



WAKELY
CONSULTING GROUP

CONSULTING ACTUARIES & HEALTHCARE SPECIALISTS

Consumer Impact Analysis

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Dynamics of Premium Subsidy

Drivers of After Subsidy Rate Changes

- **Change in plan premium relative to Second Lowest Silver premium**
- **Change in Second Lowest Silver plan identity / premium**
- **Change in income, household size**
- **Updates to FPL**
- **Consumer stays in same plan or moves to a new plan**

Simplified Example

- The Bruin family of four (married couple with two children) has household income of 150% FPL (\$36,000 / year)
 - Subsidy calculation is based on household contribution of 4% of income, or \$120 / month toward the 2nd lowest cost silver option
- Choice of two silver plans in 2014
 - Monthly rates (before subsidy) are \$1,100 for plan A and \$1,200 for plan B
 - Monthly subsidy is \$1,080 (\$1,200 - \$120)
 - After subsidy monthly costs are \$20 for plan A and \$120 for plan B
 - They enroll in plan A!

Scenarios for 2015

- **Scenarios for review:**
 - **Scenario 1: Rates for both plans increase 5%**
 - **Scenario 2: Rates increase 5% for plans A and B but a new plan C enters the market at a lower rate**
 - **Scenario 3: Rate for plan A increases 8%, rate for plan B increases 0%**
 - **Scenario 4: Rate for plan A increases 0%, rate for plan B decreases 5%**
- **The following calculations ignore the impact of changes in age, income and FPL**

Scenario 1

- Scenario 1: Rates for both plans increase 5%

		Plan A	Plan B
Rates Before Subsidy	2014	\$1,100	\$1,200
	2015	\$1,155	\$1,260
	\$ Increase	\$55	\$60
	% Increase	5%	5%
Subsidy	2014	\$1,080	\$1,080
	2015	\$1,140	\$1,140
	\$ Increase	\$60	\$60
	% Increase	6%	6%
Rates After Subsidy (with 2015 Update)	2014	\$20	\$120
	2015	\$15	\$120
	\$ Increase	-\$5	\$0
	% Increase	-25%	0%
Rates After APTC (2014 APTC continued)	2014	\$20	\$120
	2015	\$75	\$180
	\$ Increase	\$55	\$60
	% Increase	275%	50%

Credit received at reconciliation (under federal alternative) = \$720

Scenario 2

- Scenario 2: Rates increase 5% for Plans A and B, new Plan C comes in lower than Plan A

		Plan A	Plan B	New Plan C
Rates Before Subsidy	2014	\$1,100	\$1,200	
	2015	\$1,155	\$1,260	\$1,100
	\$ Increase	\$55	\$60	
	% Increase	5%	5%	
Subsidy	2014	\$1,080	\$1,080	
	2015	\$1,035	\$1,035	\$1,035
	\$ Increase	-\$45	-\$45	
	% Increase	-4%	-4%	
Rates After Subsidy (with 2015 Update)	2014	\$20	\$120	
	2015	\$120	\$225	\$65
	\$ Increase	\$100	\$105	
	% Increase	500%	88%	
Rates After APTC (2014 APTC continued)	2014	\$20	\$120	
	2015	\$75	\$180	\$20
	\$ Increase	\$55	\$60	
	% Increase	275%	50%	

Payment due at reconciliation (under federal alternative) = \$540

Scenario 3

- Scenario 3: Rates increase 8% for plan A and 0% for plan B

		Plan A	Plan B
Rates Before Subsidy	2014	\$1,100	\$1,200
	2015	\$1,188	\$1,200
	\$ Increase	\$88	\$0
	% Increase	8%	0%
Subsidy	2014	\$1,080	\$1,080
	2015	\$1,080	\$1,080
	\$ Increase	\$0	\$0
	% Increase	0%	0%
Rates After Subsidy (with 2015 Update)	2014	\$20	\$120
	2015	\$108	\$120
	\$ Increase	\$88	\$0
	% Increase	440%	0%
Rates After (2014 APTC continued)	2014	\$20	\$120
	2015	\$108	\$120
	\$ Increase	\$88	\$0
	% Increase	440%	0%

Payment due at reconciliation (under federal alternative) = \$0

Scenario 4

- Scenario 4: Rates decrease 5% for Plan B, no change for Plan A

		Plan A	Plan B
Rates Before Subsidy	2014	\$1,100	\$1,200
	2015	\$1,100	\$1,140
	\$ Increase	\$0	-\$60
	% Increase	0%	-5%
Subsidy	2014	\$1,080	\$1,080
	2015	\$1,020	\$1,020
	\$ Increase	-\$60	-\$60
	% Increase	-6%	-6%
Rates After Subsidy (with 2015 Update)	2014	\$20	\$120
	2015	\$80	\$120
	\$ Increase	\$60	\$0
	% Increase	300%	0%
Rates After APTC (2014 APTC continued)	2014	\$20	\$120
	2015	\$20	\$60
	\$ Increase	\$0	-\$60
	% Increase	0%	-50%

Payment due at reconciliation (under federal alternative) = \$600*

* The amount of APTCs that must be repaid would be capped at \$600 for this family

Key Takeaways

- Rate changes before subsidies are not good indicators of rate changes after subsidies
- Impacts are based on how rates change relative to the second lowest cost silver plan, which is a moving target and may not be the same plan year to year
- It is difficult to predict where there will be major impacts without doing a detailed analysis; analysis may need to be done at the county level (or finer if there are carriers with partial county service areas)
- It is not inconceivable for subsidies to go down



"I'm sorry, but stress caused by trying to figure out your health insurance is not covered by it."

Consumer Impact Analysis

Objectives of Analysis

- Inform modifications to carrier notices and communication planning (messaging, targeted outreach, education) for consumers, Navigators/assistsors and the media by identifying
 - Plan and geographic area combinations where consumers will experience large rate increases after subsidy if they stay in their current plan / auto-renew
 - Where there are lower cost plans available to consumers if they shop (and where there aren't)
 - Areas where subsidies are decreasing and consumers face reconciliation risk if they don't go through re-determination
 - Where there are discrepancies between rate increases before subsidy relative to rate increases after subsidy that may lead to consumer confusion
 - Other plan changes that might impact consumers

Inputs for Analysis

- QHP Templates for 2014 and 2015
 - Rate Tables
 - Plan and Benefits Tables
 - Service Area Tables
 - Unified Rate Review Templates (if non-EHBs are covered by plans)
 - Network Tables (optional)
- Plan mapping from 2014 to 2015 if plans are changing
- Enrollment by plan and county will add significant value to the analysis
- Changes in plan benefits, cost sharing and other characteristics can also be derived from the inputs above and incorporated into the analysis

Sample Analysis