to be nearly identical to the CY 2018 enrollment.



This is intended to be a conservative forecast that accounts for the continued uncertainty in the marketplace. Any insights into the reasonableness of this enrollment forecast are appreciated.

Individual medical plan assessment rates

The following table shows the revenue generated by combinations of individual medical-plan enrollment and assessment rates. Under this enrollment model, the forecast of the average monthly enrollment for CY 2021 would be about 121,900 members. An assessment rate of $5.50 PMPM would generate $8.0 million in revenue. With the same enrollment, a $5.00 PMPM would generate $7.3 million. If the average enrollment were 10,000 a month lower than forecast, the $5.50 PMPM would generate $7.4 million; if the enrollment were 10,000 a month higher, the $5.50 PMPM would generate $8.7 million.

CY 2021 revenue ($ millions) from selected medical plan enrollments and assessment rates

Annual medical assessment revenue needed for LAB ($ millions): $8.2

Ave monthly enrollment	PMPM assessment rates					Equilibrium rates
	$6.00	$5.75	$5.50	$5.25	$5.00	LAB
Forecast + 15,000	$9.9	$9.4	$9.0	$8.6	$8.2	$4.97
Forecast + 10,000	$9.5	$9.1	$8.7	$8.3	$7.9	$5.16
Forecast + 5,000	$9.1	$8.8	$8.4	$8.0	$7.6	$5.36
Forecast = 121,865	$8.8	$8.4	**$8.0**	$7.7	$7.3	$5.58
Forecast - 5,000	$8.4	$8.1	$7.7	$7.4	$7.0	$5.82
Forecast - 10,000	$8.1	$7.7	$7.4	$7.0	$6.7	$6.08
Forecast - 15,000	$7.7	$7.4	$7.1	$6.7	$6.4	$6.36

In our financial modeling, we define the “equilibrium rate” as the assessment rate needed to cover a year’s expenditures. Using the LAB, CY 2021 planned expenditures total about $8.35 million. (CY 2021 covers the last six months of the 2019-2021 biennium and the first six months of the 2021-2023 biennium.) The dental plan assessment and investment income will generate about $190,000, so the medical plan assessment will need to generate about $8.16 million.

The table show the equilibrium rates for various enrollment forecasts. If the enrollment forecast is correct, the equilibrium rate for the LAB expenditures is $5.58 PMPM. This is very close to the current rate. Therefore, the current assessment rate of $5.50 PMPM is adequate as long is the enrollment does not decline more than in this forecast.

Stand-alone dental plan enrollment and premiums forecast

Dental plan enrollment has been growing by more than 10 percent per year, but the February reports showed lower CY 2020 enrollment. We are currently assuming a 6.7 percent decrease for CY 2020. We assume a growth rate of 0.6 percent per year after that.

Statutory cap on the Marketplace account balance

ORS 741.105 (3) sets a cap on the Marketplace’s fund balance. The process for applying the statutory cap 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 as of the end of the biennium (the COFA and SHIBA accounts are excluded)
>
> Cap = ¼ of the next biennium’ s Marketplace Legislatively Approved Budget (LAB) and accompanying Shared Services costs
>
> Rebate = Balance – Cap, if the Balance is larger than the Cap

As mentioned, the rebate is supposed to be applied to the assessment as a credit. HB 2391 (2017) eliminated the rebate at the end of the 2015-2017 biennium and transferred the amount of $13.2 million to the Health System Fund.

There was a rebate of $4.2 million from the end of the 2017-2019 biennium. It is being paid as a monthly credit during CY 2020. As a result, the Marketplace is assessing about $2 million and crediting about $1 million a quarter this calendar year.

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. In CY 2019, the federal technology charge was 3 percent of premium; for CY 2020, it is 2.5 percent.

Enrollment forecast summary

The following table provides a summary by calendar year using the current assessment rates, the proposed enrollment forecast, the LAB expenditures, and assumed federal technology charges. The table shows the three years of decline in the medical plan enrollment followed by small increases. The table includes the forecast average premium for medical policies. The average increased by 9 percent in CY 2019. Based on the approved premium rate changes, we have assumed the increase will be 1 percent in CY 2020. We have assumed increases of 5 percent per year in future years.

The table also shows our stand-alone dental plan forecast. We have assumed an annual growth of 2 percent in average premium. This increase is about the average for the past four years.

Medical plans summary, with assessment rate assumptions

	2018	2019	2020	2021	2022	2023
Average enrollment	128,376	134,330	128,279	121,865	122,604	123,329
% change	1%	5%	-5%	-5%	1%	1%
Total premiums ($ millions)	$826.9	$944.0	$911.2	$909.0	$960.2	$1,014.2
Ave premium	$537	$586	$592	$622	$653	$685
% change	15%	9%	1%	5%	5%	5%
Assessment rate	$6.00	$6.00	$5.50	$5.50	$5.50	$5.50
Assessments ($ millions)	$9.2	$9.7	$8.5	$8.0	$8.1	$8.1
Rate as % of ave premium	1.1%	1.0%	0.9%	0.9%	0.8%	0.8%
Federal tech. charges ($ millions)	$16.537	$28.3	$22.8	$22.7	$24.0	$25.4
Fed. as % of ave premium	2.0%	3.0%	2.5%	2.5%	2.5%	2.5%

Dental plans summary

	2018	2019	2020	2021	2022	2023
Average enrollment	20,083	22,189	20,691	20,824	20,951	21,075
% change	12%	10%	-7%	1%	1%	1%
Total premiums ($ millions)	$8.5	$9.0	$8.5	$8.8	$9.0	$9.2
Ave premium	$35	$34	$34	$35	$36	$37
% change	7%	-5%	2%	2%	2%	2%
Assessment rate	$0.57	$0.57	$0.36	$0.36	$0.36	$0.36
Assessments ($ millions)	$0.137	$0.152	$0.089	$0.090	$0.091	$0.091
Rate as % of ave premium	1.6%	1.7%	1.0%	1.0%	1.0%	1.0%
Federal tech. charges ($ millions)	$0.170	$0.270	$0.214	$0.219	$0.225	$0.231
Fed. as % of ave premium	2.0%	3.0%	2.5%	2.5%	2.5%	2.5%

Medical and dental combined

	2018	2019	2020	2021	2022	2023
Total premiums ($ millions)	$835.366	$952.972	$919.772	$917.723	$969.187	$1,023.390
Total assessments ($ millions)	$9.380	$9.824	$8.556	$8.133	$8.182	$8.231
Total fed. charges ($ millions)	$16.707	$28.589	$22.994	$22.943	$24.230	$25.585
Assessment and fed. charges ($ millions)	$26.088	$38.413	$31.550	$31.076	$32.412	$33.816
Total % of ave premium	3.1%	4.0%	3.4%	3.4%	3.3%	3.3%

Marketplace financial outcomes

The following table summarizes the forecast financial outcomes with the current assessment rates. The FY 2016 – FY 2019 figures are actual revenue and expenditures. As mentioned earlier, the FY 2017 credit of $13.2 million was transferred to the Health System Fund. The FY 2019 credit of $4.2 million is being credited to insurers during CY 2020.

The FY 2020 – FY 2025 figures show the forecast if the enrollment and expenditure assumptions are correct. The revenue figures reflect the assessment revenue and investment revenue. The actual revenue received in portions of FY 2020 and FY 2021 will be reduced by the $4.2 million credit.

This model shows that we expect the fund balance to decline. However, there is still an expected rebate of almost $2.0 million at the end of FY 2021. This would result in credits during CY 2022. The fund balance is forecast to be low in FY 2024 and FY 2025. However, these numbers are subject to much uncertainty, and actions can be taken well before this time to ensure an adequate fund balance.

Summary of financial outcomes, current assessment rates

LAB and enrollment model

FY end	Total expenditures	Total revenue	FY-ending fund balance	Credit
FY 2016	$12,184,769	$20,630,447	$8,445,678	
FY 2017	$5,092,014	$11,773,790	$15,127,454	($13,200,656)
FY 2018	$5,624,634	$9,323,616	$5,625,780	
FY 2019	$6,609,118	$9,600,190	$8,616,853	($4,163,015)
FY 2020	$7,673,008	$9,257,092	$8,119,430	
FY 2021	$8,228,548	$8,455,222	$6,264,597	($1,963,329)
FY 2022	$8,475,404	$8,268,711	$5,076,239	
FY 2023	$8,729,666	$8,294,302	$3,659,210	$0
FY 2024	$8,991,556	$8,331,468	$2,999,122	
FY 2025	$9,261,303	$8,363,334	$2,101,153	$0

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.

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

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) Determine 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 end of the biennium immediately before the date by which the calculation is required to be made minus:
> > (B) One-fourth of the Marketplace's budgeted operating expenses for the biennium in which the calculation must be made as required by paragraph (9).
>
> (b) 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)(a) of this rule based on the total assessments the carrier reported 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 reported 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.

(11) Except as provided in paragraph 12 of this rule, the department shall apply the credit described in paragraph (9)(b) of this rule by reducing each monthly charge assessed during the period described in paragraph (9)(a)(B) by one-eleventh of the credit rounded to the nearest whole dollar beginning the first day of January following the date specified in paragraph (9) of this rule for 11 consecutive months. Any remaining credit rounded to the nearest whole cent shall be credited in the twelfth month.