MEMORANDUM

March 7, 2023

To: Chiqui Flowers, Director of the Oregon Health Insurance Marketplace, HPA, Oregon Health Authority
Dave Baden, Interim Director and Chief Financial Officer, Oregon Health Authority
Ali Hassoun, Interim Director, Oregon Health Authority
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From: Caleb Lavan, Senior Manager, CBIZ Optumas

Subject: Oregon Health Insurance Marketplace Report – CY 2024 Administrative Charges
Health Insurance Marketplace Advisory Committee Material

Issue

The Oregon Health Insurance Marketplace needs to determine assessment rates for Marketplace individual medical plans and for stand-alone dental plans for CY 2024. 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 Health Insurance Marketplace's 2023-2025 Agency Request Budget (ARB). We also use an Oregon Health Authority (OHA) estimate of Marketplace shared service expenditures. Total expenditure for the 2023-2025 biennium are estimated to be $18.8 million.
- Preliminary data indicates CY 2023 will have a similar level of enrollment to CY 2022. For CY 2024, we assume a small reasonable amount of growth.
- Our analysis suggests that the current PMPM rates could be retained for CY 2024 to provide stable funding for the Marketplace.

Assessment rate history

The following table shows the recent history of the Marketplace assessment rates. The rates were $6.00 for CY 2017-19 and have been $5.50 since then.

Marketplace Assessment Rates

	CY 2017 - CY 2019	CY 2020 - CY 2023	CY 2024
Medical PMPM	$6.00	$5.50	TBD
Dental PMPM	$0.57	$0.36	TBD

Early on, the dental assessment rate was set 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 the dental rate remains unchanged.

Current expenditure projections

The following table shows our current expenditure forecast. The figures are based on the 2023-25 Agency Request Budget. It assumes the Marketplace's expenditures will be $17.4 million in the 2023-2025 biennium. All expenditures exclude the costs of implementing projects related to Medicaid Redeterminations.

The agency's principal divisions and respective offices are charged for the central services costs they incur through an agency cost allocation. These include information technology (IT), financial, communications, and administrative services. These shared service costs are estimated to be $1.4 million in the 2023-2025 biennium.

Marketplace Expenditures, Agency Request Budget
Continuing Service Level Expenditures
FY 2018-2023 actuals and FY 2024-2025 forecast

	Marketplace expenditures	Shared services / SAEC	Total expenditures
FY 2018	$4,678,932	$945,702	$5,624,634
FY 2019	$5,924,885	$684,233	$6,609,118
FY 2020	$6,489,562	$667,378	$7,156,940
FY 2021	$4,714,893	$664,103	$5,378,996
FY 2022	$5,113,191	$353,518	$5,466,709
FY 2023	$8,405,200	$550,094	$8,955,294
FY 2024	$8,558,813	$701,823	$9,260,636
FY 2025	$8,815,578	$722,877	$9,538,455

FY 2023 contains two quarters of actual expenditures
SAEC - OHA Shared Assesment and Enterprise-wide Costs
Note: Assumes 3% increase in Expenditures per year for forecasted years

The table shows actual expenditures for FY 2018 - FY 2023. The FY 2018 expenditures were lower because of refunds due to telecommunications and IT contracts.

The FY 2022 shared services expenditures were lower due to the twelvemonth transition from Department of Consumer and Business Serves (DCBS) to the Oregon Health Authority.

The FY 2023 figures are based on actual expenditures through December 2022 and projected expenditures taken from the 2021-23 Legislatively Approved Budget (LAB) for the final six months of the 2021-2023 biennium.

For FY 2024 and FY 2025, we use the estimates contained in the 2023-25 Agency Request Budget (ARB), dividing the total expenditures between the two fiscal years by assuming a three percent natural growth rate in expenditures 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. That has not materialized. Medical enrollment in CY 2022 was 2.3 percent higher than CY2021. Preliminary results for January and February of 2023 show enrollment very close to 2022. Our initial estimate for January 2023 is 132,823 members. With the start of the Medicaid unwinding this year, the balance of risks lie on the other side and enrollment may be higher than projected.

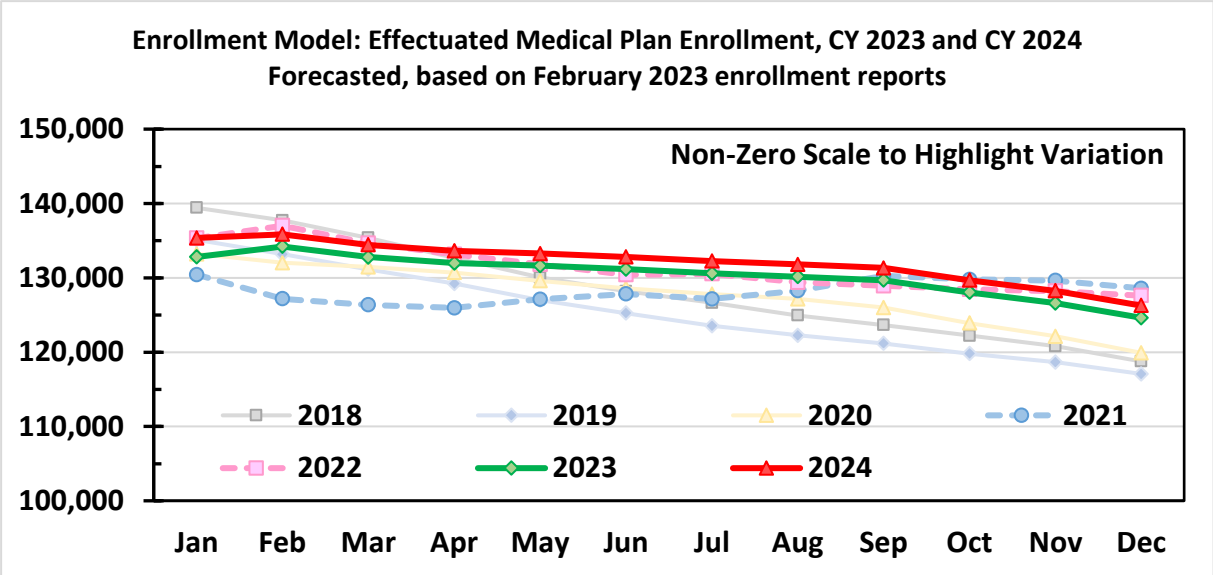
Our forecast uses the preliminary estimate for January and February of 2023 as a starting point. There is significant volatility in carriers' reported enrollment. The following table shows reported January enrollment between 2018 and 2023. Carriers are allowed to revise enrollment for up to 18 months. Some years the variation is larger than other years. Careful examination of the data shows that the variation is often driven by missing data from particular carriers, although most carriers do show some variation on the January caseload over time.

January Enrollment for Different Insurer Submission Dates

	January submission	February submission	March submission	December submission	Final
January-2018	123,637	141,769	141,059	140,172	139,415
January-2019	127,391	140,995	140,905	135,141	135,113
January-2020	111,606	141,491	133,181	133,292	133,228
January-2021	143,854	120,345	127,983	130,432	130,432
January-2022	125,770	125,981	140,438	135,352	
January-2023	116,828	116,509			

Some carrier data was missing for January 2023 leading to particularly low initial numbers, but February 2023 captured some of those numbers. February's unadjusted enrollment for 2023 was 134,430. I went through and adjusted each carrier's individual caseload numbers for January and February 2023 based on the historical trends found in the revision patterns in previous years.

I estimated 132,823 for January 2023 and 134,222 for February 2023. With those values as the starting point for the CY 2023, I then applied an exponential smoothing model to the period from January 2019 to February 2023. This captures some mix of growth from the period before and the period during the Public Health Emergency. The average growth in the years ahead is estimated to be about 1.3 percent. It is also forecasted to have less seasonal variation than in the period before the pandemic.



Individual medical plan assessment rates

The following table shows the revenue generated by combinations of individual medical-plan enrollment and assessment rates. Under the enrollment model described above, the forecast of the average monthly enrollment for CY 2024 would be 132,084 members. An assessment rate of $5.50 PMPM would generate $8.7 million in revenue. With the same enrollment, a $5.25 PMPM would generate $8.3 million. If the average enrollment were 10,000 a month lower than forecast, the $5.50 PMPM would generate $8.1 million; if the enrollment were 10,000 a month higher, the $5.50 PMPM would generate $9.4 million.

CY 2024 Revenue Assessment Rates

Medical Enrollment Forecast	PMPM assessment rates					Equlibrium Rates
	$6.00	$5.75	$5.50	$5.25	$5.00	
Forecast + 15,000	$10.6	$10.1	$9.7	$9.3	$8.8	$5.19
Forecast + 10,000	$10.2	$9.8	$9.4	$9.0	$8.5	$5.37
Forecast + 5,000	$9.9	$9.5	$9.0	$8.6	$8.2	$5.57
Forecast = 132,084	$9.5	$9.1	$8.7	$8.3	$7.9	$5.78
Forecast - 5,000	$9.2	$8.8	$8.4	$8.0	$7.6	$6.00
Forecast - 10,000	$8.8	$8.4	$8.1	$7.7	$7.3	$6.25
Forecast - 15,000	$8.4	$8.1	$7.7	$7.4	$7.0	$6.52

In our financial modeling, we define the "equilibrium rate" as the assessment rate needed to cover one year of expenditures. Using the expenditures described above, CY 2024 planned expenditures are about $9.4 million. The dental plan assessment and investment income will generate about $244,000, so the medical plan assessment will need to generate about $9.15 million.

The table shows the equilibrium rates for various enrollment forecasts in the right column. If the enrollment forecast is correct, the equilibrium rate for the continuing service level Governor's Budget expenditures is $5.78 PMPM. If monthly enrollment were 5,000 higher, the equilibrium rate would be $5.57 PMPM.

Stand-alone dental plan enrollment and premiums forecast

Dental plan enrollment was fairly steady for the two years before the Public Health Emergency. However, starting in March of 2020 it has shown significant growth, roughly 5 percent in 2020 and 2023 and 12 percent in 2021. We do expect more growth, at least during the wind-down of the Public Health Emergency. Initial data for January of 2023, though incomplete, is similar to January 2022. After the completion of the wind-down, we do not expect that it will continue to grow at that rate of the last few years. We also do not expect that it will go back to essentially zero growth like the two years before the Public Health Emergency. With a lack of data to form a firm hypothesis, we split the difference and assume that growth will be half the most recent growth and use an estimate of 2.5 percent annual growth for dental enrollment after March 2024 until the end of the forecast period.

Dental premiums have not shown consistent growth in the last 6 years. The average Dental premium has bounced between $34 and $36 over the past 6 years. Most recently (CY 2022), it was $35. We assume $35 as the average premium for the forecast period.

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.

There was a rebate of $4.2 million from the end of the 2017-2019 biennium. It was paid as a monthly credit during CY 2020. As a result, the Marketplace assessed about $2 million and credited about $1 million a quarter during CY 2020.

There was $1.5 million in credits applied to carriers' CY 2022 assessment. Assessments were credited at $371,000 per quarter.

Based on our model, an estimated rebate for CY 2024 would be $1,948,019. Assessments would be credited at $487,005 per quarter.

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 2023, the federal technology charge is 2.25 percent of premium for State-based Marketplace-Federal Platform (SBM-FP). We assume it will be changed to 2.00 percent in 2024 as outlined in the HHS Notice of Benefit and Payment Parameters for 2024 Proposed Rule.

Enrollment forecast summary

The following table provides a summary by calendar year using the current assessment rates, the proposed enrollment forecast, the Governor's Budget current service level expenditures, and assumed federal technology charges. The table includes the forecast average premium for medical policies. The average increased by 7 percent in CY 2021 followed by a 1.5 percent increase in CY 2022. The average approved premium rate change for 40-year-old, single, non-tobacco user on a Standard Silver Plan in the Portland area weighted by total premiums per plan in CY 2022 was 2.9 percent. Fitting an exponential smoothing model to the last 6 years of average premiums for all of Oregon arrives at an estimated 3.4 percent for CY 2023. Some external projections forecast higher growth in Marketplace premiums for 2023, but those were not ultimately borne out in Oregon for this year. We have assumed the increase will be 3.4 percent in CY 2023 and roughly that amount in future years as well.

The table also shows our stand-alone dental plan forecast. The dental plan premiums have jumped around in a fairly narrow band but have not showed any consistent pattern of growth. We have assumed a flat rate of $35 for the average stand-alone dental plan premium.

Medical Plans Summary, with Assessment Rate Assumptions

	2020	2021	2022	2023	2024	2025
Average enrollment	127,715	128,217	131,186	130,360	132,084	133,733
% change	1.9%	0.4%	2.3%	-0.6%	1.3%	1.2%
Total premiums ($ millions)	$818.6	$886.3	$920.0	$945.0	$992.3	$1,040.0
Avg premium	$534.12	$576.02	$584.39	$604.10	$626.07	$648.04
% change	-7.3%	7.8%	1.5%	3.4%	3.6%	3.5%
Assessment rate	$5.50	$5.50	$5.50	$5.50	$5.50	$5.50
Assessments ($ millions)	$8.4	$8.5	$8.7	$8.6	$8.7	$8.8
Rate as % of avg premium	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%
Federal tech. charges ($ millions)	$20.5	$15.5	$20.7	$21.3	$19.8	$20.8
Fed. as % of avg premium	2.50%	1.75%	2.25%	2.25%	2.00%	2.00%

Dental Plans Summary

	2020	2021	2022	2023	2024	2025
Average enrollment	23,399	26,367	27,661	27,724	28,791	29,510
% change	5.4%	12.7%	4.9%	0.2%	3.8%	2.5%
Total premiums ($ millions)	$10.2	$10.6	$11.5	$11.6	$12.1	$12.4
Avg premium	$36.28	$33.42	$34.75	$35.00	$35.00	$35.00
% change	-7.3%	-7.9%	4.0%	0.7%	0.0%	0.0%
Assessment rate	$0.36	$0.36	$0.36	$0.36	$0.36	$0.36
Assessments ($ millions)	$0.101	$0.114	$0.119	$0.120	$0.124	$0.127
Rate as % of avg premium	1.0%	1.1%	1.0%	1.0%	1.0%	1.0%
Federal tech. charges ($ millions)	$0.255	$0.185	$0.260	$0.262	$0.242	$0.248
Fed. as % of avg premium	2.50%	1.75%	2.25%	2.25%	2.00%	2.00%

Medical and Dental Combined

	2020	2021	2022	2023	2024	2025
Total premiums ($ millions)	$828.8	$896.8	$931.5	$956.7	$1,004.4	$1,052.4
Total assessments ($ millions)	$8.53	$8.58	$8.78	$8.72	$8.84	$8.95
Total fed. Charges ($ millions)	$20.72	$15.69	$20.96	$21.52	$20.09	$21.05
Assessment and fed. charges ($ millions)	$29.25	$24.27	$29.74	$30.25	$28.93	$30.00
Total % of avg premium	3.5%	2.7%	3.2%	3.2%	2.9%	2.9%

Marketplace financial outcomes

The following table summarizes the forecast financial outcomes with the current assessment rates. The FY 2018 – FY 2022 figures are actual revenue and expenditures. The FY 2019 credit of $4.2 million was credited to insurers during CY 2020.

The FY 2023 – 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 FY 2022 has been reduced by the $4.2 million rebate credit determined at the end of FY 2019-21.

There is an expected rebate of about $1.9 million at the end of FY 2023 which would result in credits during CY 2024. After which the fund balance would remain just below cap. These estimates are subject to significant uncertainty.

Summary of Financial Outcomes, Current Assessment Rates

	Total Expenditures	Total Revenue	Fund Balance
FY 2018	$5,624,634	$9,323,616	$5,625,780
FY 2019	$6,609,118	$9,600,190	$8,616,852
FY 2020	$7,156,940	$7,006,713	$8,466,625
FY 2021	$5,378,996	$6,452,569	$5,740,198
FY 2022	$5,466,709	$8,034,260	$8,307,749
FY 2023	$8,955,294	$7,295,336	$6,647,791
FY 2024	$9,260,636	$7,013,906	$4,401,061
FY 2025	$9,538,455	$9,073,873	$3,936,479

The following table shows the history of fund sweeps and assessment rebates. The FY 2019 credit of $4.2 million was credited to insurers during CY 2020. The Marketplace credited carriers with $1.4 million over CY 2022. Under the current forecast assumptions, we anticipate a $1.9 million credit would be required to be paid out in CY 2024.

Marketplace Transfers and Credits

Period	Reason	Amount
CY 2017Q4	Reinsurance Program funding	($1,320,065)
CY 2020	CY 2020 rebate credit to carriers for FY 2017-19	($4,163,015)
CY 2021Q2	Sweep to General Fund	($3,800,000)
CY 2022	CY 2022 rebate credit to carriers for FY 2019-21	($1,482,448)
CY 2024	Estimated CY 2024 rebate credit to carriers for FY 2021-23	($1,948,019)

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

(1) The Oregon Health Authority 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 authority in establishing the administrative charge. The charge must be in an amount sufficient … to pay the administrative and operational expenses of the authority….

(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….

(4)(a) If charges collected under subsection (1) of this section exceed the amounts needed for the administrative and operational expenses of the authority in administering the health insurance exchange, the excess moneys collected may be held and used by the authority 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 authority for a six-month period. Any moneys received that exceed the maximum shall be applied by the authority 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 Oregon Health Authority.

(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 authority's shared services expenses and operating expenses borne by the Marketplace and reimbursed by another agency, based on the authority'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 authority 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 authority 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 authority 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.