

# 2015 Rate Development, Filing and Review – Guidance and Expectations

May 6, 2014

**State Health Reform Assistance Network**  
Charting the Road to Coverage



Robert Wood Johnson Foundation

# Speaker

- **Julia Lerche**, Senior Consulting Actuary,  
Wakely Consulting Group

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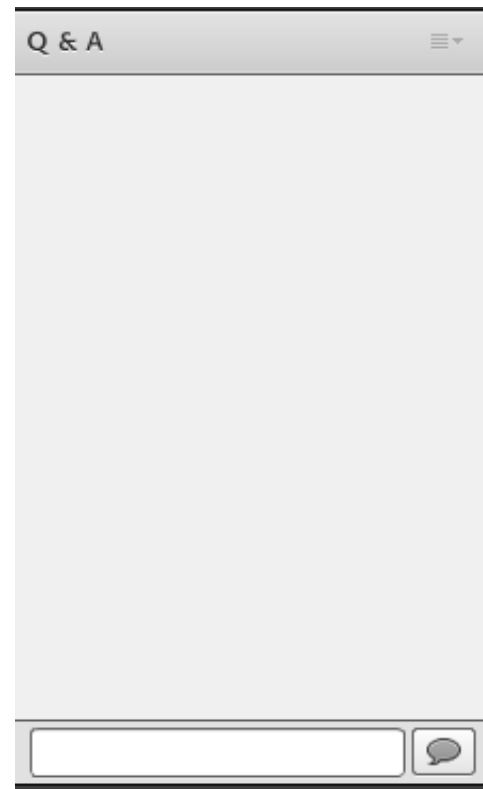
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# 2015 Rate Development, Filing and Review - Guidance and Expectations

*Julia Lerche, FSA, MAAA, MSPH*  
*Sharon Leach, ASA, MAAA, FCA*

May 6, 2014

# What we will cover

- Components of 2015 rates changes
- Rate filing process changes
- Considerations for state regulators and exchanges
  - Renewals
  - Communication challenges



# What we aren't covering

- Actual rate increases for 2015
- Form and binder review
- Dental
- The meaning of life

# Disclosures

- We are actuaries not lawyers!
- Information is based on the most current guidance available and is subject to change
- This is not intended to be an exhaustive list of changes
- This presentation assumes an advanced understanding of the insurance provisions of the ACA
- Any opinions shared are those of the presenters, and not Wakely Consulting Group
- We do not have a crystal ball

# Alphabet soup

- ACA = Affordable Care Act
- APTC = Advance Premium Tax Credit
- AV = Actuarial Value
- CSR = Cost Sharing Reduction
- FFM = Federally-Facilitated Marketplace
- HIOS = Health Insurance Oversight System
- QHP = Qualified Health Plan
- SBM = State-Based Marketplace
- SHOP = Small Business Health Options Program
- URRT = Unified Rate Review Template

# (Re)Sources

Resource	Date of Most Recent Version	Link
2015 Letter to Issuers in the Federally-facilitated Marketplaces	March 14, 2014	<a href="http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2015-final-issuer-letter-3-14-2014.pdf">http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2015-final-issuer-letter-3-14-2014.pdf</a>
Unified Rate Review Template (URRT) Instructions	April 30, 2014	<a href="http://www.serff.com/documents/plan_management_data_templates_2015/plan_management_data_template_2015_part1_unified_rr_instructions_140429.pdf">http://www.serff.com/documents/plan_management_data_templates_2015/plan_management_data_template_2015_part1_unified_rr_instructions_140429.pdf</a>
Actuarial Memorandum and Certification Instructions	March 20, 2014	<a href="http://www.serff.com/plan_management_data_templates_2015.htm">http://www.serff.com/plan_management_data_templates_2015.htm</a> (expected soon)

# (Re)Sources

Resource	Date of Most Recent Version	Link
Notice of Benefit and Payment Parameters for 2015, Final Rule	March 11, 2014	<a href="http://www.gpo.gov/fdsys/pkg/FR-2014-03-11/pdf/2014-05052.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-03-11/pdf/2014-05052.pdf</a>
2015 Actuarial Value Calculator Methodology	March 4, 2014	<a href="http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2015-av-calculator-methodology.pdf">http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2015-av-calculator-methodology.pdf</a>
2015 QHP Templates	April 17, 2014	<a href="http://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Marketplaces/qhp.html">http://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Marketplaces/qhp.html</a>
Health Insurance Market Rules; Rate Review	February 27, 2013	<a href="http://www.gpo.gov/fdsys/pkg/FR-2013-02-27/pdf/2013-04335.pdf">http://www.gpo.gov/fdsys/pkg/FR-2013-02-27/pdf/2013-04335.pdf</a>

# Components of 2015 Rate Changes

# Components of rate change and expected impact for 2015

## Likely increases

- Reinsurance phase-down
- Transitional policies (where applicable)
- Trend (unit cost and utilization for stable population)

## Likely decreases

- Increased expected take-up
- Decreased pent-up demand

## Could go either way

- Base period experience
- Network changes
- Risk adjustment
- Morbidity / demographics vs. expected
- Plan design changes
- Total fees

# Changes related to experience and population

Component	Description
Baseline	Actual vs. expected 2013 experience
Trend	Revised based on updated experience
2014 demographics / morbidity	Actual vs. expected 2014 population and revised estimates of population morbidity changes based on enrollment and emerging claims experience
Projected 2015 enrollment	Likely increased take-up and reduced pent-up demand
Impact of transitional policies	Pre-2014 non-grandfathered policies that can continue into 2016 in some states will affect the single risk pool



# Changes related to 3 Rs

## Reinsurance

Less protection for issuers as attachment point increases from \$60,000 (used for 2014 pricing\*) to \$70,000 for 2015, and coinsurance decreases from 80% to 50%

## Risk adjustment

No significant changes

## Risk corridors

Proposed parameter changes provide additional protections; however, proposal to make the program cost neutral may result in less aggressive pricing

\* Subsequent to the finalization of 2014 rates, the reinsurance attachment point was changed to \$45,000

# Changes related to fees

	2014	2015
Reinsurance	\$63.00 (annual per capita)	\$44.00 (annual per capita)
Risk adjustment user fee	\$0.96 (annual per enrollee)	\$0.96 (annual per enrollee)
Issuer fee	\$8 billion nationally (varies by issuer, but roughly 2% of premium)	\$11.3 billion nationally (varies by issuer, but roughly 3% of premium)
Exchange user fee	3.5% of exchange premium for FFM states; SBM states set their own	No change for FFM; SBM states will vary

# Other rating changes & considerations

## **Tobacco Factors**

Consumers may experience changes in their tobacco surcharges as a result of a fix made to the rate tables template for 2015 that allows additional issuer flexibility

## **Catastrophic plans**

The expanded eligibility for hardship exemptions (to include individuals whose plans were terminated) may impact catastrophic plan adjustments

## **Small Group**

The FF-SHOP will begin allowing employee choice of all plans within a metal level for plan years beginning in 2015

# Cost sharing changes

- Increase in out-of-pocket maximum limits:

	2014 (Self-only / Family)	2015 (Self-only / Family)
All non-CSR plans	\$6,350 / \$12,700	\$6,600 / \$13,200
73% CSR plans	\$5,200 / \$10,400	\$5,200 / \$10,400
87% and 94% AV CSR plans	\$2,250 / \$4,500	\$2,250 / \$4,500

- Small group deductible maximum eliminated
- Actuarial value calculator unchanged except to account for the revised limits above

CSR = Cost-sharing reduction; these plans are available to individuals and families with household incomes between 100 and 250% of the federal poverty level (FPL) who enroll in silver level plans through the marketplace.

# Network and other plan changes

Component	Description
Network adequacy	Increased focus / scrutiny by states and FFM
Essential Community Providers	Higher standards in 2015 should expand access to these providers
Discriminatory design	FFM review expanded to assess Rx formularies with large numbers of drugs subject to prior authorization or step therapy in certain categories
Optional riders	No longer allowed

# Rate Filing Process Changes

# Timeline for 2015 rate filings

	<b>FFM States</b>	<b>Partnership States</b>	<b>SBM States</b>
Rate filing deadline	No later than June 27 <sup>th</sup>	Set by state	Set by SBM
Deadline to finalize rates	September 4 <sup>th</sup>		Set by SBM
Open enrollment	November 15 <sup>th</sup>		

# Who files what and where?

Plan Type	Filing requirements
Single risk pool (QHP and non-QHPs)	<p>All issuers must file 1/1 index rates with the appropriate regulator annually</p> <ul style="list-style-type: none"><li>○ URRT and federal actuarial memorandum must be filed through HIOS (federal system) for all QHP issuers, all other issuers with a rate increase, or when otherwise submitted to a state</li><li>○ Narrative justification is required for increases over 10%</li><li>○ States may have additional filing requirements</li></ul>
Transitional policies	<p>Products with rate increases of 10% or higher file the following through the old Rate Review Justification system</p> <ul style="list-style-type: none"><li>○ The old Part I template and narrative through the old Rate Review Justification system</li><li>○ Actuarial memorandum if the state does not have an effective rate review program and the federal government is performing the rate review</li></ul>
Grandfathered policies	<p>No federal filing requirements, state requirements apply</p>



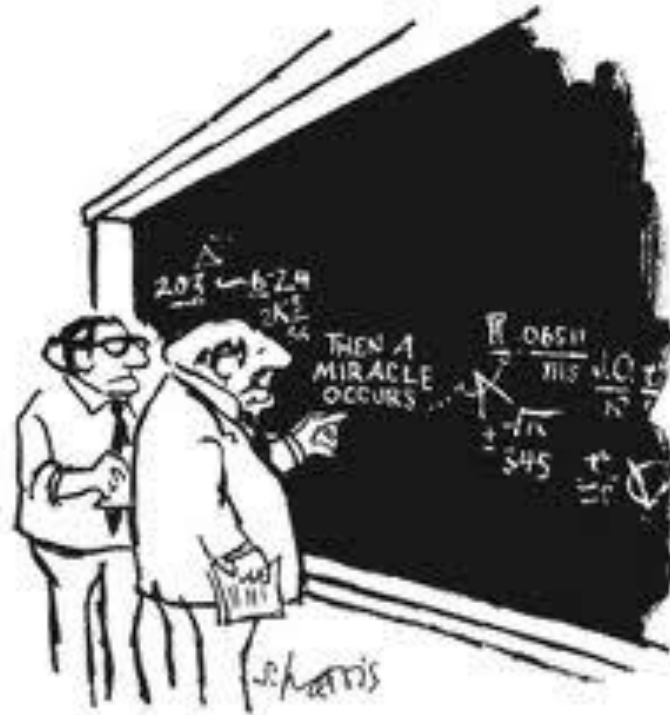
# Plan modifications vs. new plans

- In 2014 most all products/plans were considered “new” and were not subject to the federal rate review regulations
- For 2015, proposed regulations and updated guidance provided in the April 30<sup>th</sup> version of the URRT instructions attempt to limit what is considered a “new” product or plan
- Due to the sun-setting of a one year exception in 2014 allowing issuers to vary their network factors for a given plan by rating region, some issuers may be splitting some of their plans into smaller service areas to allow for this rating variation (operational and consumer impact should be identified)

# Other changes

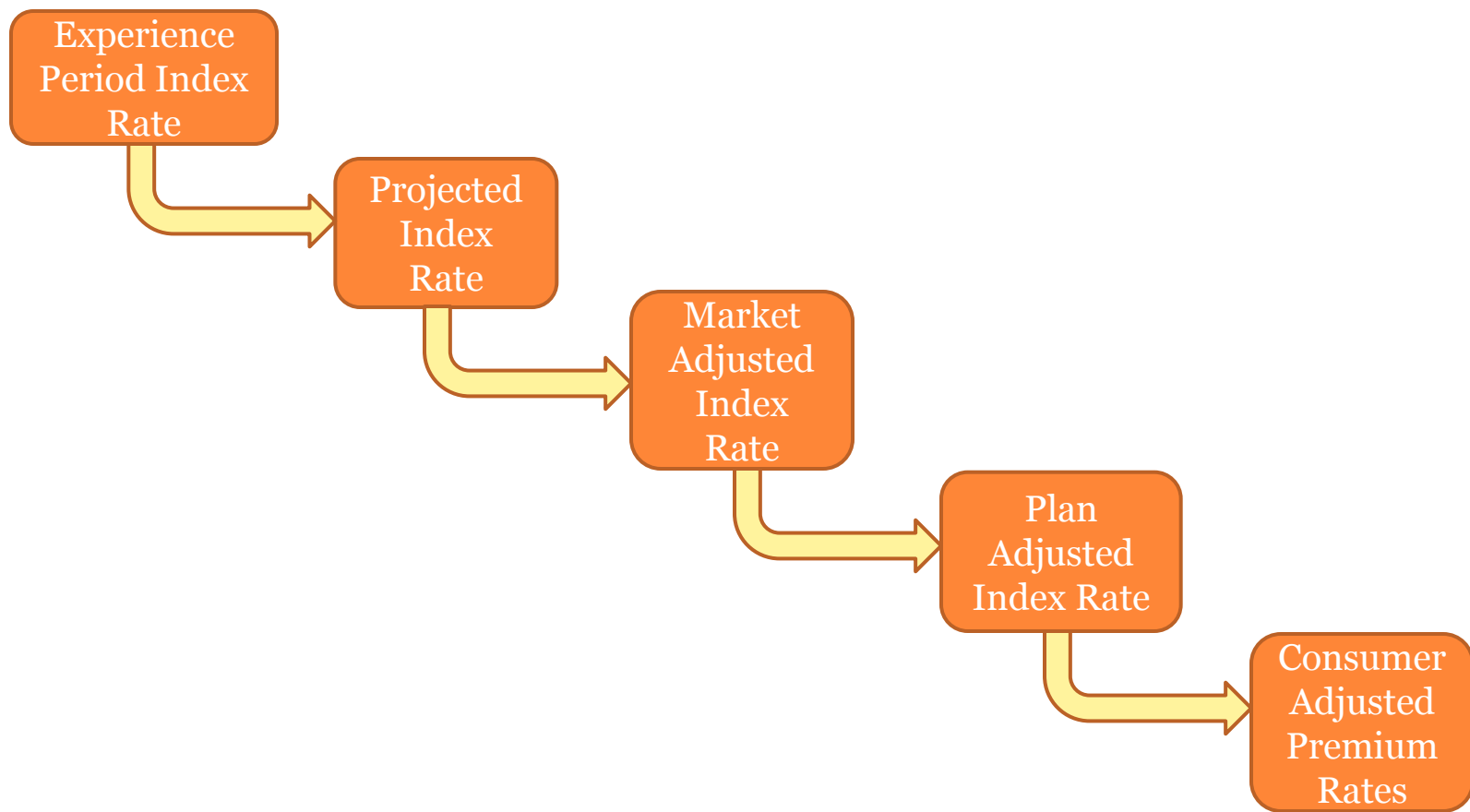
- Plan preview period for FFM has not been released
- Minor changes were made to the URRT spreadsheet for 2015
- The instructions for the URRT and actuarial memorandum have been updated to include additional clarifications and requirements, including the specific methodology for developing consumer rates from the index rate

# How we got from the index rate to consumer premiums (2014 version)



"I THINK YOU SHOULD BE MORE EXPLICIT HERE IN STEP TWO."

# Rate development flow for 2015



# Considerations for State Regulators and Exchanges

# Potential areas of focus for states

- Reporting
- Identification of potential plan terminations and plan changes
- Rate outlier analysis
- Issuer monitoring
- Supporting transparency
- Consumer impact / affordability analysis

# Example of consumer renewal

- The Brown family is a household of four with total income of \$35,000 (150% FPL)
- The Browns are eligible for advance premium tax credits (APTC) and enrolled in the lowest cost silver plan in 2014
  - Based on their income, their contribution to the 2<sup>nd</sup> lowest cost silver plan would be \$1,400 (4.0% of income)
  - The Browns pay or are credited the difference in premium if they enroll in a different plan

# Example of consumer renewal

- Below is an example of how the Brown's premiums might change for 2015, assuming a choice of two silver plans and enrollment in Silver Plan A (the lowest cost silver plan in 2014)

	Silver Plan A	Silver Plan B
2014 Premium (Before APTC)	\$9,500	\$10,000
2015 Rate Increase	<b>10%</b>	3%
2015 Premium (Before APTC)	\$10,450	\$10,300
2014 Premium (After APTC)	\$900	\$1,400
2015 Premium (After APTC)	\$1,400	\$1,250
Premium Increase (After APTC)	<b>56%</b>	



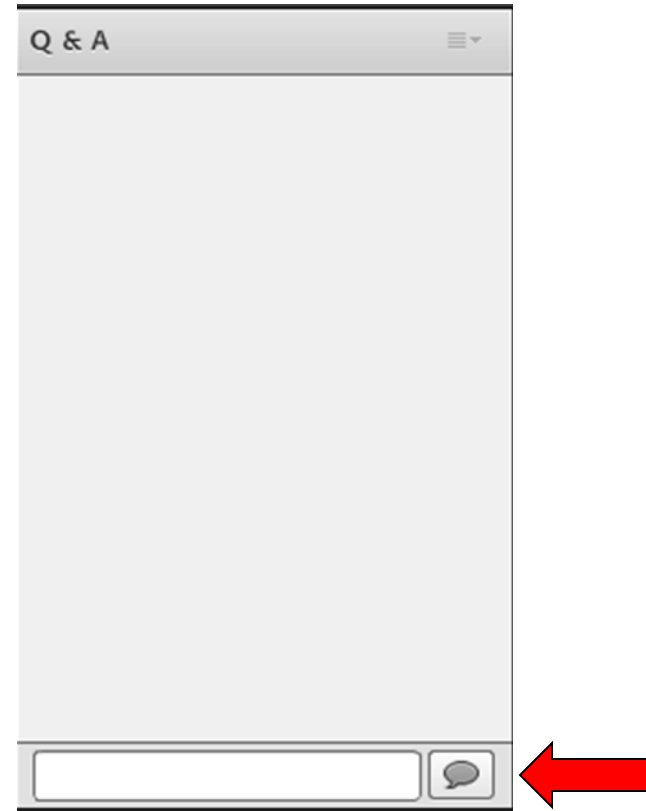
# Communication challenges

- In the case of the Brown family, their renewal notice from their insurance company may show a 10% rate change (based on full premium)
- They will also likely receive communication from the Exchange
- They may be automatically re-enrolled into Silver Plan A and not realize that there is a less expensive plan available
- State regulators and exchanges should consider how messaging can be coordinated or supplemented

Questions?

# Submitting Questions

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Thank You!