M E M O R A N D U M

February 12, 2021

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Subject: Oregon Health Insurance Marketplace Report – CY 2022 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 2022. 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 2021-2023 Governor's Balanced Budget (GBB) continuing service level (CSL). We also use an Oregon Health Authority (OHA) estimate of Marketplace shared service expenditures. Total expenditures for the 2021-2023 biennium are estimated to be $16.1 million.
- Like last year, we have taken a cautious approach and modeled a 5 percent decrease in enrollment in CY 2021 and another 5 percent drop in CY 2022.
- Our analysis suggests that the current PMPM rates could be retained for CY 2022 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.

History of assessment rates

	CY 2014	CY 2015 & CY 2016	CY 2017 - CY 2019	CY 2020 - CY 2021	CY 2022
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 continuing service level expenditures in the 2021-2023 Governor's Budget. It assumes the division's expenditures will be $15.6 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.

The department's principal divisions are charged for the central services costs they incur. These include IT, financial, communications, and administrative services. These shared service costs are estimated to be $539,946 in the 2021-2023 biennium.

Marketplace expenditures, Governor's Budget
Continuing Service Level expenditures
FY 2016-2020 actuals and FY 2021-2025 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	$6,489,562	$667,378	$7,156,940
FY 2021	$5,410,276	$679,745	$6,090,021
FY 2022	$7,626,293	$269,473	$7,895,766
FY 2023	$7,937,570	$269,473	$8,207,043
FY 2024	$8,175,697	$277,557	$8,453,254
FY 2025	$8,420,968	$285,884	$8,706,852

FY 2021 runs from July 2020 through June 2021.
FY 2016-2020 figures are actuals. FY 2021 - 2025 are forecast expenditures. FY 2021 includes one quarter of actual expenditures.

The table shows actual expenditures for FY 2016 - FY 2020. 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 figures are based on actual expenditures through October 2020 and projected expenditures through June 2021.

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 used Chiqui's recommendation that we take a cautious approach and model a drop of enrollment of 5 percent in CY 2020 and another 5 percent in CY 2021.

Insurers have submitted their February 2021 billing reports. They report 120,345 members in January 2021.

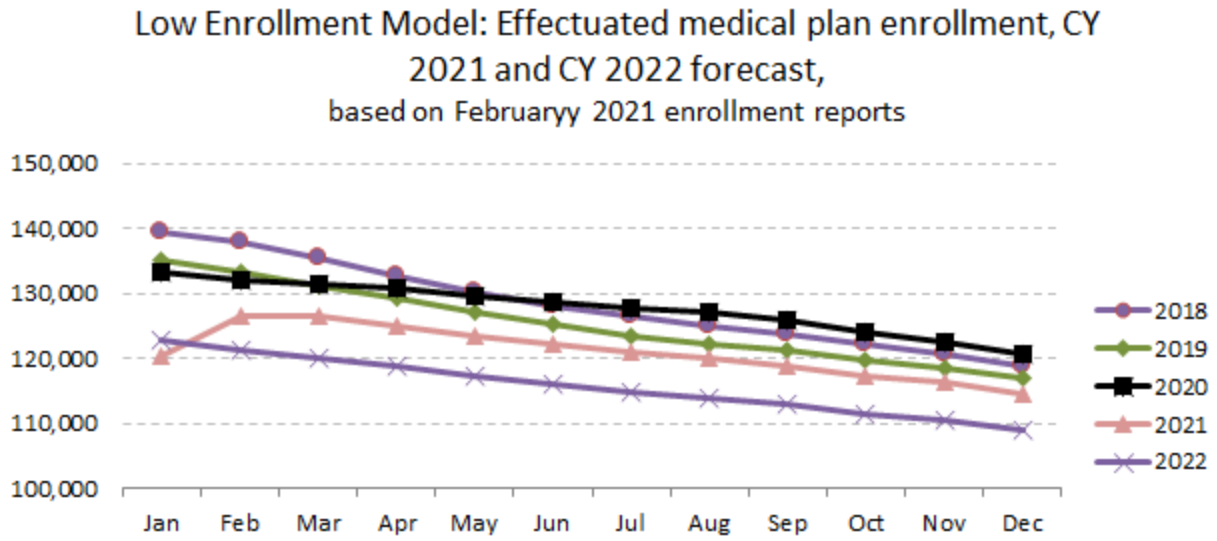
We know that CY 2021 plan selections were about 2.9 percent lower than CY 2020 plan selections, so it is reasonable to assume that enrollment should be a bit lower in CY 2021 than in CY 2020.

We have provided the following model:

- CY 2021 enrollment is 5 percent lower than CY 2020 enrollment
- CY 2022 enrollment is 5 percent lower than CY 2021 enrollment
- CY 2023 and later enrollment increases by between 0.2 and 0.4 percent per year

The growth in CY 2023 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.

There is significant volatility in carriers' reported enrollment. The following table shows reported January enrollment between 2018 and 2021. Carriers are allowed to revise enrollment for up to 18 months. Between 2018 and 2020, carriers tended to provide low enrollment numbers for January that were subsequently revised upward. In 2021, however, carriers reported 143,854 enrollees in January but reduced this to 120,345 in their February report.

January enrollment for different insurer submissions

	January submission	February submission	March submission	December submission	Final
2018	123,637	141,769	141,059	140,172	139,419
2019	127,391	140,995	140,905	135,141	135,113
2020	111,606	141,491	133,181	133,292	
2021	143,854	120,345			

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 2022 would be about 115,737members. An assessment rate of $5.50 PMPM would generate $7.6 million in revenue. With the same enrollment, a $5.00 PMPM would generate $6.9 million. If the average enrollment were 10,000 a month lower than forecast, the $5.50 PMPM would generate $7.0 million; if the enrollment were 10,000 a month higher, the $5.50 PMPM would generate $8.3 million.

CY 2022 revenue ($ millions) from selected medical plan enrollments and assessment rates

Annual medical assessment revenue needed for Governor's Budget Continuing Service Level ($ millions): $7.9

	PMPM assessment rates					Equilibrium rate
Ave monthly enrollment	$6.00	$5.75	$5.50	$5.25	$5.00	GBB CSL
Forecast + 15,000	$9.4	$9.0	$8.6	$8.2	$7.8	$5.00
Forecast + 10,000	$9.1	$8.7	$8.3	$7.9	$7.5	$5.20
Forecast + 5,000	$8.7	$8.3	$8.0	$7.6	$7.2	$5.42
Forecast = 115,737	$8.3	$8.0	**$7.6**	$7.3	$6.9	$5.65
Forecast - 5,000	$8.0	$7.6	$7.3	$7.0	$6.6	$5.91
Forecast - 10,000	$7.6	$7.3	$7.0	$6.7	$6.3	$6.19
Forecast - 15,000	$7.3	$7.0	$6.6	$6.3	$6.0	$6.49

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 2022 planned expenditures are about $8.1 million. The dental plan assessment and investment income will generate about $180,000, so the medical plan assessment will need to generate about $7.9 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 $5.65 PMPM. If monthly enrollment were 5,000 higher, the equilibrium rate would be $5.42 PMPM, close to the current rate.

Stand-alone dental plan enrollment and premiums forecast

Dental plan enrollment has been growing by more than 10 percent per year, but January 2021 enrollment was essentially unchanged from January 2020. 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 after CY 2022.

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.

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 2021, the federal technology charge is 2.5 percent of premium; for CY 2022, it is 1.75 percent of premium.

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 2019 followed by a 1 percent reduction in CY 2020. Based on the approved premium rate changes, we have assumed the increase will be 2 percent in CY 2021. 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

	2019	2020	2021	2022	2023	2024
Average enrollment	125,284	127,817	120,997	115,737	116,066	116,496
% change	-2.41%	2.02%	-5.34%	-4.35%	0.28%	0.37%
Total premiums ($ millions)	$866.1	$872.5	$842.5	$846.1	$891.0	$939.0
Ave premium	$576	$569	$580	$609	$640	$672
% change	7.33%	-1.26%	2.00%	5.00%	5.00%	5.00%
Assessment rate	$6.00	$5.50	$5.50	$5.50	$5.50	$5.50
Assessments ($ millions)	$9.0	$8.4	$8.0	$7.6	$7.7	$7.7
Rate as % of ave premium	1.04%	0.97%	0.95%	0.90%	0.86%	0.82%
Federal tech. charges ($ millions)	$26.0	$21.8	$21.1	$14.8	$15.6	$16.4
Fed. as % of ave premium	3.00%	2.50%	2.50%	1.75%	1.75%	1.75%

Dental plans summary

	2019	2020	2021	2022	2023	2024
Average enrollment	22,195	23,389	23,263	23,412	23,478	23,564
% change	11%	5%	-1%	1%	0%	0%
Total premiums ($ millions)	$9.0	$9.0	$9.1	$9.4	$9.6	$9.8
Ave premium	$34	$32	$33	$33	$34	$35
% change	-4.48%	-5.11%	2.00%	2.00%	2.00%	2.00%
Assessment rate	$0.57	$0.36	$0.36	$0.36	$0.36	$0.36
Assessments ($ millions)	$0.152	$0.101	$0.100	$0.101	$0.101	$0.102
Rate as % of ave premium	1.69%	1.12%	1.10%	1.08%	1.06%	1.04%
Federal tech. charges ($ millions)	$0.270	$0.225	$0.228	$0.164	$0.168	$0.172
Fed. as % of ave premium	3.00%	2.50%	2.50%	1.75%	1.75%	1.75%

Medical and dental combined

	2019	2020	2021	2022	2023	2024
Total premiums ($ millions)	$875.108	$881.488	$851.584	$855.488	$900.540	$948.778
Total assessments ($ millions)	$9.172	$8.537	$8.086	$7.740	$7.762	$7.791
Total fed. charges ($ millions)	$26.253	$22.037	$21.290	$14.971	$15.759	$16.604
Assessment and fed. charges ($ millions)	$35.426	$30.574	$29.376	$22.711	$23.521	$24.394
Total % of ave premium	4.05%	3.47%	3.45%	2.65%	2.61%	2.57%

Marketplace financial outcomes

The following table summarizes the forecast financial outcomes with the current assessment rates. The FY 2016 – FY 2020 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 was credited to insurers during CY 2020.

The FY 2021 – 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 has been 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 about $591,000 at the end of FY 2021 which would result in credits during CY 2022. These estimates are subject to significant uncertainty.

Summary of financial outcomes, current assessment rates

FY end	Total expenditures	Total revenue	Fund balance	Credit	Ending coverage ratio
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)	11.9
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)	8.8
FY 2020	$7,156,940	$7,006,713	$8,466,626		
FY 2021	$6,090,021	$7,081,080	$8,416,931	($591,229)	6.3
FY 2022	$7,895,766	$7,640,802	$7,866,352		
FY 2023	$8,207,043	$7,754,394	$7,118,089	$0	4.9
FY 2024	$8,453,254	$7,779,502	$6,444,337		
FY 2025	$8,706,852	$7,806,385	$5,543,870	$0	3.6

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.