

Merged Market Advisory Council March 11, 2020



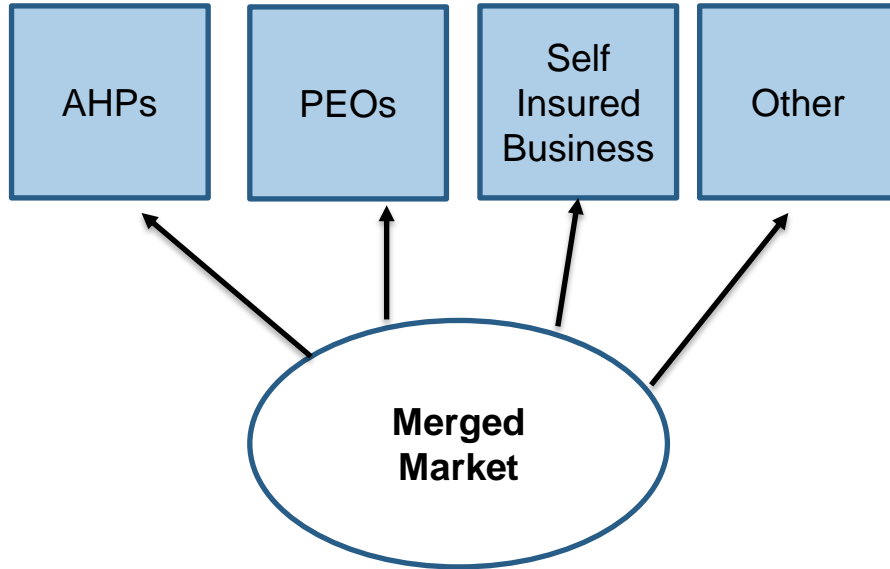
Gorman Actuarial, Inc.

AGENDA

- Small Group Market High Level Modeling
- Claims Distributions & Risk Scores

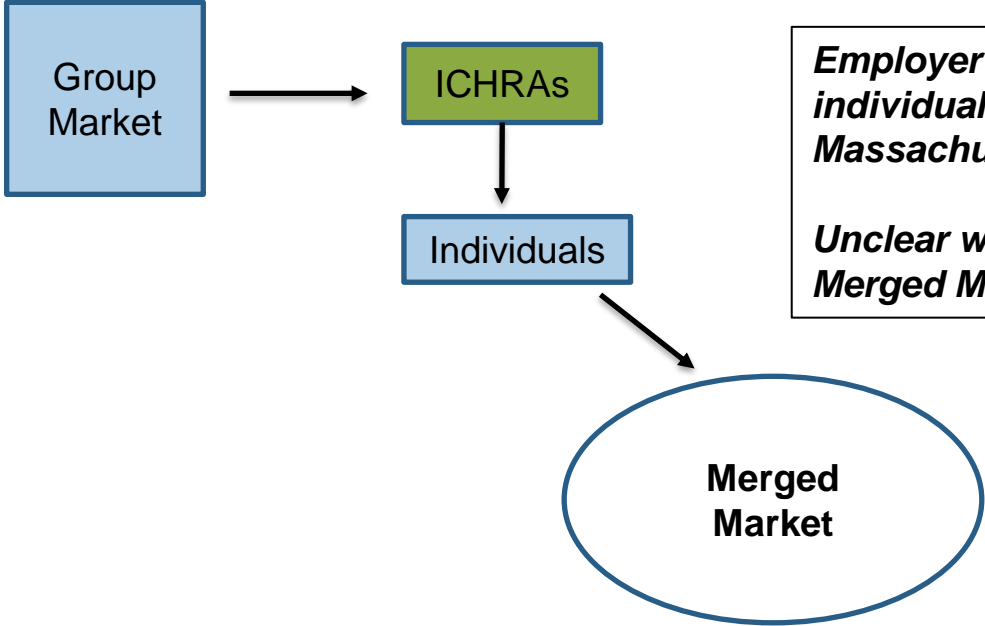
Small Group Market High Level Modeling

Certain product offerings can make small groups look to exit the merged market and the single risk pool



Generally, those that exit the market can obtain more attractive rates and have a healthier risk profile. Those that stay in the market are risk averse and tend to be higher risk.

Certain product offerings can make group market look to enter the merged market and the single risk pool



Employer groups offering ICHRAs will add individuals into individual market and in Massachusetts it is the merged market.

Unclear whether this will increase overall Merged Market costs or decrease.

High level modeling results indicate that small group market deterioration could result in 2% to 3% rate increase over 5 years

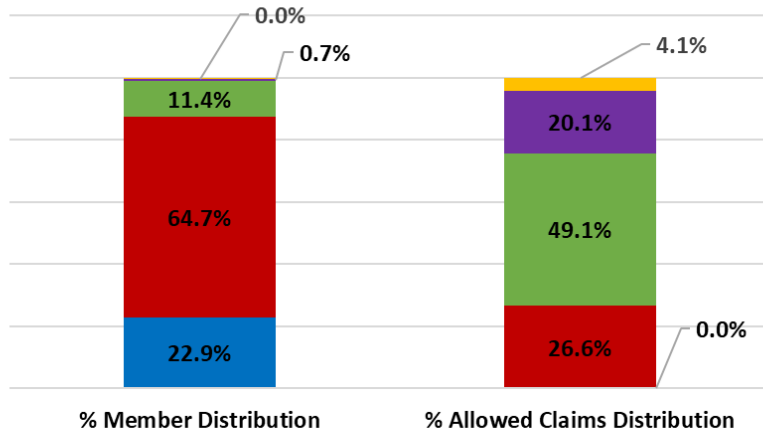
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 4a
SG Member Annual Change	-2.0%	-3.0%	-4.0%	-5.0%	-5.0%
Member Loss over 5 years	32K	47K	62K	76K	76K
Termed SG Member Health Status compared to average SG	25% healthier	20% healthier	15% healthier	10% healthier	25% healthier
Cumulative Merged Market Rate Impact	2.3%	2.9%	3.1%	2.9%	6.8%

- Assumes 5-year period
- Model uses BCBSMA, HPHC, THP, and United data only
 - Focus on insurers that do not participate in ConnectorCare
 - Insurers represent 80%+ of small group membership
 - 410K Average 2018 Merged Market Members (336 SG, 74 IND)
- Rate impacts are outside of normal rate increases and trend
- Over the long term, potential to death spiral.

Claims Distributions & Risk Scores

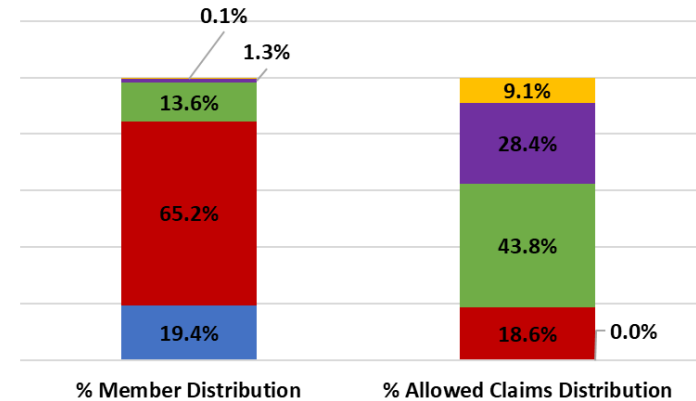
The ConnectorCare Market has less people that use services and also less high risk individuals than the rest of the Individual Market

MA 2018 Individual ConnectorCare
<300FPL



■ \$0 ■ \$0 \$5,000 ■ \$5,000 \$50,000 ■ \$50,000 \$250,000 ■ \$250,000+

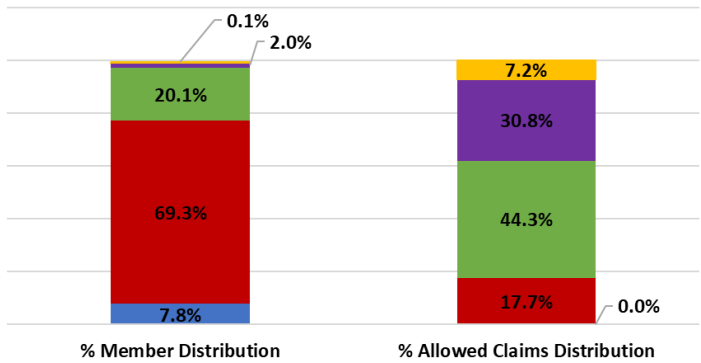
MA 2018 Individual NON ConnectorCare



■ \$0 ■ \$0 \$5,000 ■ \$5,000 \$50,000 ■ \$50,000 \$250,000 ■ \$250,000+

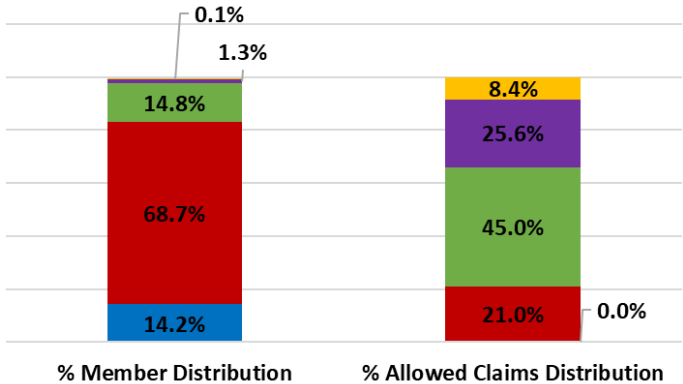
The Small Group Market have more members that utilize health care services as compared to Individual Market

MA CY 2018 Groups of 1



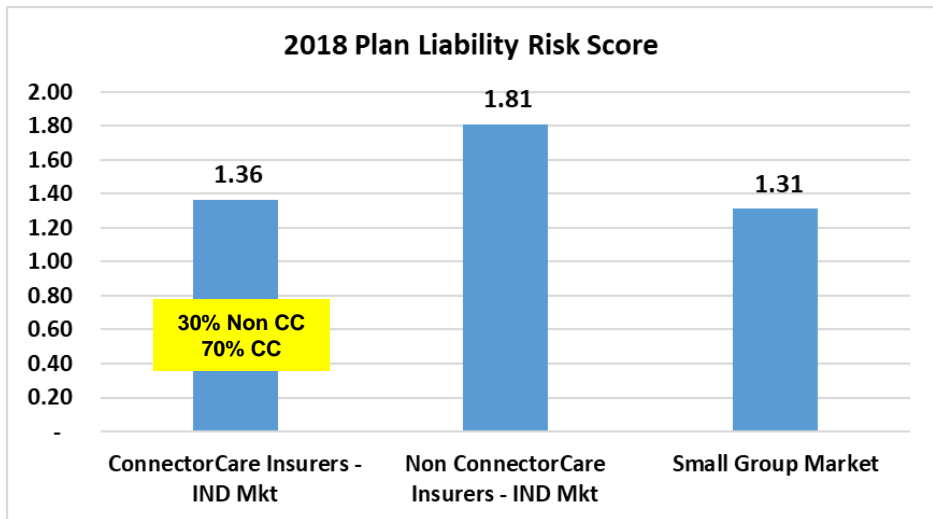
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MA CY 2018 Small Group 2 to 50



■ \$0 ■ \$0 \$5,000 ■ \$5,000 \$50,000 ■ \$50,000 \$250,000 ■ \$250,000+

Risk scores for insurers in the NonConnector Care Individual Market are the highest



Allways
BMCHP
Fallon
HNE
THPP

BCBSMA
HPHC
THP
United

Plan Liability Risk Score:

This is the average risk score which reflects morbidity differences, age demographic differences, and cost sharing differences by metallic tier.

Plan Liability Risk Score also includes a component for induced demand for the CSR enrollees.

Generally, the higher the risk score, the higher the morbidity or health status.

The lowest utilizers of care appear to be the ConnectorCare Market

- The lowest utilizers of care appear to be the ConnectorCare Market with 23% of the market seeking no services.
 - Supported by lower risk scores for insurers that participate in ConnectorCare
- The highest utilizers of care appear to be Groups of 1 followed by the Small Group 2 to 50 Market.
- Non ConnectorCare Individual Market and Groups 2 to 50 both have 1.4% of their enrollees incurring greater than \$50K in medical costs. This distribution varies by insurer. Groups of 1 have 2.1% of their enrollees incurring greater than \$50K in medical costs.
- Risk scores indicate diversity among those insurers that participate in ConnectorCare and those that do not.

Disclosures and Limitations

Limitations & Data Reliance & Qualifications

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Users of this report must possess a reasonable level of expertise and understanding of health care, health insurance markets and financial modeling so as not to misinterpret the information presented.

Analysis in this report was based on data provided by the insurers in the Massachusetts merged market and other public sources. Gorman Actuarial has not audited this information for accuracy. We have performed a limited review of the data for reasonableness and consistency. If the underlying data are inaccurate or incomplete, the results of this analysis may likewise be inaccurate or incomplete.

This analysis includes results based on actuarial analyses conducted by Jennifer Smagula and Bela Gorman, both of whom are members of the American Academy of Actuaries and Fellows of the Society of Actuaries. They both meet the qualification standards for performing the actuarial analyses presented in this report.