



# MEMORANDUM

February 6, 2019

To: Chiqui Flowers, Administrator, Oregon Health Insurance Marketplace

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

Subject: Oregon Health Insurance Marketplace Report – CY 2020 Administrative Charges  
Marketplace Advisory Committee Material

## Issue

DCBS needs to determine assessment rates for Marketplace individual medical plans and for stand-alone dental plans for CY 2020. The current assessment rates are:

- \$6.00 per member per month (PMPM) for individual medical health plans
- \$0.57 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. The enrollment forecasts generate estimates of the assessment rates that would cover expenditures. The memo also discusses the possible rebate and the cost of the federal technology.

## Summary of results

- The department is beginning its budget process for the 2019-2021 biennium (July 2019 – June 2021). This document uses the proposed budget figures from the Governor's Balanced Budget (GBB); the Legislature will approve a DCBS budget later this spring.
- CMS medical-plan selection figures for January 2019 were about 5 percent below January 2018 figures. Insurers' February billing data are about the same as last year. We have taken a cautious approach and modeled a drop of enrollment of 5 percent in CY 2019 and another 5 percent in CY 2020.
- We have provided the following model:
  - \$5.50 PMPM effective January 2020 for medical plans
  - \$0.36 PMPM for stand-alone dental plans

### Assessment rate history

The table below 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. The current rates have been in effect for three years.

#### History of assessment rates

	CY 2014	CY 2015 & CY 2016 -	CY 2017 -	CY 2020
Medical PMPM	\$9.38	\$9.66	\$6.00	TBD
Dental PMPM	\$0.93	\$0.97	\$0.57	TBD

The past two years, the advisory committee discussed two options. The first option was to assume enrollment would remain stable; this assumption implied the assessment rate could be lowered. The second option was to maintain the assessment rates. One concern was that federal changes could lead to a sharp decline in enrollment, and a decline in enrollment need not result in a decline in expenditures. Because of this uncertainty, the decision both years was to keep the rates unchanged. The threat of extensive federal changes to the public healthcare system is still a concern.

The table shows that CY 2018 enrollment results were close to those in last year's forecast. The February forecast was done prior to the meeting with the advisory committee, and the April forecast was done after the assessment rates were set.

#### Comparison of the February and April 2018 forecasts with CY 2018 actual figures

	Feb. 2018 forecast	April 2018 forecast	Actual	% difference from April
<b>Medical plan enrollment forecast</b>				
Ave enrollment per month	133,231	131,355	129,081	-1.7%
Ave premium	\$527	\$536	\$536	0.1%
<b>Stand-alone dental plan enrollment forecast</b>				
Ave enrollment per month	18,237	20,227	20,367	0.7%
Ave premium	\$33.57	\$34.91	\$35.08	0.5%

## Current expenditure projections

The following table shows our current expenditure forecast. The Marketplace expenditures are based on the 2019-2021 Governor's Balanced Budget (GBB). It assumes the division's expenditures will be \$14.5 million in the 2019-2021 biennium. (All expenditure figures exclude COFA and SHIBA.) The department's 2019-2021 budget will not be approved until late spring, and it may be revised before it is adopted.

### Marketplace expenditures, GBB

CY 2016-2018 actuals and FY 2019-2023 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	\$6,544,532	\$1,854,298	\$8,398,830
FY 2020	\$7,136,814	\$668,759	\$7,805,572
FY 2021	\$7,341,343	\$688,637	\$8,029,981
FY 2022	\$7,561,584	\$709,297	\$8,270,880
FY 2023	\$7,788,431	\$730,575	\$8,519,007

FY 2019 runs from July 2018 through June 2019.

FY 2016-2018 figures are actuals. FY 2019 has two quarters of actuals and two quarters of forecast expenditures. FY 2020 - 2023 are forecast expenditures.

The table shows actual expenditures for FY 2016 - FY 2018. 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 2019 figures are based on actual expenditures through December 2018 and projected expenditures through June 2019. The division's expenditures illustrate increased spending on advertising.

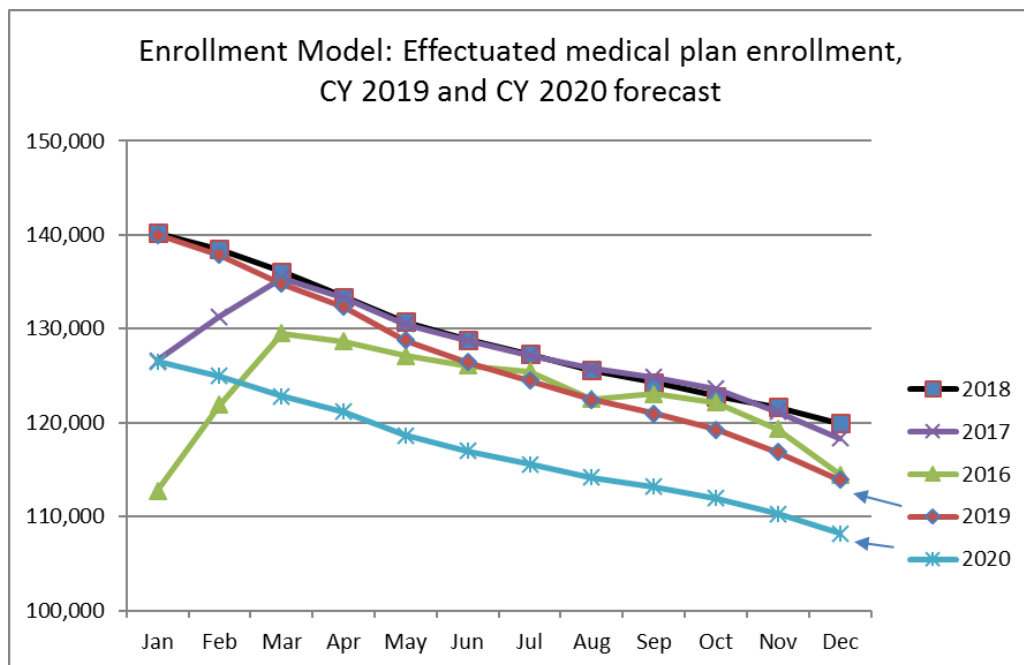
The department's principal divisions are each charged for the central services costs they incur. These include IT, financial, communications, and administrative services. This model assumes some adjustments to costs in FY 2019. If these costs do not occur, they will result in a higher fund balance at the end of FY 2019.

### Marketplace medical-plan enrollment forecast

The assessment rate needed to fund the Marketplace’s operations largely depends on the individual medical-plan enrollment. The following figure illustrates the actual enrollment for CY 2016 – CY 2018 and forecast enrollment for CY 2019 – CY 2020. The figure shows that the March – December 2018 enrollment was nearly identical to the March – December 2017 enrollment.

CMS’s CY 2019 plan selections were about 5 percent lower than CY 2018 plan selections. Insurers have reported their February 2019 billing reports. These numbers are nearly identical to their early CY 2018 numbers. We have made the following assumptions:

- CY 2019 medical plan enrollment will drop more sharply than last year and by December end up 5 percent below December 2018 enrollment
- CY 2020 will also decline, with December 2020 enrollment 5 percent below CY 2019 enrollment
- CY 2021 average medical plan enrollment will be about 1 percent higher than CY 2020 enrollment. This is the growth rate of the Oregon under-65 population.
- Enrollment after CY 2021 will continue to be about 1 percent per year, matching the growth in Oregon’s under-65 population.



This is intended to be a fairly 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 revenue

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 2020 would be about 117,000 members. An assessment rate of \$6.00 PMPM would generate \$8.4 million in revenue. With the same enrollment, a \$5.50 PMPM would generate \$7.7 million. If the average enrollment were 10,000 a month lower than forecast, the \$6.00 PMPM would generate \$7.7 million; if the enrollment were 10,000 a month higher, the \$6.00 PMPM would generate \$9.1 million.

Enrollment Model: CY 2020 revenue (\$ millions) from selected medical plan enrollments and assessment rates

Annual medical assessment revenue needed for GBB (\$ millions): \$7.7

Ave monthly enrollment	PMPM assessment rates					Equilibrium rates
	\$6.25	\$6.00	\$5.75	\$5.50	\$5.25	GBB
Forecast + 30,000	\$11.0	\$10.6	\$10.1	\$9.7	\$9.3	\$4.35
Forecast + 20,000	\$10.3	\$9.9	\$9.5	\$9.0	\$8.6	\$4.67
Forecast + 10,000	\$9.5	\$9.1	\$8.8	\$8.4	\$8.0	\$5.04
Forecast = 117,055	\$8.8	\$8.4	\$8.1	\$7.7	\$7.4	\$5.47
Forecast - 10,000	\$8.0	\$7.7	\$7.4	\$7.1	\$6.7	\$5.98
Forecast - 20,000	\$7.3	\$7.0	\$6.7	\$6.4	\$6.1	\$6.59
Forecast - 30,000	\$6.5	\$6.3	\$6.0	\$5.7	\$5.5	\$7.35

In our financial modeling, we define the “equilibrium rate” as the assessment rate needed to cover a year’s expenditures. Using the GBB, CY 2020 planned expenditures total about \$7.9 million. The dental plan assessment and investment income will generate about \$0.2 million, so the medical plan assessment will need to generate about \$7.7 million. The right-hand portion of the table shows the equilibrium rates for the various enrollment forecasts. If the enrollment forecast is correct, the equilibrium rate for the GBB expenditures is \$5.47 PMPM. If enrollment were 10,000 a month higher, the equilibrium rate would be \$5.04 PMPM.

This suggests that if the GBB expenditure figures and the enrollment forecast are accurate, the medical plan assessment rate should be about \$5.50 PMPM.

## Stand-alone dental plan assessment rate

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 equaled the ratio of the average dental premium to the average medical premium. The average dental premium was 8.9 percent of the average medical premium so the \$6.00 PMPM medical rate resulted in the \$0.57 PMPM dental rate. In CY 2018, dental premium is 6.5 percent of medical premium. If we were to change the medical assessment rate, we would set the dental rate at 6.5 percent of the medical assessment rate. A \$5.50 PMPM would produce a \$0.36 PMPM dental rate.

## 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. For CY 2019, the federal technology charge is 3 percent of premiums. CMS has proposed a charge of 2.5 percent for CY 2020. Estimates of the costs are included on page 7.

## 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

The rebate is supposed to be applied to the assessment as a credit. HB 2391 (2017) changed that for the rebate at the end of the 2017 biennium. The amount of \$13.2 million was transferred to the Health System Fund.

If there is a rebate this year, the current OAR states it will be paid as a credit to the insurers participating in the Marketplace when the credit is calculated. An insurer's portion of the rebate will be its percentage of the assessment paid by the participating insurers during the 2017-2019 biennium. It will be paid out over 24 months.

## Marketplace financial outcomes

The following tables summarize the forecast financial outcomes with medical assessment rates of \$5.50 PMPM. The dental assessment rates is \$0.36 PMPM.

Under the current expenditure forecast, the June 2019 rebate would be \$2.8 million. This would be paid out over 24 months to the insurers participating the in the marketplace. We have assumed it would be paid between October 2019 and September 2021.

### Summary of financial outcomes

Enrollment model, \$5.50 medical PMPM, \$0.36 dental PMPM

FY end	Total expenditures	Total revenue	Fund balance	Forecast 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	\$8,398,830	\$9,576,251	\$6,803,202	(\$2,844,313)
FY 2020	\$7,805,572	\$8,633,778	\$6,564,791	
FY 2021	\$8,029,981	\$8,030,978	\$5,143,631	(\$946,159)
FY 2022	\$8,270,880	\$8,049,506	\$4,211,908	
FY 2023	\$8,519,007	\$8,459,249	\$3,679,071	\$0

## Summary

The following table provides a summary by calendar year using the declining enrollment forecast, the GBB expenditures, the federal technology charges, and the assessment rate reductions. The table shows the two years of decline in the medical plan enrollment followed by small increases. The table also shows the average premium for medical policies. The average increased by 15 percent in CY 2018 to \$536. We have assumed increases of 5 percent per year in future years. (The insurers have reported an average increase of 3 percent in the early CY 2019 reports.)

The table also shows our stand-alone dental plan forecast. We have assumed an annual growth of 1 percent and 4 percent in average premium. This average premium increase is about the average for the past three years.

Medical plans summary, assuming no assessment rate change								
	2016	2017	2018	2019	2020	2021	2022	2023
Average enrollment	122,753	127,240	129,117	126,514	117,055	117,911	118,774	119,643
% change	34%	4%	1%	-2%	-7%	1%	1%	1%
Total premiums (\$ millions)	\$550.9	\$715.3	\$831.0	\$854.9	\$830.5	\$878.4	\$929.1	\$982.7
Ave premium	\$374	\$468	\$536	\$563	\$591	\$621	\$652	\$684
% change	12%	25%	14%	5%	5%	5%	5%	5%
Assessment rate	\$9.66	\$6.00	\$6.00	\$6.00	\$5.50	\$5.50	\$5.50	\$6.00
Assessments (\$ millions)	\$14.2	\$9.2	\$9.3	\$9.1	\$7.7	\$7.8	\$7.8	\$8.6
Rate as % of ave premium	2.6%	1.3%	1.1%	1.1%	0.9%	0.9%	0.8%	0.9%
Federal tech. charges (\$ millions)		\$10.729	\$16.6	\$25.6	\$20.8	\$22.0	\$23.2	\$24.6
Fed. as % of ave premium		1.5%	2.0%	3.0%	2.5%	2.5%	2.5%	2.5%
Dental plans summary, assuming no assessment rate change								
	2016	2017	2018	2019	2020	2021	2022	2023
Average enrollment	16,103	17,939	20,367	20,549	20,708	20,860	21,006	21,151
% change	16%	11%	14%	1%	1%	1%	1%	1%
Total premiums (\$ millions)	\$6.4	\$7.1	\$8.6	\$9.0	\$9.4	\$9.9	\$10.3	\$10.8
Ave premium	\$33	\$33	\$35	\$36	\$38	\$39	\$41	\$43
% change	5%	0%	6%	4%	4%	4%	4%	4%
Assessment rate	\$0.97	\$0.57	\$0.57	\$0.57	\$0.36	\$0.36	\$0.36	\$0.38
Assessments (\$ millions)	\$0.187	\$0.123	\$0.139	\$0.141	\$0.089	\$0.090	\$0.091	\$0.096
Rate as % of ave premium	2.9%	1.7%	1.6%	1.6%	0.9%	0.9%	0.9%	0.9%
Federal tech. charges (\$ millions)		\$0.107	\$0.171	\$0.270	\$0.236	\$0.247	\$0.259	\$0.271
Fed. as % of ave premium		1.5%	2.0%	3.0%	2.5%	2.5%	2.5%	2.5%
Medical and dental combined, with no assessment rate change								
	2016	2017	2018	2019	2020	2021	2022	2023
Total premiums (\$ millions)	\$557.264	\$722.391	\$839.530	\$863.907	\$839.972	\$888.325	\$939.465	\$993.550
Total assessments (\$ millions)	\$14.417	\$9.284	\$9.436	\$9.250	\$7.815	\$7.872	\$7.930	\$8.711
Total fed. charges (\$ millions)		\$10.836	\$16.791	\$25.917	\$20.999	\$22.208	\$23.487	\$24.839
Assessment and fed. charges (\$ millions)	\$14.417	\$20.120	\$26.226	\$35.167	\$28.814	\$30.080	\$31.416	\$33.550
Total % of ave premium	2.6%	2.8%	3.1%	4.1%	3.4%	3.4%	3.3%	3.4%

It should be noted that we have modeled a return to the \$6.00 PMPM in CY 2023. We do forecasts through FY 2027, and this increase is needed so the fund balance is not negative in FY 2027. There is, of course, a great deal of uncertainty about the state of the Marketplace that far into the future.

## **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 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.