DCBS | Department of Consumer and Business Services

MEMORANDUM

February 8, 2022

To: Chiqui Flowers, Administrator, Oregon Health Insurance Marketplace
CC: Jeremy Vandehey, HPA Director, Oregon Health Authority
Liz Mill, HPA Technology and Budget Manager, Oregon Health Authority

From: Justin Fuller, Senior Economist
Kelli Borushko, Senior Forecasting Analyst

Subject: Oregon Health Insurance Marketplace Report – CY 2023 Administrative Charges
Medical 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 2023. 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

- As part of the Marketplace's move to OHA, it was decided that DCBS would lead the rate setting work for 2023 in collaboration with OHA.
- We use expenditure assumptions based on the Health Insurance Marketplace's 2021-2023 Legislatively Adopted Budget, an estimate of shared costs, and costs associated with a policy option package related to bringing expenditures in line with the Agency Request Budget. Total expenditures for the 2021-2023 biennium are estimated to be $17.3 million.
- Like last year, we have taken a cautious approach and modeled a 5 percent decrease in enrollment in CY 2023 and another 5 percent drop in CY 2024.
- Our analysis suggests that the current PMPM rates could be retained in CY 2023 to provide stable funding for the Marketplace.

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. Rates were unchanged in CY 2021 and CY 2022.

Marketplace Assessment Rates

	CY 2014	CY 2015 & CY 2016	CY 2017 - CY 2019	CY 2020 - CY 2022	CY 2023
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 premium 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 the dental rate remains unchanged.

Current expenditure projections

The following table shows our current expenditure forecast. The figures are based on budgeted expenditures and shared service expenditures. It assumes the division's budgeted expenditures will be $15.8 million in the 2021-2023 biennium. Shared service costs are estimated to be $1.5 million in the 2021-2023 biennium. All expenditures exclude the costs of administering the Compact of Free Association Premium Assistance Program and the Senior Health Insurance Benefit Assistance Program.

Marketplace Expenditures - 2021-2023 LAB

	Marketplace Expenditures	Shared Services / SAEC	Total
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	$6,489,562	$667,378	$7,156,940
FY 2021	$4,714,893	$664,103	$5,378,996
FY 2022	$7,913,770	$829,875	$8,743,645
FY 2023	$7,913,770	$677,280	$8,591,050
FY 2024	$8,151,183	$697,598	$8,848,781
FY 2025	$8,395,718	$718,526	$9,114,244
FY 2026	$8,647,590	$740,082	$9,387,672
FY 2027	$8,907,017	$762,285	$9,669,302

FY 2022 contains two quarters of actual expenditures
SAEC - OHA Shared Assessments and Enterprise-wide Costs

The table shows actual expenditures for FY 2016 to FY 2021. 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 2021 expenditures are lower than typical due to a change in operations as part of COVID-19 safety protocols. Expenditure controls were also put in place in case of revenue loss due to the pandemic.

After FY 2023, 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 adopted the recommendation that we take a cautious approach and model a drop of enrollment of 5 percent in CY 2022 and another 5 percent in CY 2023.

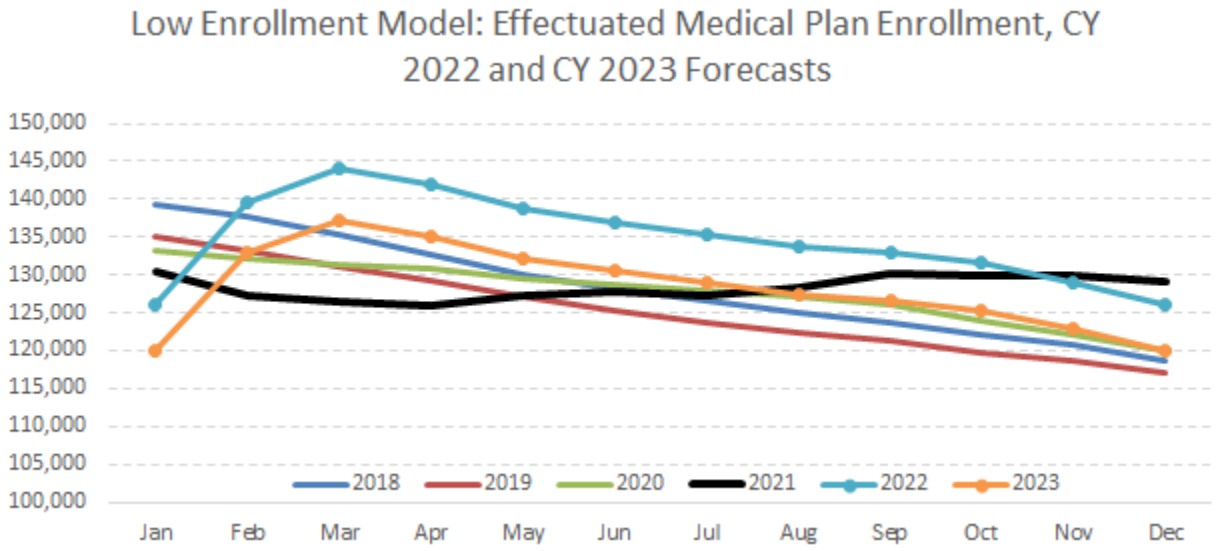
Insurers have submitted their February 2022 billing reports. They report 125,981 members in January 2022.

We have provided the following model:

- CY 2023 enrollment is 5 percent lower than CY 2022 enrollment
- CY 2024 enrollment is 5 percent lower than CY 2023 enrollment
- CY 2025 and later enrollment increases by between 0.2 and 0.4 percent per year

The growth in CY 2025 and after reflects the growth in Oregon's under-65 population.

This forecast is illustrated in the following figure.



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 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 2023 would be about 128,250 members. An assessment rate of $5.50 PMPM would generate $8.5 million in revenue. With the same enrollment, a $5.00 PMPM would generate $7.7 million. If the average enrollment were 10,000 a month lower than forecast, the $5.50 PMPM would generate $7.8 million; if the enrollment were 10,000 a month higher, the $5.50 PMPM would generate $9.1 million.

CY 2023 Revenue and Assessment Rates

Medical Enrollment Forecast	PMPM assessment rates							Equilibrium Rates
	$6.00	$5.75	$5.50	$5.25	$5.00	$4.50	$4.25	
Forecast + 15,000	$10.8	$10.3	$9.9	$9.4	$9.0	$8.1	$7.6	$4.74
Forecast + 10,000	$10.0	$9.5	$9.1	$8.7	$8.3	$7.5	$7.1	$5.13
Forecast + 5,000	$9.6	$9.2	$8.8	$8.4	$8.0	$7.2	$6.8	$5.32
Forecast = 128,250	$9.2	$8.8	$8.5	$8.1	$7.7	$6.9	$6.5	$5.53
Forecast - 5,000	$8.9	$8.5	$8.1	$7.8	$7.4	$6.7	$6.3	$5.75
Forecast - 10,000	$8.5	$8.2	$7.8	$7.4	$7.1	$6.4	$6.0	$5.99
Forecast - 15,000	$8.2	$7.8	$7.5	$7.1	$6.8	$6.1	$5.8	$6.26

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 2023 planned expenditures are about $8.7 million. The dental plan assessment and investment income will generate about $217,000, so the medical plan assessment will need to generate about $8.5 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 anticipated expenditures is $5.53 PMPM. If monthly enrollment were 5,000 higher, the equilibrium rate would be $5.32 PMPM.

Stand-alone dental plan enrollment and premiums forecast

Dental plan enrollment had been growing by more than 10 percent per year, but January 2021 enrollment was essentially unchanged from January 2020. January 2022 enrollment is about 5 percent higher than January 2021 enrollment. We do not know how dental plan enrollment will grow, so we assume a growth rate between 0.2 percent and 0.4 percent per year.

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 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 were $1.5 million in credits applied to carriers' CY 2022 assessment. Assessments are being credited by about $371,000 per quarter.

Under the low-enrollment forecast and budgeted expenditures, we would not anticipate that a credit would be required in CY 2024.

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 do not affect revenues or expenditures. In CY 2021, the federal technology charge was 1.75 percent of premium. CMS indicates that the charge will increase to 2.25 percent of premiums in 2022. We assume they will stay at 2.25 percent in 2023 and after.

Enrollment forecast summary

The following table provides a summary by calendar year using the current assessment rates, the proposed enrollment and expenditure forecasts, and assumed federal technology charges. The table includes the forecast average premium for medical policies. The average decreased by 7 percent in CY 2020 followed by a 1 percent increase in CY 2021. Based on the approved premium rate changes, we have assumed the increase will be 2 percent in CY 2022. 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.

Medical plans summary, with assessment rate assumptions

	2020	2021	2022	2023	2024	2025	2026
Average enrollment	127,715	128,282	134,646	128,250	121,838	122,275	122,779
% change	2%	0%	5%	-5%	-5%	0%	0%
Total premiums ($ millions)	$819.0	$832.2	$888.1	$888.2	$886.0	$933.7	$984.4
Ave premium	$534	$541	$550	$577	$606	$636	$668
% change	-7%	1%	2%	5%	5%	5%	5%
Assessment rate	$5.50	$5.50	$5.50	$5.50	$5.50	$5.50	$5.50
Assessments ($ millions)	$8.4	$8.5	$8.9	$8.5	$8.0	$8.1	$8.1
Rate as % of ave premium	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.8%
Federal tech. charges ($ millions)	$20.5	$14.6	$20.0	$20.0	$19.9	$21.0	$22.1
Fed. as % of ave premium	2.50%	1.75%	2.25%	2.25%	2.25%	2.25%	2.25%

Dental plans summary

	2020	2021	2022	2023	2024	2025	2026
Average enrollment	23,399	26,373	26,964	27,007	27,107	27,204	27,316
% change	5%	13%	2%	0%	0%	0%	0%
Total premiums ($ millions)	$9.0	$10.3	$10.8	$11.0	$11.3	$11.5	$11.8
Ave premium	$32	$33	$33	$34	$35	$35	$36
% change	-5%	2%	2%	2%	2%	2%	2%
Assessment rate	$0.36	$0.36	$0.36	$0.36	$0.36	$0.36	$0.36
Assessments ($ millions)	$0.101	$0.114	$0.116	$0.117	$0.117	$0.118	$0.000
Rate as % of ave premium	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%
Federal tech. charges ($ millions)	$0.225	$0.181	$0.242	$0.248	$0.254	$0.260	$0.266
Fed. as % of ave premium	2.50%	1.75%	2.25%	2.25%	2.25%	2.25%	2.25%

Medical and dental combined

	2020	2021	2022	2023	2024	2025	2026
Total premiums ($ millions)	$827.938	$842.523	$898.908	$899.251	$897.292	$945.200	$996.203
Total assessments ($ millions)	$8.53	$8.581	$9.003	$8.581	$8.158	$8.188	$8.103
Total fed. charges ($ millions)	$20.698	$14.744	$20.225	$20.233	$20.189	$21.267	$22.415
Assessment and fed. charges ($ millions)	$29.229	$23.325	$29.229	$28.814	$28.347	$29.455	$30.518
Total % of ave premium	3.5%	2.8%	3.3%	3.2%	3.2%	3.1%	3.1%

Marketplace financial outcomes

The following table summarizes the forecast financial outcomes with the current assessment rates. The FY 2016 through FY 2021 figures are actual revenue and expenditures. The FY 2022 through FY 2027 figures show the forecast if the enrollment and expenditure assumptions are correct. The revenue figures reflect assessment revenue and investment revenue.

This model shows that we expect the fund balance to decline over time.

Summary of Financial Outcomes - Low Enrollment

	Total Expenditures	Total Revenue	Fund Balance	Coverage Ratio
FY 2017	$5,092,014	$11,773,790	$15,127,454	11.88
FY 2018	$5,624,634	$9,323,616	$5,625,780	5.69
FY 2019	$6,609,118	$9,600,190	$8,616,853	8.81
FY 2020	$7,156,940	$7,006,713	$8,466,626	6.52
FY 2021	$5,378,996	$6,361,143	$5,740,198	5.28
FY 2022	$8,252,410	$8,034,260	$5,522,049	2.13
FY 2023	$8,591,050	$8,033,865	$4,964,865	3.23
FY 2024	$8,848,781	$8,360,260	$4,476,344	2.83
FY 2025	$9,114,244	$8,184,526	$3,546,626	2.18
FY 2026	$9,387,672	$8,276,850	$2,435,804	1.45
FY 2027	$9,669,302	$8,351,743	$1,118,245	0.65

The following table shows the history of fund sweeps and assessment rebates. 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 was credited to insurers during CY 2020. The Marketplace is currently crediting carriers $1.4 million over CY 2022. Under the current forecast assumptions, we do not anticipate a credit would be required to be paid out in CY 2024.

Marketplace Transfers and Credits

Period	Reason	Amount
CY 2017Q4	Reinsurance Program funding	($13,200,656)
CY 2020	CY 2020 credit to carriers	($4,163,015)
CY 2021Q2	Sweep to General Fund	($3,800,000)
CY 2022	CY 2022 credit to carriers	($1,482,448)

The credit applied in CY 2020 was calculated from financial data through 6/30/2019.
The credit applied in CY 2022 was calculated from financial data through 6/30/2021.

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.