

# Individual and Small Group (ACA) USA Update

October 5, 2018

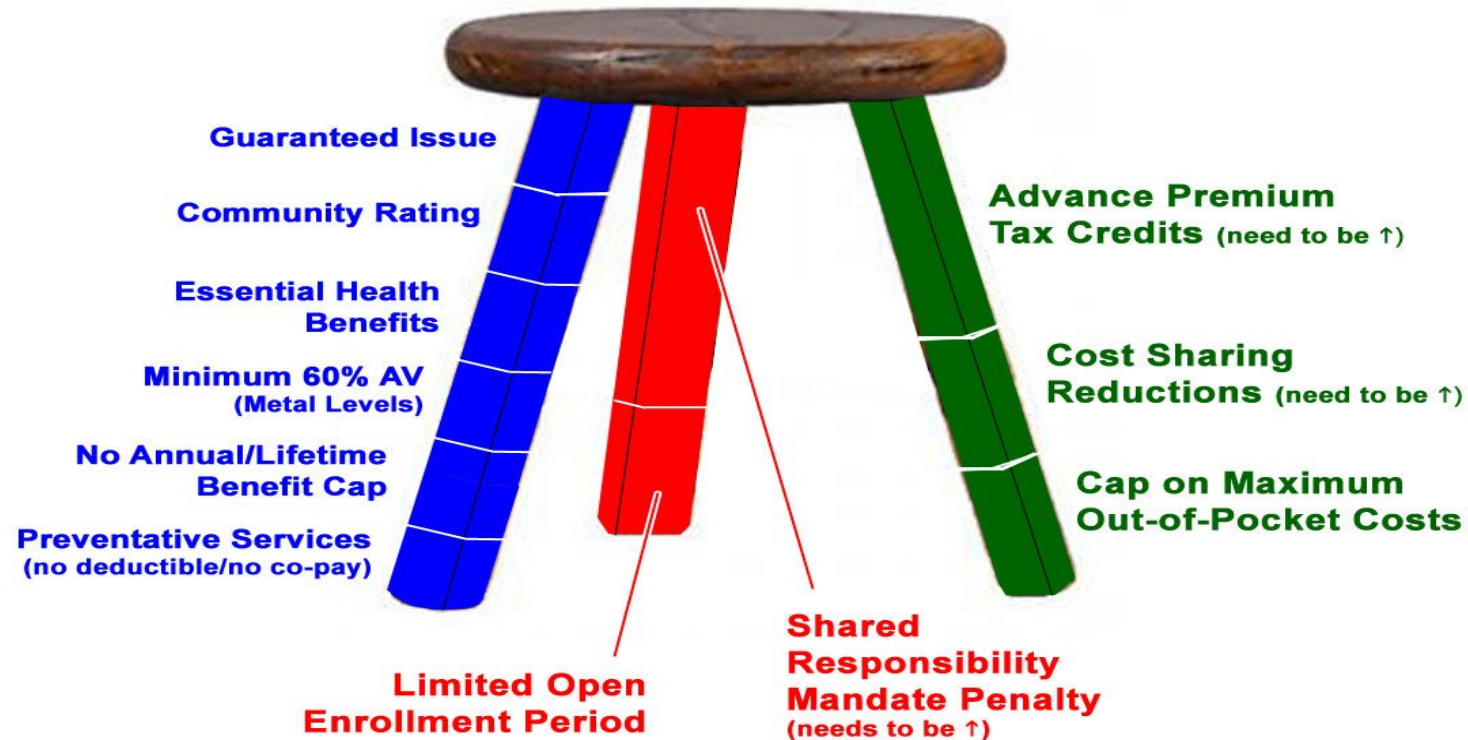
# Agenda

- Affordable Care Act (ACA) background (2014 to 2018)
- TrumpCare – Initial changes to ACA
  - CSR Payments
  - 2018 Age Curve
  - Association Plans
- Association Plans
  - Executive Order key changes
  - AHP Considerations

# Affordable Care Act – Basic Structure

## THE THREE-LEGGED STOOL OF THE ACA:

**BLUE: Carrier Regulations** • **RED: Enrollee Responsibility** • **GREEN: Financial Assistance**



**SHORTEN ANY LEG AND THE STOOL TILTS.  
REMOVE ANY LEG AND THE STOOL TOPPLES OVER.**

# ACA Federal Government payments

- **Advance Premium Tax Credits (APTC):** Payments are made directly to the insurance company by the federal government on behalf of the qualifying members.

The amount of the premium tax credit varies for each qualifying household based on its income relative to the FPL and the price of the second-lowest-cost silver plan. Qualifying households must have income between 100% and 400% of the FPL and must not be eligible for other sources of affordable minimum value coverage.

- **Cost Sharing Reduction (CSR):** The ACA requires insurers participating in the individual insurance marketplace to automatically provide a reduced level of cost sharing to qualifying households.

The magnitude of the reduction to required plan cost sharing varies based on the income level. Qualifying households must have income between 100% and 250% of the FPL and must not be eligible for other sources of affordable minimum value coverage.

<http://www.milliman.com/insight/2018/2018-summary-of-individual-market-enrollment-and-Affordable-Care-Act-subsidies/>

# Premium and Cost share subsidy targets

**Figure 6: Premium and Cost-Sharing Subsidies,  
by Income in 2014**

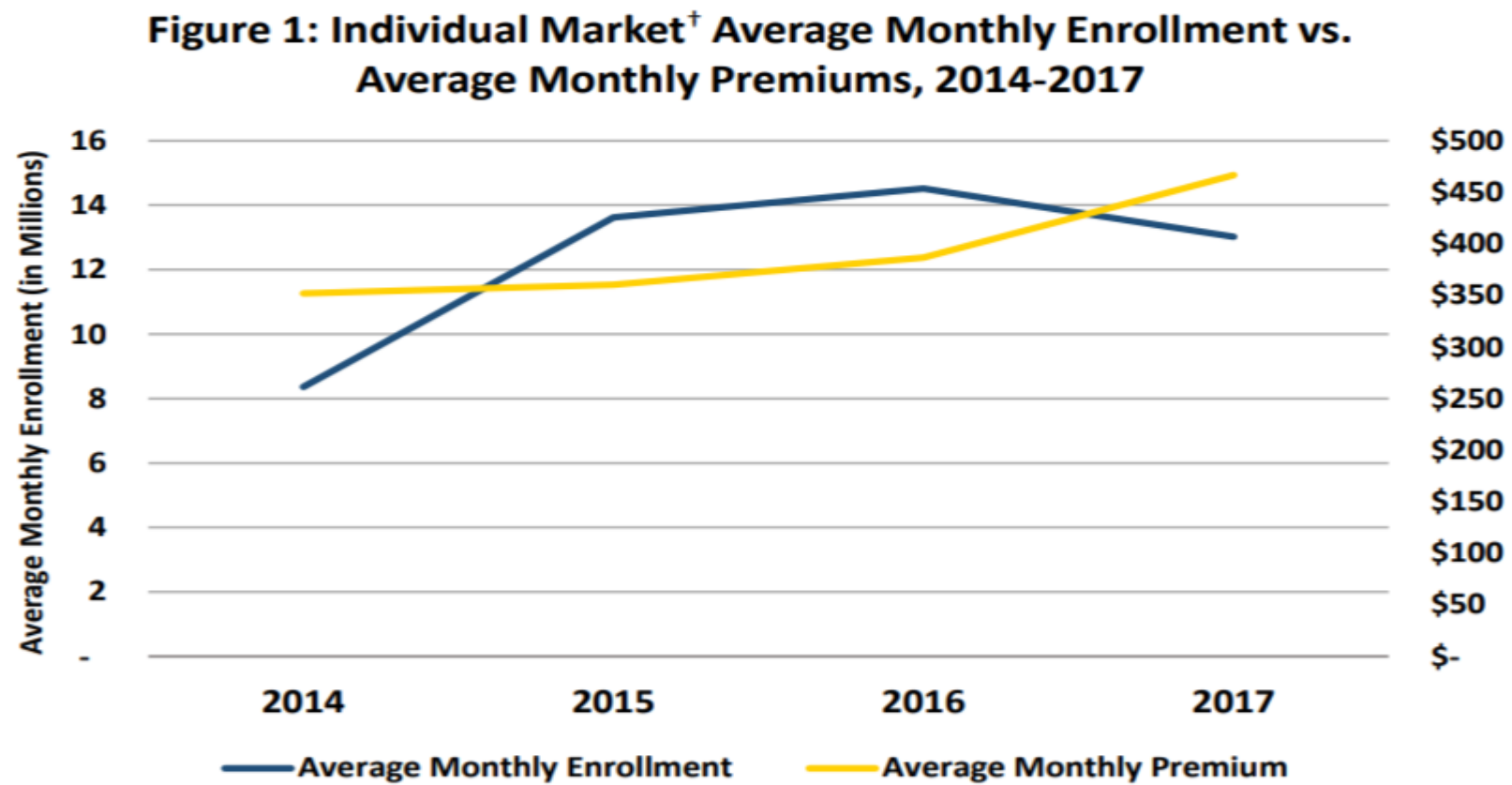
Income (% Poverty)	Premium Cap (% of income on 2 <sup>nd</sup> lowest silver)	Cost-Sharing Subsidies? (OOP Limit Indiv./Family)	
Under 100%	No Cap	No	(\$6,350 / \$12,700)
100% - 133%	2.0%	Yes	(\$2,250 / \$4,500)
133% - 150%	3% - 4%	Yes	(\$2,250 / \$4,500)
150% - 200%	4% - 6.3%	Yes	(\$2,250 / \$4,500)
200% - 250%	6.3% - 8.05%	Yes	(\$5,200 / \$10,400)
250% - 300%	8.05% - 9.5%	No	(\$6,350 / \$12,700)
300% - 400%	9.5%	No	(\$6,350 / \$12,700)
Over 400%	No Cap	No	(\$6,350 / \$12,700)

Source: Patient Protection and Affordable Care Act; HHS  
Notice of Benefit and Payment Parameters for 2014 Final Rule

**2017 income cutoffs for Obamacare programs**

Number of people in the family	Federal poverty line	138% of FPL (cutoff for Healthy Michigan program)	250% of FPL (cutoff for cost- sharing reductions)	400% of FPL (cutoff for subsidized premiums)
1	\$12,060	\$16,643	\$30,150	\$48,240
2	\$16,240	\$22,412	\$40,600	\$64,960
3	\$20,420	\$28,180	\$51,050	\$81,680
4	\$24,600	\$33,948	\$61,500	\$98,400
5	\$28,780	\$39,717	\$71,950	\$115,120
6	\$32,960	\$45,485	\$82,400	\$131,840
7	\$37,140	\$51,254	\$92,850	\$148,560
8	\$41,320	\$57,022	\$103,300	\$165,280

# ACA enrollment and average premium 2014 to 2017



<sup>†</sup> Individual market includes health insurance sold on and off Exchange, but excludes grandfathered plans, transitional plans, excepted benefit plans and student health insurance plans.  
Source: 2014-2017 Risk Adjustment Data.

<https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Marketplaces/Downloads/2018-07-02-Trends-Report-2.pdf>



# ACA enrollees, premium subsidy and CSR 2016 to 2018

	2016	2017	2018
Average monthly marketplace enrollees	10,011,000	9,763,000	9,865,000
Average monthly premium subsidy recipients	8,395,000	8,229,000	8,550,000
Average monthly CSR subsidy recipients	5,636,300	5,597,600	5,185,500
Annual premium subsidy <sup>3</sup>	\$3,500	\$4,500	\$6,200
Annual CSR subsidy payments <sup>3</sup>	\$1,000	\$1,000	N/A
Aggregate premium subsidy (\$ millions) <sup>1</sup>	\$29,228	\$36,836	\$53,221
Aggregate CSR subsidy payments (\$ millions) <sup>2</sup>	\$5,393	\$5,895	N/A
Aggregate premium & CSR subsidy payments (\$ millions)	\$34,621	\$42,731	\$53,221

<http://www.milliman.com/insight/2018/2018-summary-of-individual-market-enrollment-and-Affordable-Care-Act-subsidies/>

# ACA changes

- **CSR termination**

- Effective October 2017, CSR payments were terminated by the federal government.
- Most states permitted insurers to build the effect of CSR termination into 2018 premiums.
  - Based on analysis of marketplace open enrollment data, there was a shift away from silver coverage for households with income between 100% and 250% FPL. By increasing the cost of silver premiums, calculated APTC amounts also increased, making bronze and gold coverage less expensive than in previous years.

- **2018 Age curve change for enrollees under 21 year of age**

- **Individual Mandate reduced to \$0 as of 2019**

<http://www.milliman.com/insight/2018/2018-summary-of-individual-market-enrollment-and-Affordable-Care-Act-subsidies/>



# ACA Pricing Age Curve 2018 Impact

AGE BAND	2017 AGE FACTOR	2018 AGE FACTOR	% CHANGE	\$ CHANGE**
0-14	0.635	0.765	20.5%	\$40.94
15	0.635	0.833	31.2%	\$62.36
16	0.635	0.859	35.3%	\$70.55
17	0.635	0.885	39.4%	\$78.74
18	0.635	0.913	43.8%	\$87.56
19	0.635	0.941	48.2%	\$96.38
20	0.635	0.970	52.8%	\$105.51

\* Excludes: Alabama, D.C., Massachusetts, Minnesota, Mississippi, New Jersey, New York, Utah, and Vermont.<sup>3</sup>

\*\* Assumes a \$200 per month base 2017 premium.

# Association Health Plans

Overall purpose of creating an easier path for associations to become bona fide and offer group health plans as single large-group employers.

- Retains the prior bona fide qualification process and related rules, in particular allowing associations that meet the stricter prior standard to underwrite specific member groups.
- Establishes an alternative pathway for becoming a bona fide association for purposes of offering a group health plan.
  - These new requirements do not permit the underwriting of member groups.
  - Either industry or geography sufficient to demonstrate commonality of interest.
  - Allows AHPs for the purposes of offering health coverage to their members, provided they have one other significant reason for forming (for example, furthering industry or professional business goals).
- Allows AHPs to enroll working owners, in particular the self-employed and sole proprietors, subject to a minimum-hours-worked threshold.
- Precludes AHPs from denying member groups coverage or varying premiums based on the health status of the group.
- Retains ACA requirements that apply to group health plans, such as the prohibition on any annual or lifetime dollar limits on essential health benefits (EHBs).

# Considerations for sponsoring an AHP

- AHP products and pricing must be competitive (i.e. low price) but also be able to differentiate from other available Individual and Small Market options.
- Will the AHP be willing and able to manage risk?
  - Careful eligibility and benefit design strategies will be critical in this regard, as will marketing, pricing structures, provider contracting, medical management, and financial risk arrangements such as reinsurance.
- Risk Adjustment is not available
- Is there critical membership volume available?
- What about funding?
- Other fiduciary requirements

<http://www.milliman.com/insight/2018/Association-health-plans-after-the-final-rule/?lng=undefined>

# Additional Questions?

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