Summary of Final Milliman Report

Presentation to the Health Benefit Exchange Workgroup

August 22, 2011

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NCDOI Contracted with Milliman to Analyze HBE Design Questions

- Scope of work included:
  - Health insurance market analysis, including impact of ACA reforms on enrollments and premiums
  - Modeling impact of merging individual and small group health insurance markets
  - Modeling impact of allowing groups of 51 – 100 employees to participate in the Exchange beginning in 2014
  - Strategies for mitigating adverse selection
  - Cost to state of continuing currently mandated benefits
  - Potential budget and staffing plan for 2014 and 2015
  - Use of standardized benefit plans
  - Basic Health Plan analysis
  - Consideration of other HBE design issues

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Market Analysis – Enrollment Projections

- 663,000 individual market HBE enrollees in 2014, increasing to 856,000 in 2016
- 51,000 small group market HBE enrollees in 2014, increasing to 58,000 in 2016 (includes groups of 51 – 100 in 2016)
- Medicaid/CHIP enrollment increases from 1.4 million in 2013 to 1.9 million in 2014
- Number of non-elderly uninsured drops from 1.5 million (18%) in 2013 to 700,000 (8%) in 2014

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Expected Demographics of HBE Enrollees (Individual Market)

- HBE enrollees are expected to be older than non-HBE enrollees (average age of 35.8 vs. 29.9)
- HBE enrollees are expected to have lower incomes than non-HBE enrollees
  - 29% of HBE enrollees expected to have incomes below 200% FPL, vs. 12% of non-HBE enrollees
  - 75% of HBE enrollees expected to have incomes below 400% FPL, vs. 37% of non-HBE enrollees
- HBE enrollees are expected to have higher average health risk than non-HBE enrollees (roughly 12% more expensive after adjusting for age differences)

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Merging Small Group and Individual Markets

- Milliman estimated that the average health risk of individual market enrollees will be worse than that of small group enrollees in 2014
- Merging the two markets would have an adverse effect on small group rates on average

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Allowing Groups with 51 – 100 Employees to Participate in Exchange

- ACA requires that groups of 51 – 100 be allowed to participate in the HBE starting 1/1/2016, but states have the option to include them beginning in 2014
- Milliman projected similar average health risks for groups <51 and groups of 51 – 100
  - To be consistent with insurance market outside the HBE, NC would need to redefine small group to include groups of 51 – 100
  - Impact for specific groups of 51 – 100 moving from experience rating to adjusted community rating could be significant

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Ways to Mitigate Adverse Selection

(health risk is not spread evenly across plans/carriers/markets)

Mechanisms in ACA	Potential State Options
•Risk adjustment, reinsurance, risk corridors •Single risk pool for insurers' business in and out of HBE for each market •Similar benefit rules inside and outside HBE •Premium and cost sharing subsidies •Individual mandate	•Require all health insurance be sold only in HBE •Require all carriers participate in HBE •Require all carriers offer all benefit levels •Place restrictions on plans offered outside HBE •Ensure consistency of marketing and pricing rules in and out of HBE •Take steps to maximize HBE enrollment •Restrict HBE enrollment times

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Analysis of Mandated Benefits

- ACA requires states to cover the cost of any mandated benefits not included in the Essential Benefits package for ALL HBE enrollees
- Milliman estimates the cost to the state to be $39 million in 2014, increasing to $59 in 2015
- Estimates can be further refined once the Essential Benefit package is defined by the US HHS

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Projected HBE Administrative Expenses

Baseline Reform Scenario for 2015	
Projected HBE Administrative Expenses	$25 million
Across HBE Members Only - Per member per year - Percent of premium	 $31.50 0.42%
Across all Individual and Small Group Commercial Fully-Insureds (in & out of HBE) - Per member per year - Percent of premium	 $14.70 0.22%
Across all Commercial Fully-Insureds (in and out of HBE) - Per member per year - Percent of premium	 $9.38 0.14%
Across all Commercial Fully-Insureds and Self-Funded - Per member per year - Percent of premium	 $4.64 0.07%

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Standardized Benefit Packages

Pros	Cons
•Simplifies comparison for consumers •Encourages competition on price and quality rather than benefit design •May reduce administrative burden and cost of HBE	•Reduces product choice for consumers purchasing through the HBE •Stifles innovation in HBE •May slow introduction of benefit innovations

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Establishing a Basic Health Plan (BHP)

- ACA provides states the option of creating a BHP for individuals with incomes under 200% FPL who are not eligible for Medicaid or other affordable coverage option
- State must contract with managed care organization
- Individuals must get better benefits at lower cost than through HBE
- State is provided 95% of federal subsidy amount individuals would have received through HBE coverage to fund BHP

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Establishing a Basic Health Plan (BHP)

Pros	Cons
•Could offer more affordable coverage to lower income enrollees •Could ease transition between Medicaid and private coverage	•State would bear pricing risk •Reduces HBE enrollment by estimated 142,000 in 2014 •Creates administrative burden for state •Reduces choice for low income

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Other Topics Covered

- Agent/broker compensation and roles
- Interstate exchange
- Intrastate exchanges
- Mandatory insurer participation in HBE
- HBE as market organizer or active purchaser
- HBE role in engaging consumers, improving quality and efficiencies, and increasing competition

Questions?