

State of Montana

Individual Market Data Elements for 2021 Pass-Through Calculations

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Introduction

The Montana Reinsurance Association Board (“Board”) retained Wakely Consulting Group, LLC (“Wakely”) to analyze the effects of a state-based reinsurance program on the 2021 individual Affordable Care Act (ACA) market. In particular, the Board requested that Wakely estimate the effect of the 1332 reinsurance waiver on the second lowest cost-silver plan (“SLCSP”) by geographic area and on total premiums in the ACA individual market. These data elements will be used by the Departments of Health and Human Services (“HHS”) and Treasury (“the Treasury”) to calculate the pass-through amounts for the 2021 waiver year for Montana.

This document has been prepared for the sole use of Montana, although we understand that it may be distributed to HHS and the Treasury. This document contains the results, data, assumptions, and methods used in our analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements. Using the information in this report for other purposes may not be appropriate.

Total Premiums in ACA Market with and without the Waiver

The table below shows the modeling to estimate total enrollment and total premiums aligned with the methods previously described in Montana’s 1332 waiver application, with slight adjustments for updated data. The adjustments were made to account for enrollment changes since the 2019 benefit year that occurred subsequent to the approved application, including actual 2020 enrollment, and actual premium rate increases filed by the issuers for 2021, and for the impact of COVID and resulting economic/enrollment effect.¹ Table 1 summarizes total premiums with and without the 1332 waiver.

Table 1: 2021 Estimated Average Enrollment and Total Premiums

	2021
Baseline (with waiver)	
Average Non-Group Enrollment	50,577
Average Non-Group Premium PMPM	\$575.39
Total Non-Group Premiums	\$349,222,672
Without Waiver	
Average Non-Group Enrollment	49,995
Average Non-Group Premium PMPM	\$633.82
Total Non-Group Premiums	\$380,261,629

¹http://reinsurance.mt.gov/Portals/212/Montana_1332%20Report_2019-06-10.pdf

To develop the total premiums with and without reinsurance, Wakely completed the following steps:

1. The data was adjusted to calendar year 2020 using the following steps:
 - a. Enrollment from January to June 2020, as of August 2019, was used as a starting point for 2020 members. Two adjustments were made to the initial data. The first is that the data was adjusted for further expected changes as the data becomes complete. This adjustment was made by comparing January through June 2019 enrollment provided as of August 2019 and August 2020. The second adjustment was made for attrition since enrollment drops off throughout the year. The data for the first half of 2020 was adjusted by attrition, as measured by the first half of 2019 compared to the average 2019 enrollment.
 - b. Premium per member per month (PMPM) estimates were developed by using emerging 2020 premiums and adjusting using the same two adjustments applied to the emerging 2020 enrollment.
2. Once average calendar year 2020 data was estimated, the data was further adjusted to estimate the 2021 total premiums with the 1332 waiver:
 - a. Premiums per member per month were increased by the 2021 rate filing amount of 1.4%. The 2021 increase was calculated taking a weighted average of the premium change by issuer and their 2020 premium by issuer.
 - b. The 2021 enrollment was estimated to increase as a result of the premium decreases for the unsubsidized enrollees. Enrollment increases as a result of the lower premiums was estimated using a non-linear enrollment response function estimated by the Council of Economic Advisors (CEA take-up function).² The function computes expected enrollment change based on premium rate increases and portion of the market that is not receiving subsidies. The resulting enrollment was checked for reasonability.
 - c. Additionally Wakely estimated the impact of the economic downturn due to COVID-19. To estimate the impact Wakely first used Urban Institute's estimates of increases in Marketplace and other private insurance due to the economic downturn.³ Wakely then adjusted Urban's estimates to Wakely's estimates of Montana's uninsured rate on average in 2021 (the estimates were generated using CBO's estimates of projected national unemployment rates⁴ for 2021 and

²https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

³ <https://www.rwjf.org/en/library/research/2020/05/how-the-covid-19-recession-could-affect-health-insurance-coverage.html>. As part of the estimates, Wakely assumed the public health emergency declaration, which impacts Medicaid redetermination, would end before the start of the 2021 benefit year.

⁴ <https://www.cbo.gov/system/files/2020-07/56442-CBO-update-economic-outlook.pdf>

assuming a proportional improvement in Montana’s unemployment rate relative to the national unemployment rate improvement). Finally, enrollment estimates were adjusted to align with CBO’s projected enrollment in the ACA individual market in 2021.⁵ Overall, an additional 900 enrollees are expected to take-up individual market coverage as a result of the economic downturn. Wakely estimated that approximately 82% of the new enrollees would be eligible for premium tax credits, based on an analysis by Kaiser Family Foundation.⁶

- d. To estimate the total premiums, with the reinsurance waiver, the average enrollment was multiplied by average premiums and by 12 to account for the full year.
3. To estimate total ACA individual market premiums without a waiver:
- a. 2021 premiums were increased (compared to 2020) by the gross premium changes without reinsurance included in the 2021 rate filings, weighted by 2020 premiums by issuer, yielding an average premium increase of 11.7%.
 - b. Enrollment increases, because of the higher premiums, was estimated using a non-linear enrollment response function estimated by CEA.⁷
 - c. Enrollment increases as a result of the economic downturn due to COVID was estimated using the same method for the scenario with the 1332 waiver.
 - d. To estimate the total premiums, without the reinsurance waiver, the average enrollment was multiplied by average premiums and by 12 to account for the full year.

Second Lowest Cost Silver Plan Premium

Table 2 captures the second lowest cost silver plan premium for a 21-year old non-tobacco user in 2021, with and without the waiver. The table provides a summary of the premiums by rating area. For 2021, it is required to submit the SLCSP premium by appropriate geographic for rating areas that have service categories that are smaller than the rating area and have varying SLCSP premiums. For Montana, there is only one rating area where the SLCSP varies for one county within the rating area. The table below shows the SLCSP premium by rating area and county, where appropriate, as identified in the 2021 rate filings.

⁵ <https://www.cbo.gov/publication/55085>

⁶ <https://www.kff.org/report-section/eligibility-for-aca-health-coverage-following-job-loss-appendix/>

⁷ https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

**Table 2: 2021 Second Lowest Cost Silver Plan Premium PMPMs
By Rating Area (21-Year Old, Non-Tobacco)**

Rating Area	County	2021 SLCSP Premium with Waiver	2021 SLCSP Premium No Waiver	No Waiver / Waiver
1	All	\$329.98	\$364.15	10.4%
2	All	\$381.53	\$421.04	10.4%
3	All Except Flathead	\$369.21	\$407.44	10.4%
3	Flathead	\$377.78	\$416.90	10.4%
4	All	\$369.90	\$408.21	10.4%

Reinsurance Reimbursement

Wakely was not involved in setting the reinsurance parameters for 2021 and thus, no prior estimate was done for the reinsurance reimbursements for 2021. As a result, Wakely relied on the reinsurance payments included in the issuers' URRTs in the 2021 rate filing. Two of the three issuers noted that the estimated payments were reduced for the reinsurance assessment so the assessment was added to the reinsurance amounts provided, calculated as 1.2% of the total 2021 estimated premiums. For the issuer that did not net out the reinsurance assessment, the estimated reinsurance payment was not adjusted. The result is an estimated \$39.7 million in reinsurance reimbursements in 2021. While Wakely did not have updated data with which to calculate estimated reinsurance payments, a reasonability check was performed using 2018 data trended, using the issuers' trend assumptions, and estimated 2021 enrollment. The results were similar to the issuer estimated payments.

Reliances and Caveats

The following is a list of the data Wakely relied on for the analysis:

- Effectuated Enrollment Reports released by CMS⁸
- January to August 2020 effectuated enrollment and premium by issuer
- 2021 second lowest cost silver plan data, with and without reinsurance, provided by the Office of the Montana State Auditor, Commissioner of Securities and Insurance's (CSI) consulting actuary

⁸ <https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/Early-2020-2019-Effectuated-Enrollment-Report.pdf>

- CEA Take-Up Function⁹
- How the COVID-19 Recession Could Affect Health Insurance Coverage report by Urban Institute¹⁰
- CBO's Estimates on Federal Subsidies for Health Insurance Coverage for People under 65¹¹
- CBO's estimate of 2021 unemployment rate¹²

The following are additional reliances and caveats that could have an impact on results:

- **Data Limitations.** The entire year of 2020 was not yet available. As a result, there is uncertainty on attrition patterns or other changes to the 2020 year. Changes to base estimates could influence estimates. Wakely made some assumptions on the weighting but different data may influence the results.
- **Political Uncertainty.** There is significant policy uncertainty. Future federal actions such as additional unemployment insurance payments or other Federal actions could change the estimates enclosed in this report. Additionally, the timing of the end of the Federal emergency declaration over COVID-19 could affect enrollment.
- **Enrollment Uncertainty.** Additionally, there is enrollment uncertainty. Beyond changes to potential rates and policy, individual enrollee responses to these changes also has uncertainty. There is considerable uncertainty as to enrollment patterns due to the economic downturn.
- **Premium Uncertainty.** Given the potential change in enrollment, metal level enrollment decisions or other enrollment decisions could influence the average premium in the market.
- **Economic Uncertainty.** There remains considerable uncertainty as to the economic conditions in 2021, which could impact the number of uninsured as well as ESI coverage, which could impact enrollment levels.

⁹https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

¹⁰ <https://www.rwjf.org/en/library/research/2020/05/how-the-covid-19-recession-could-affect-health-insurance-coverage.html>

¹¹ <https://www.cbo.gov/publication/55085>

¹² <https://www.cbo.gov/system/files/2020-07/56442-CBO-update-economic-outlook.pdf>

Disclosures and Limitations

Responsible Actuaries. Julie Peper is the actuary responsible for this communication. She is a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. She meets the Qualification Standards of the American Academy of Actuaries to issue this report. Michael Cohen contributed significantly to the analysis and memo.

Intended Users. This information has been prepared for the sole use of the state of Montana. Distribution to parties should be made in its entirety and should be evaluated only by qualified users. The parties receiving this report should retain their own actuarial experts in interpreting results.

Risks and Uncertainties. The assumptions and resulting estimates included in this report and produced by the modeling are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. Wakely does not warrant or guarantee that Montana or the issuers will attain the estimated values included in the report. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

Conflict of Interest. Wakely provides actuarial services to a variety of clients throughout the health industry. Our clients include commercial, Medicare, and Medicaid health plans, the federal government and state governments, medical providers, and other entities that operate in the domestic and international health insurance markets. Wakely has implemented various internal practices to reduce or eliminate conflict of interest risk in serving our various clients. Except as noted here, the responsible actuary is financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this analysis. In addition, Wakely is organizationally and financially independent to the state of Montana.

Data and Reliance. We have relied on others for data and assumptions used in the assignment. We have reviewed the data for reasonableness, but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly. The information included in the 'Reliances and Caveats' sections identifies the key data and reliances.

Subsequent Events. These analyses are based on the implicit assumption that the ACA will continue to be in effect in future years with no material change. Material changes in state or federal laws regarding health benefit plans may have a material impact on the results included in this report. In addition, any changes in issuer actions as well as complete 2020 enrollment and experience could impact the results. There are no other known relevant events subsequent to the date of information received that would impact the results of this report.

Contents of Actuarial Report. This document constitutes the entirety of actuarial report and supersedes any previous communications on the project. However, more information regarding the analysis preceding this report can be found in the formal 1332 waiver report produced by Wakely on behalf of Montana.

Deviations from ASOPs. Wakely completed the analyses using sound actuarial practice. To the best of our knowledge, the report and methods used in the analyses are in compliance with the appropriate ASOPs with no known deviations. A summary of ASOP compliance is listed below:

ASOP No. 23, Data Quality

ASOP No. 41, Actuarial Communication