

Oklahoma Insurance Market Analysis

Prepared for Oklahoma State Department of Health

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Background

Specific topics requested in this analysis include:

- Summarization of health insurance coverage sources
- Examination of enrollment and premium variation
- Estimation of the number of enrollees who selected a Qualified Health Plan (QHP) and paid premiums and received premium tax credits, including persistency rates for those purchasing coverage
- Effects of premium assistance on the Native American population
- Distribution of deductible payments in the insurance marketplace
- Effects on insurance coverage that the SHOP would have
- Discussion on network adequacy in Oklahoma
- Estimation of the number of individuals purchasing non-QHPs in the insurance marketplace
- Evaluation of the total cost of care per member per month
- Review alternatives for reducing the uninsured rate in Oklahoma



This presentation is intended to facilitate live discussion and should not be relied upon as a stand-alone document. Recipients of this presentation should also have access to the full report entitled “*Oklahoma State Innovation Model: Insurance Market Analysis*”.



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Insurance Market Overview

Estimated Health Insurance Coverage Sources 2013 through 2015

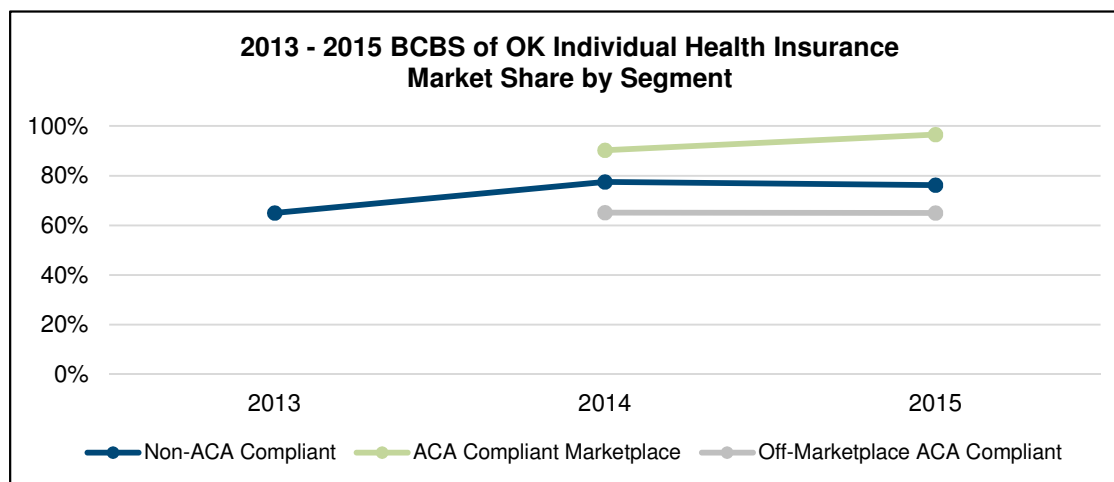
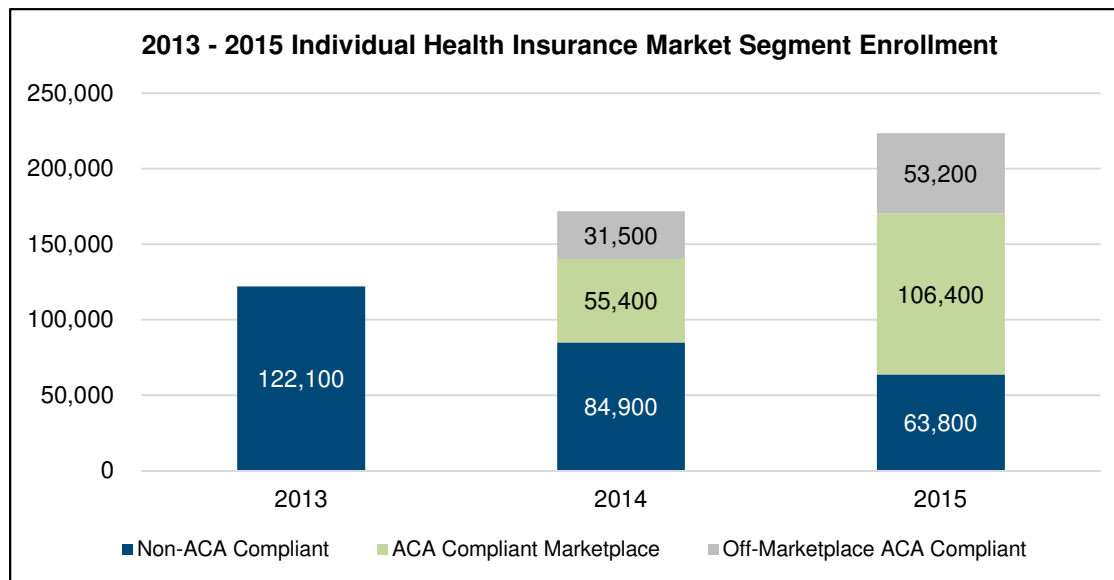
State of Oklahoma Estimated Enrollment by Insurance Source Calendar Years 2013 through 2015			
Insurance Source	2013	2014	2015
Uninsured	657,200	607,100	543,800
Individual	122,100	171,800	223,500
Small Group	189,000	182,800	183,900
Large Group	488,800	491,300	494,200
Self-Funded	793,100	806,800	812,700
EGID	179,300	179,400	179,400
Medicaid/CHIP (Including Duals)	792,500	805,800	826,700
Medicare (Excluding Duals)	537,100	540,300	543,500
Other Public Programs	91,400	91,900	92,500
Total	3,850,500	3,877,100	3,900,100



KEY OBSERVATIONS INCLUDE THE FOLLOWING

- *Transitional/grandfathered coverage is slowly declining in prevalence.*
- *Insurance marketplace enrollment accounts for 2/3rds of estimated ACA-compliant coverage.*
- *BCBS of OK has attained market share significantly higher in the marketplace relative to pre-ACA market share.*
- *Relative to other states HCSC (owner of BCBS of OK) operates in, individual health insurance market share is higher in Oklahoma.*

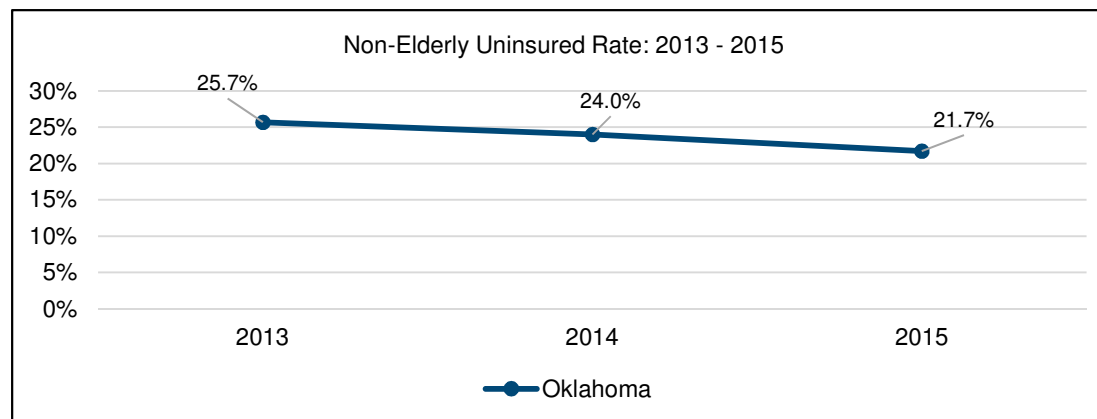
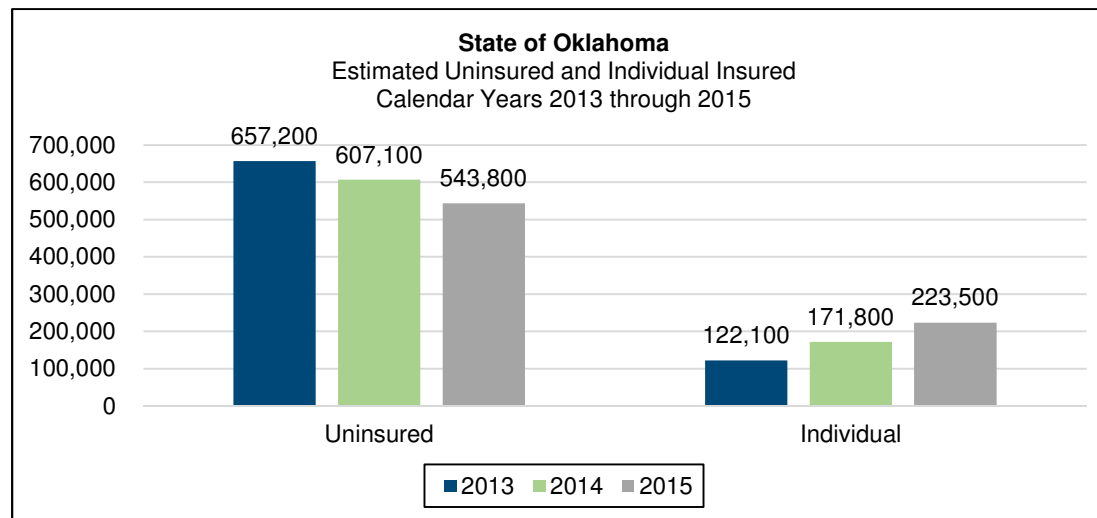
Individual Health Insurance Market



KEY OBSERVATIONS INCLUDE THE FOLLOWING

- *Number of uninsured Oklahomans estimated to decrease by nearly 115,000 during the 3 year time period.*
- *Previously uninsured primarily purchased coverage through the insurance marketplace, leveraging federal premium assistance.*
- *Individual health insurance market has nearly doubled in the 3 year time period.*
- *Insurance marketplace take-up rates were estimated at 27% in 2015, relative to 39% in states with comparable political environments.*

Major Changes to Health Insurance Landscape: 2013 - 2015



Insurance Market Characteristics

Medicaid and Medicare

State of Oklahoma Medicaid Enrollment by Population Type Calendar Years 2013 through 2015			
Population	2013	2014	2015
SoonerCare - Children	417,800	414,500	427,500
SoonerCare - Adults	148,000	144,800	146,600
SoonerCare - Non-Dual Disabled	43,700	43,600	42,400
CHIP	73,800	92,400	99,200
Dual Eligibles	109,200	110,500	110,900
Total	792,500	805,800	826,700

State of Oklahoma Medicare Enrollment Calendar Years 2013 through 2015			
Population	2013	2014	2015
Medicare Advantage	103,800	107,700	112,700
Medicare FFS	433,300	432,600	430,800
Total	537,100	540,300	543,500

“Welcome mat effect” –

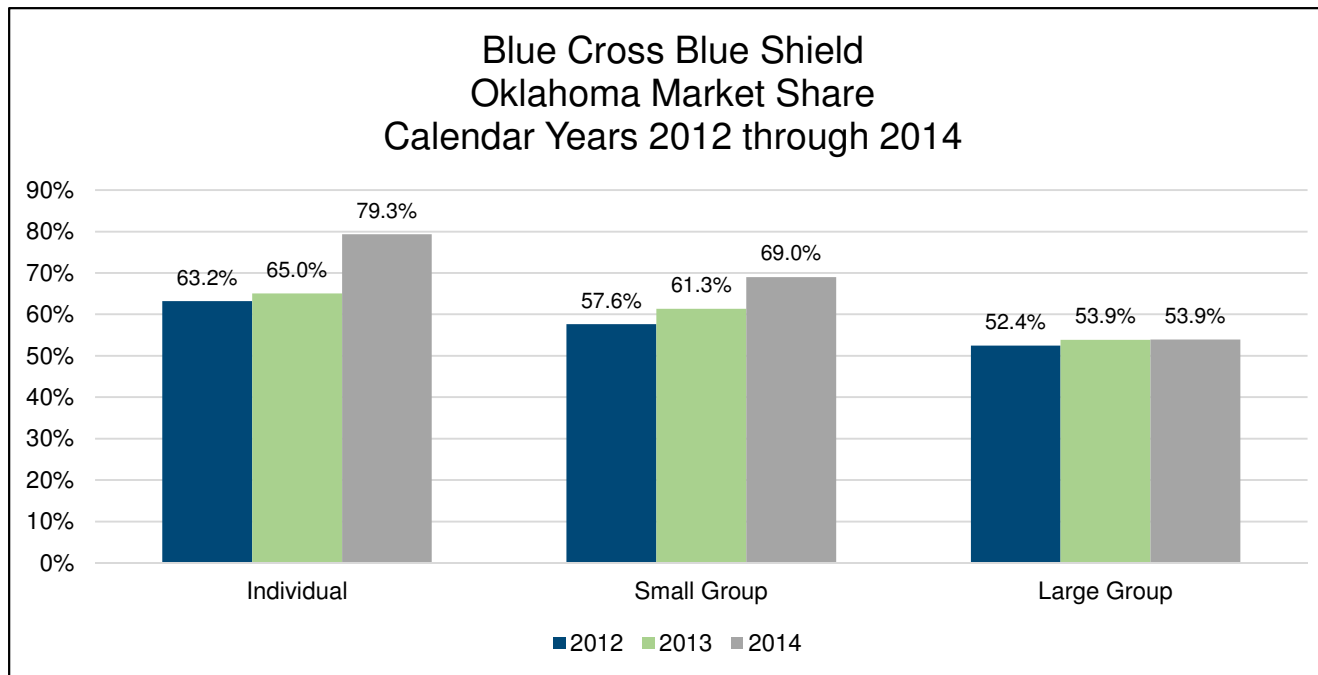
- Children eligible for CHIP are not eligible for premium assistance in the federal marketplace.
- When families applied for premium assistance for marketplace coverage in 2014, some households may have learned that their children are eligible for health insurance through CHIP.
- Additionally, enrolling their children in CHIP would enable certain families to avoid individual mandate penalties.
- A similar effect may have also driven the increase in Sooner-Children enrollment.

- The proportion of Medicare enrollees in Medicare Advantage plans has grown slightly during the three year period.
- As a greater proportion of the baby boomer population reaches age 65 in the upcoming years, Medicare Advantage may represent a growth opportunity for insurers.



Insurance Market Characteristics

Blue Cross Blue Shield Of Oklahoma Market Share

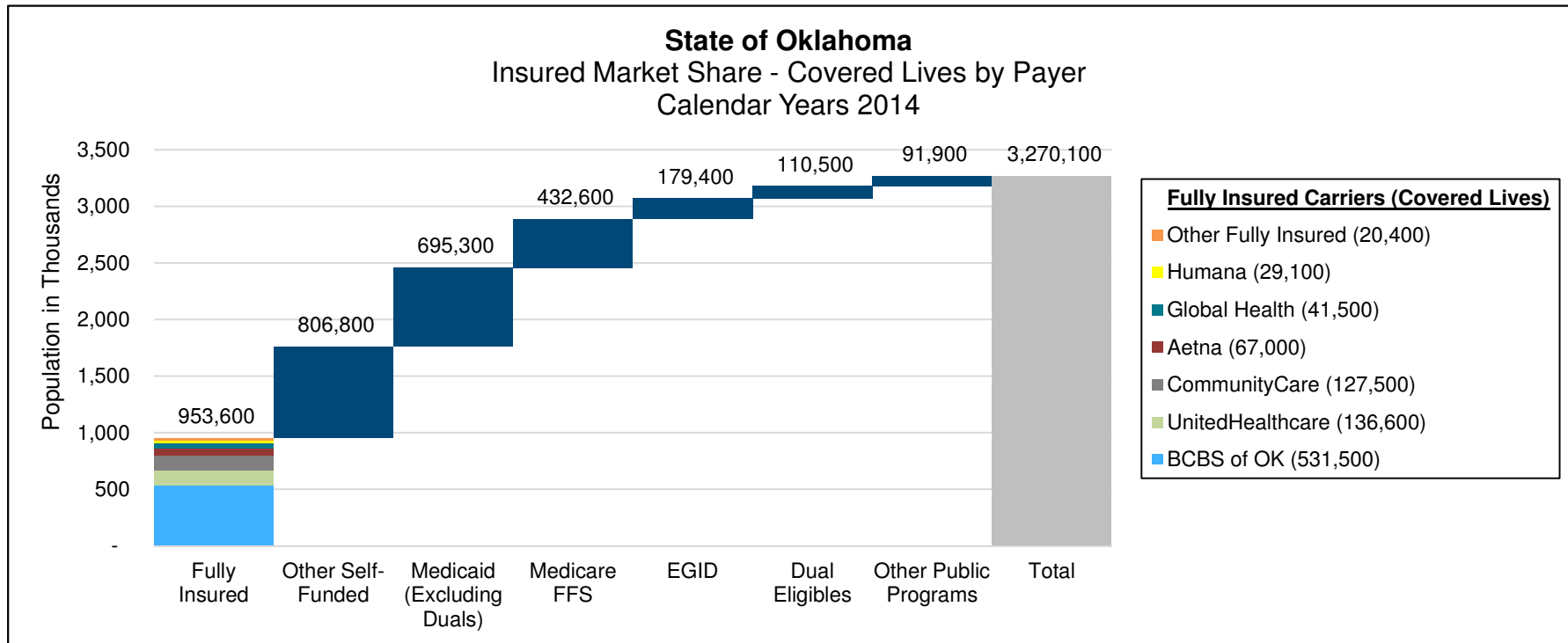


- Significant market share gains were made by BCBS in 2014 in both the Individual and Small Group markets, with market share in the Large Group market remaining steady.
- CommunityCare and GlobalHealth have larger presence in group markets.



Insurance Market Characteristics

2014 Covered Lives by Payer

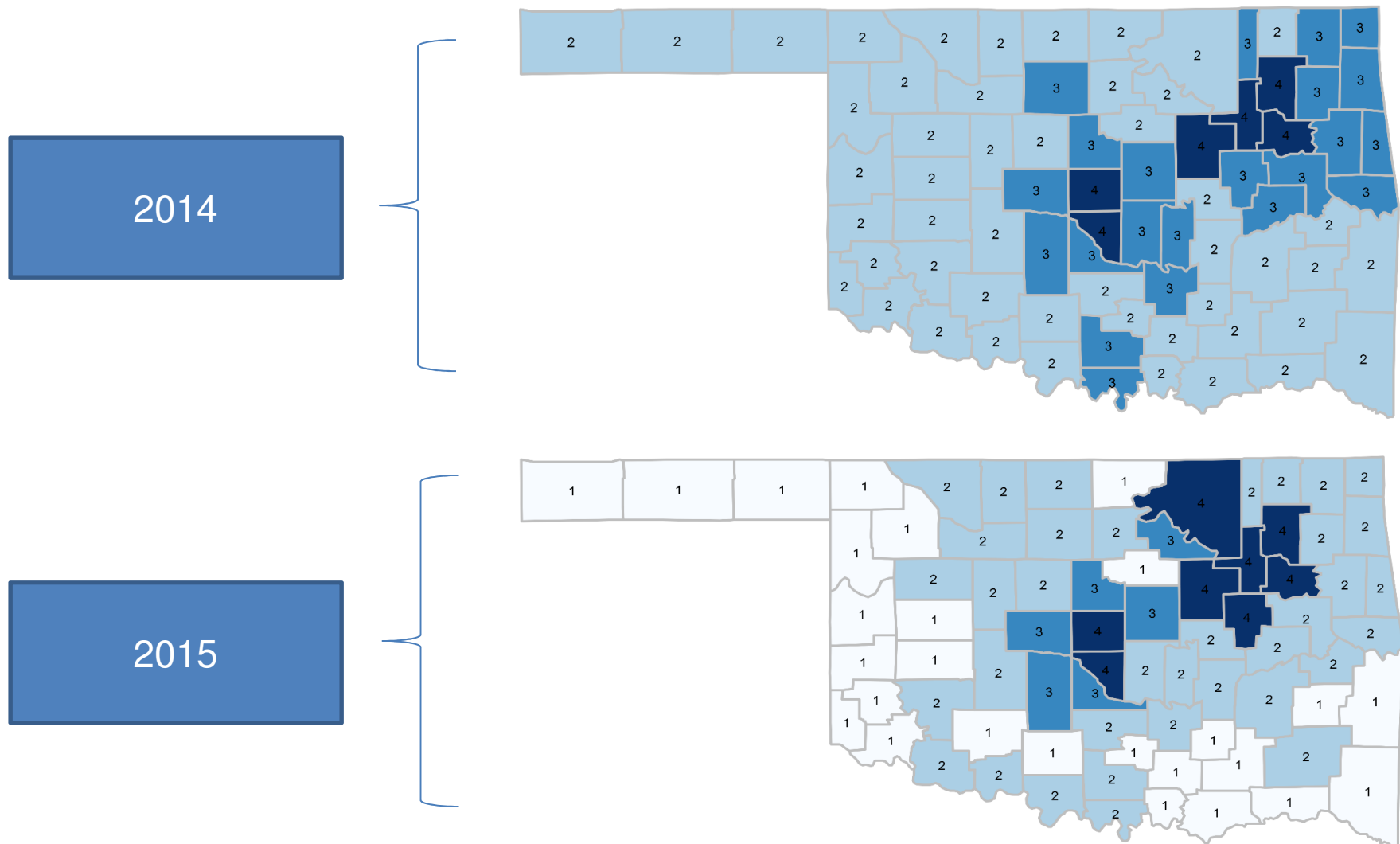


- Approximately 25% of 2014 covered lives were insured through self-funded employer-sponsored health plans.
- We estimate that at least 30% of the “Other Self-Funded” employer plans in the state of Oklahoma are administered by BCBS or CIGNA. With this in mind, OSDH can engage 80% of the insured market by including the top six carriers, Medicaid, Medicare, EGID, and public programs in the OSIM.

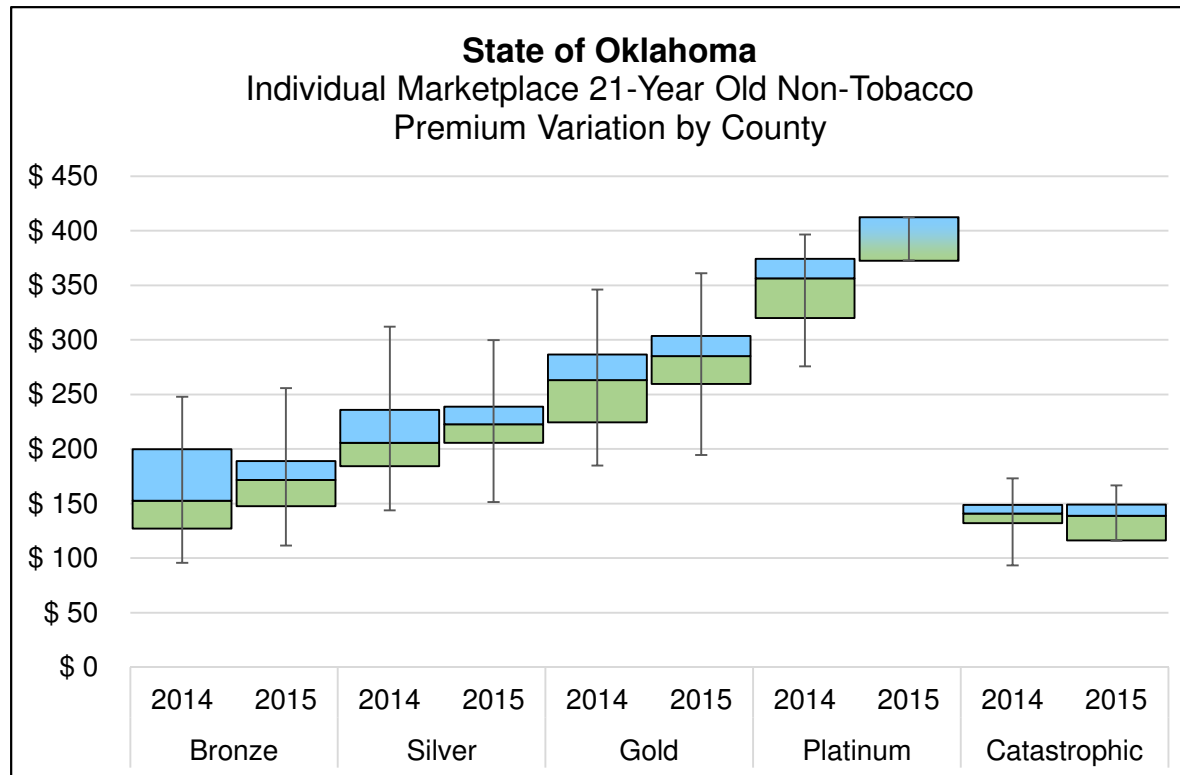


Federally Facilitated Marketplace Analysis

Individual Marketplace(FFM) – Insurer Choice 2014 vs. 2015



Individual Marketplace (FFM)



- In both 2014 and 2015, there is a large amount of premium variation in each metal level.
- 2015 Platinum plans saw minimal variation due to the limited number of plans offered.
- In general, the boxes in the figure above are narrower in 2015 relative to 2014.
- This indicates more consistency in the price of plans offered in the marketplace as carriers adjust to the ACA market and the premiums offered by their competitors.





Overview of Premium Assistance

- *Individuals between 100% and 400% of the FPL that do not have other affordable sources of minimum essential coverage available may be eligible to receive premium assistance on the individual marketplace, which is provided in the form of Advanced Premium Tax Credits (APTC).*
- *APTCs are calculated to limit the amount of premium that an eligible individual is required to pay for the second-lowest cost Silver plan available to them on the individual marketplace.*

Impacts of Premium Assistance

State of Oklahoma Individual Marketplace Premium Assistance 2015 Financial Assistance Recipients			
Without Financial Assistance	With Financial Assistance		
	With APTC	With CSR	APTC or CSR
19%	79%	59%	81%

State of Oklahoma Individual Marketplace Premium Assistance 2015 Impact of Premium Assistance	
Average Monthly Premium before APTC	\$295
Average Monthly APTC	\$206
Average Premium after APTC	\$89
Average Percent Reduction in Premium after APTC	70%

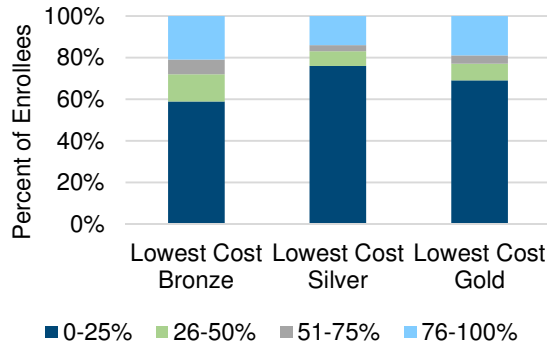
- Around 80% of marketplace enrollees receive financial assistance on the individual marketplace.
- Approximately 60% of enrollees on the individual marketplace have income below 250% of FPL and are enrolled in a Silver plan.
- An estimated 15% of the individual marketplace is below 250% of FPL and enrolled in non-Silver plans, for a total of 75% of the marketplace having income below 250% of FPL.
- As Non-ACA compliant policies are sunset and additional enrollment migrates from the off-exchange market, we would anticipate that the average income level of the individual marketplace may increase.



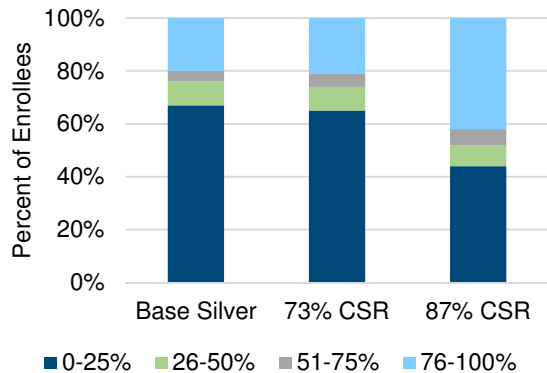


Plan Design Cost Sharing Analysis

Percent of enrollees estimated to pay between 0-25%, 26-50%, 51-75% and 76-100% of their deductible.



Percent of enrollees estimated to pay between 0-25%, 26-50%, 51-75% and 76-100% of their deductible.



State of Oklahoma			
Individual FFM Plan Design Cost Sharing Analysis			
2015 Lowest Cost Plan Design Summary			
Plan Design Cost Sharing	Lowest Cost Bronze	Lowest Cost Silver	Lowest Cost Gold
Deductible	\$6,000/\$12,700	\$6,000/\$12,700	\$3,250/\$9,750
Out-of-Pocket Max	\$6,000/\$12,700	\$6,000/\$12,700	\$3,250/\$9,750
General Coinsurance	0%	0%	0%
PCP / SCP Copay	n/a	\$30/\$50	\$30/\$50
ER Copay	n/a	\$500	\$400
Rx Copay (Tier1-4)	n/a	\$0/50/100/150	\$0/35/75/150

State of Oklahoma				
Individual FFM Plan Design Cost Sharing Analysis				
2015 Second Lowest Cost Silver Plan Summary				
Plan Design Cost Sharing	Base Silver	73% CSR	87% CSR	94% CSR
Deductible	\$3,000/\$9,000	\$2,500/\$7,500	\$500/\$1,500	\$0/\$0
Out-of-Pocket Max	\$6,350/\$12,700	\$5,200/\$10,400	\$1,500/\$4,500	\$500/\$1,500
General Coinsurance	20%	20%	20%	20%
PCP / SCP Copay	\$30/\$50	\$25/\$50	\$20/\$40	\$20/\$40
ER Copay	\$500 / 20%	\$500 / 20%	\$500 / 20%	\$500 / 20%

- Over half of non-CSR-eligible enrollees are estimated to meet 25% or less of their required deductible, while only 15% to 20% are estimated to meet 75% or more of their deductible.
- Plan deductibles may be reduced significantly for individuals eligible for CSR plans, a significantly higher percentage of enrollees are estimated to meet the deductible level of the 87% CSR plan relative to the Base (70%) and 73% CSR plans.



Individual Marketplace (FFM) Network Analysis

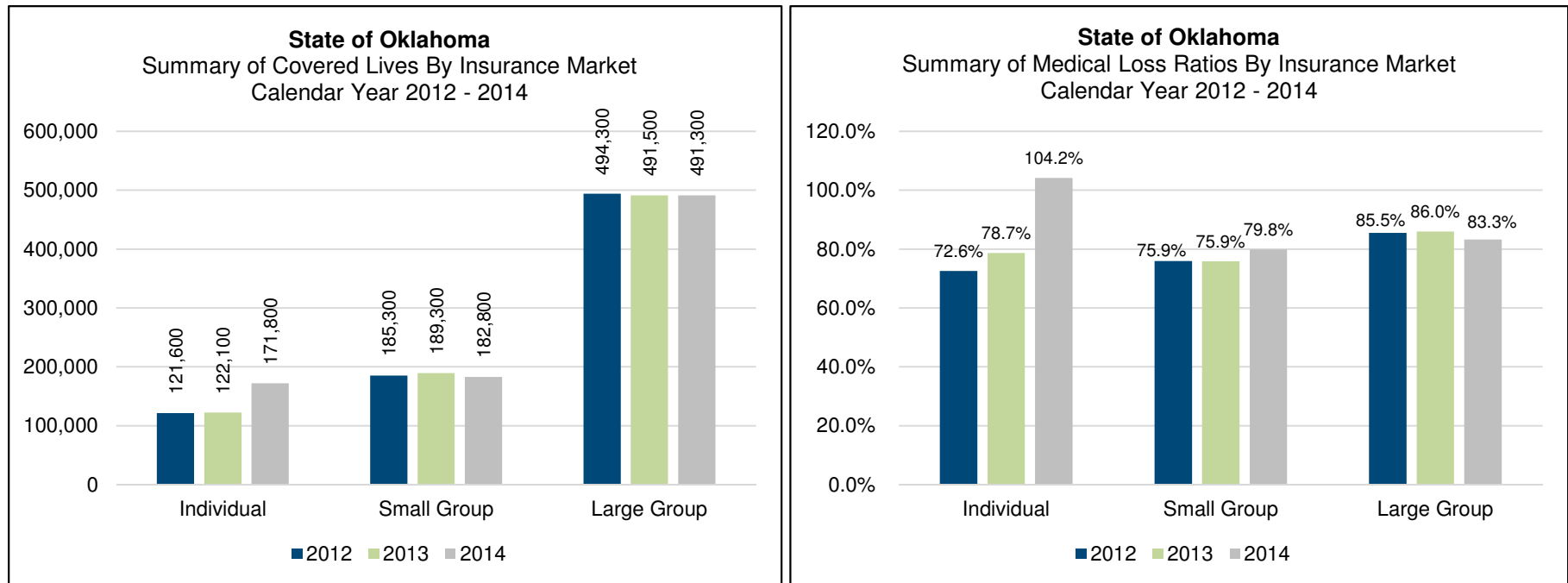
State of Oklahoma Number of Primary Care Physicians (PCPs) Accepting New Patients Relative to Broadest Network				
Insurer	Network	Kingfisher	Oklahoma	Tulsa
CommunityCare	Marketplace	n/a	5%	48%
GlobalHealth	Marketplace	36%	24%	27%
BCBS of Oklahoma	Advantage	21%	53%	22%
BCBS of Oklahoma	Preferred	64%	96%	54%
BCBS of Oklahoma	Choice	100%	100%	100%

- This analysis indicated that Blue Cross Blue Shield’s (BCBS) Advantage product had PCP availability similar to products offered by CommunityCare and GlobalHealth in the marketplace for these select counties.
- The analysis also indicated that the Advantage network had significantly fewer PCPs accepting new patients relative to BCBS’s Preferred and Choice products.
- Advantage products priced 15% to 20% lower in 2015 relative to Preferred products



Insurance Carrier Market Share and Financial Performance

Individual, Small Group, and Large Group Insurance



- Incurred Claims PMPM increased by over 50% in 2014 relative to 2013 in the Individual market. However, during this same time period Earned Premium PMPM increased by only around 18% leading to increases in Medical Loss Ratios.
- The Small Group market saw a smaller increase in Medical Loss Ratios during this time period, while the Large Group market has been relatively stable.
- MLR results may vary from CMS definition.



State Innovation Waiver

State Innovation Waiver – January 1, 2017

Under Section 1332 of the ACA, a state can apply for a State Innovation Waiver (Innovation Waiver). The Innovation Waiver allows states greater flexibility in areas such as:

- Establishing Qualified Health Plans (QHPs);
- Modifying the benefit designs and consumer choice in the insurance marketplace;
- Adjustments to the structure of premium tax credits and cost sharing reductions in the marketplace;
- Changes to ACA-related employer penalties; and,
- Changes to the ACA individual mandate penalties.

CMS will require that a state's Innovation Waiver meeting the following criteria regarding the provision of health insurance coverage within the state:

- At least as comprehensive and affordable as would be provided absent the waiver;
- Provide coverage to a comparable number of residents of the state; and,
- Does not increase the federal deficit relative to the standard ACA requirements.

CMS has stated that an application must include several detailed elements. To the extent Oklahoma pursued a State Innovation Waiver, it must allow for public input and comment on the proposed waiver application



Limitations and Qualifications

Limitations and Qualifications

This presentation is intended to analyze the current Oklahoma insurance market both inside and outside of the newly established FFM. It is our understanding that the State will use this presentation to help key decision makers plan and implement a health innovation plan for the State in compliance with the Federal SIM grant awarded to Oklahoma in December of 2014. The presentation may not be suitable for other purposes.

This presentation has been prepared solely for the internal use of, and is only to be relied upon by, the Oklahoma State Department of Health (OSDH). Milliman makes no representations or warranties regarding the contents of this correspondence to third parties. Likewise, third parties are instructed that they are to place no reliance upon this correspondence prepared for OSDH by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. If this presentation is distributed to third parties, it should be distributed only in its entirety.

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Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

The services provided for this project were performed under the signed Contract between Milliman, Inc. (Milliman) and the Oklahoma State Department of Health (OSDH) signed March 27, 2015.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors of this presentation are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses contained herein.



Appendices: Methodology and Assumptions



The data utilized by this analysis is comprised of the public data sources below:

- *Current Population Survey (CPS) data*
- *American Community Survey (ACS) data*
- *Medical Loss Ratio Reporting Form data (MLR) data*
- *Marketplace Enrollment Reports*
- *Oklahoma Healthcare Authority SoonerCare Reports*
- *Financial data downloaded from SNL Financial*
- *Medicare Advantage penetration rate data*
- *EGID enrollment provided by State personnel*

Population Projection Modeling

Each of the data sources outlined plays a specific role in understanding the current insurance market landscape. The methodology implemented within our modeling is outlined below.

- CPS data is utilized to estimate the percent of the population in Excellent, Very Good, Good, and Fair/Poor Health Status.
- ACS data is utilized to estimate the population breakdown by insurance coverage, age, gender, FPL, and county.
- MLR data and SNL Financial are used to understand the size of the insured markets (individual, small group, large group).
- Marketplace Enrollment Reports are used to adjust insured market enrollment estimates for changes that occurred in 2014 and 2015
- Oklahoma Healthcare Authority SoonerCare Reports are used to better estimate Medicaid enrollment by qualifying group as well as uninsured rates in Oklahoma over time.
- Medicare Advantage data is used to better estimate the portion of Medicare enrollment that is enrolled in Medicare Advantage rather than traditional fee-for-service Medicare.

