2018 Health Insurance Premiums

Legislative Exchange Review Committee

December 15, 2017

COLORADO
Department of Regulatory Agencies

Addressing Premium Costs

- Health care service costs are the primary component of health insurance premiums
  - Assuring that premiums are going to pay for providers' services is purpose behind Colorado's benefit ratio and federal Medical Loss Ratio (MLR)
  - DOI study last year on single geographic rating area identified that there are substantial health care service costs between geographic areas which impact premiums
  - Ultimately to address high premium costs we must address high health care service costs including both utilization rates and unit costs

Rate Filings - Data Required from Carriers

For each 2018 ACA rate filing an insurance carrier was required to provide the following data and justification of actuarial assumptions to support their proposed rate increases:

- Summary of Claims, Premiums and Membership for the 2016 base experience period.
- Historical monthly medical and pharmacy claims experience for 4 years.
- Utilization and Unit Cost Claim trend development, and adjustments for future provider reimbursement levels.
- Risk Adjustment program estimates of payments or receivables and their impact to premiums.
- Changes in population risk and morbidity levels from 2016 to 2018.
- Changes in benefit levels and actuarial values for each benefit plan.
- Changes in administrative expenses and profit margins loaded into premium rates.
- Actuarial estimates of IBNR claim reserves built into claim estimates.

Rate Filings - Deep Dive Analysis

The Division of Insurance also utilized an outside actuarial consultant (Lewis & Ellis) to assist with performing deep dive analysis into specific critical issues impacting costs and premiums in 2018. The Division required carriers to provide additional detailed experience for certain cost drivers so that Lewis & Ellis could evaluate their impact on 2018 rates.

- Geographic Area Rating – carriers provided unit cost and utilization claims experience by area and major service category, and summarized claims by specific hospital providers in each area. Lewis & Ellis reviewed how experience and future reimbursement assumptions were used to develop each carrier's area rating factors.
- Risk Adjustment Data and Actuarial Assumptions - the Division obtained the 2016 RATEE files from each carrier and provided carriers with their anticipated 2016 Risk Adjustment payable / receivable result. Lewis & Ellis reviewed risk scoring reports by carrier, and data used by carriers to develop their 2018 ACA population risk scores. They also performed a market-wide risk adjustment analysis and compared all carriers to total market risk score changes.
- Special Enrollment Period Membership - evaluated the historical number of SEP members and their cost impact to plans.
- Medical and Pharmacy Claim Trends – performed detailed analysis of pharmacy claim drivers and medical trends.

The Division also employed Wakely consultants again in 2018 to perform a post-review of the impacts that APTC subsidies have on Exchange member rates, and a comparison of total rate changes by area and metal level for subsidized and unsubsidized members.

Rate Filings - Company Financial Condition

The Division actuaries also reviewed each company’s financial condition, including reviewing financial statements and recent year Risk Based Capital (RBC) calculations.

Companies are evaluated based on their solvency and potential risk that they may pose to the Exchange, and the risk they may pose to Colorado residents should they become insolvent during a plan year.

In prior years the Division has prevented a company from proceeding to write business on the Exchange for the following year, and the Division has worked closely with companies on supervision to ensure that Colorado consumers are protected.

Rate Filings - 2018 Market Uncertainty

This year there were additional market uncertainties that needed to be analyzed as to their impact on 2018 health plan rates, which made estimating some factors more difficult:

- Uncertainty as to whether the individual mandate would be watered down or eliminated
- Uncertainty around volatile risk adjustment transfer payments resulting from changing populations and morbidity levels
- Uncertainty as to whether Cost Sharing Reductions (CSRs) would be funded, and the impact to populations and morbidity levels following CSRs being de-funded.
- Uncertainty over which competitors would remain in the ACA market for 2018, and measuring how potential terminations would impact costs and 2018 rates.

How we got here?

- Carriers filed rates in summer 2017 for 2018 Plan Year
  - Division required carriers to file two sets of rates:
    - One assuming Cost Sharing Reductions (CSRs) would be paid in 2018, and
    - Another set assuming the CSRs would not be paid
  - Division's preliminary analysis with an average 26.7% increase was on the sets of rates assuming CSR payments
  - When the White House announced it would not continue paying the CSRs, the Division switched to the non-CSR filings resulting in an additional 6.1% for a total of average increase of 34.3%

Non-CSR Rates

Company	Approved Rate Change – No CSR Funding	
Anthem (HMO Colorado, Inc.)	32.30%	
Anthem (Rocky Mountain Hospital and Medical Service, Inc.)	33.50%	**
Bright Health Insurance Company	30.70%	
Cigna Health and Life Insurance Company	42.00%	
Denver Health Medical Plan, Inc.	26.20%	
Freedom Life Insurance Company of America	27.10%	**
Friday Health Plans (Colorado Choice Health Plans)	37.60%	
Kaiser Foundation Health Plan of Colorado	34.60%	
Rocky Mountain HMO*	27.10%	
Total	**34.30%**	

Averaged over all individual plans continuing from 2017 into 2018 that a company will sell, in all areas of Colorado where the company does business.

The 34.3% average rate increase reflects an additional 6.1% impact due to CSR subsidy funding being terminated.

* Rocky Mountain HMO has entirely new plans for PY 2018, therefore their rate change is based on discontinuing plans.

** Off- Exchange Only – CSR defunding does not impact rates.

Key Findings

Consumer Choice

- Only one carrier has plan options in every county of the state in 2017 and 2018
- There will be three or fewer carrier options in 56 of 64 counties in the state (14 will only have one option)
- The number of plan options is decreasing in most areas of the state
  - Teller, Douglas, Park, Pueblo, La Plata, and Archuleta will have more plans available in 2018
- The average number of plans available will decrease from 48 in 2017 to 44 in 2018
- For any given county, the number of plan offerings is changing by between 7 more plans and 12 fewer plans
- No Platinum plans are offered by any carrier on the exchange in 2017 or 2018
- 34,112 consumers (22%) are enrolled in plans no longer being offered in their area in 2018 and will need to select new plans

Key Findings

Premium Changes

On Exchange Non-Subsidy Eligible

Rating Area	Description	Enrollees Not Eligible for Subsidies	2017 Premium	2018 Premium - Auto Renew	% Change over 2017
1	Boulder	3,824	$349	$489	40%
2	Colorado Springs	2,253	$350	$489	40%
3	Denver	19,591	$333	$472	41%
4	Fort Collins (Larimer)	2,319	$388	$540	39%
5	Grand Junction (Mesa)	220	$545	$715	31%
6	Greeley (Weld)	1,235	$380	$522	37%
7	Pueblo	330	$419	$574	37%
8	East	578	$468	$694	48%
9	West	2,173	$559	$769	38%
Total		**32,523**	**$362**	**$508**	**40%**

Enrollees in the East regions will experience the largest premium increase if they auto-renew.

Premium Changes for Enrollees

On Exchange Non Subsidy-Eligible

Rating Area	Description	Enrollees	2017 PMPM Premium	2018 PMPM Premium - Auto Renew	% Change Over 2017	2018 PMPM Premium – Switch to Lowest Cost	% Change Over 2017
1	Boulder	3,824	$349	$489	40%	$434	24%
2	Colorado Springs	2,253	$350	$489	40%	$440	26%
3	Denver	19,591	$333	$472	41%	$425	28%
4	Fort Collins (Larimer)	2,319	$388	$540	39%	$484	25%
5	Grand Junction (Mesa)	220	$545	$715	31%	$699	28%
6	Greeley (Weld)	1,235	$380	$522	37%	$477	25%
7	Pueblo	330	$419	$574	37%	$539	29%
8	East	578	$468	$694	48%	$611	31%
9	West	2,173	$559	$769	38%	$727	30%
Total		**32,523**	**$362**	**$508**	**40%**	**$460**	**27%**

Enrollees in the East Rating Area on average would see highest increase in premium if they do not shop

Boulder, Fort Collins, and Greeley enrollees on average could keep premium to a 25% increase or below if they shop

Key Findings

Change in Average Subsidies

On Exchange Subsidy Eligible

Rating Area	Description	Enrollees Eligible for Subsidies	2017 PMPM Subsidy	2018 PMPM Subsidy	Change in Average PMPM Subsidy	% Change in Average PMPM Subsidy
1	Boulder	7,071	$235	$447	$212	91%
2	Colorado Springs	5,663	$262	$474	$212	81%
3	Denver	42,470	$242	$447	$205	85%
4	Fort Collins (Larimer)	7,495	$299	$508	$209	70%
5	Grand Junction (Mesa)	1,051	$482	$692	$210	44%
6	Greeley (Weld)	3,685	$303	$531	$227	75%
7	Pueblo	1,678	$396	$619	$223	56%
8	East	2,276	$443	$705	$262	59%
9	West	14,715	$561	$802	$241	43%
	Total	**86,104**	**$316**	**$532**	**$216**	**68%**

The second lowest cost silver premium used for determining subsidies is increasing by 29% on average for subsidy-eligible enrollees

Average subsidy PMPM increases by $216, or 68%

The Boulder and Denver regions show the largest percentage increases

Key Findings

Premium Changes

On Exchange Subsidy Eligible

Rating Area	Description	Enrollees Eligible for Subsidies	2017 PMPM Premium After Subsidy	2018 PMPM Premium After Subsidy - Auto Renew	% Change over 2017
1	Boulder	7,071	$165	$117	-29%
2	Colorado Springs	5,663	$159	$112	-29%
3	Denver	42,470	$153	$114	-26%
4	Fort Collins (Larimer)	7,495	$152	$121	-20%
5	Grand Junction (Mesa)	1,051	$127	$111	-13%
6	Greeley (Weld)	3,685	$154	$105	-32%
7	Pueblo	1,678	$159	$142	-11%
8	East	2,276	$154	$135	-12%
9	West	14,715	$127	$139	10%
Total		**86,104**	**$150**	**$120**	**-20%**

The West Rating Area is the only Rating Area in which the average increase in subsidy is lower than the average increase in premiums. As a result, this Rating Area reflects an average after subsidy premium increase while other Rating Areas reflect an after subsidy premium decrease.

After Subsidy Premium Changes for Enrollees

On Exchange Subsidy-Eligible

Rating Area	Description	Enrollees	2017 PMPM Premium After Subsidy	2018 PMPM Premium After Subsidy - Auto Renew	% Change Over 2017	2018 PMPM Premium After Subsidy – Switch to Lowest Cost	% Change Over 2017
1	Boulder	7,071	$165	$117	-29%	$71	-57%
2	Colorado Springs	5,663	$159	$112	-29%	$69	-56%
3	Denver	42,470	$153	$114	-26%	$74	-52%
4	Fort Collins (Larimer)	7,495	$152	$121	-20%	$66	-56%
5	Grand Junction (Mesa)	1,051	$127	$111	-13%	$94	-26%
6	Greeley (Weld)	3,685	$154	$105	-32%	$65	-58%
7	Pueblo	1,678	$159	$142	-11%	$91	-43%
8	East	2,276	$154	$135	-12%	$75	-51%
9	West	14,715	$127	$139	10%	$90	-29%
Total		**86,104**	**$150**	**$120**	**-20%**	**$76**	**-50%**

West Rating Area enrollees on average would see increase in premium if they do not shop

Addressing Premium Costs (cont.)

- SB17-300 – Study to look at establishing a high cost reinsurance program
  - Establish program similar to Alaska's which subsidizes (through other funding) payments by carriers for high cost conditions/claims
- Encouraging competition between and work by providers to reduce health care service costs – balance between network adequacy requirements and areas with few providers
- Working with existing and new carriers for expanded service areas to increase carrier competition in geographic areas with limited choices

Thank You!

For more information please contact:

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