

Merged Market Recap

September 10, 2020



Gorman Actuarial, Inc.

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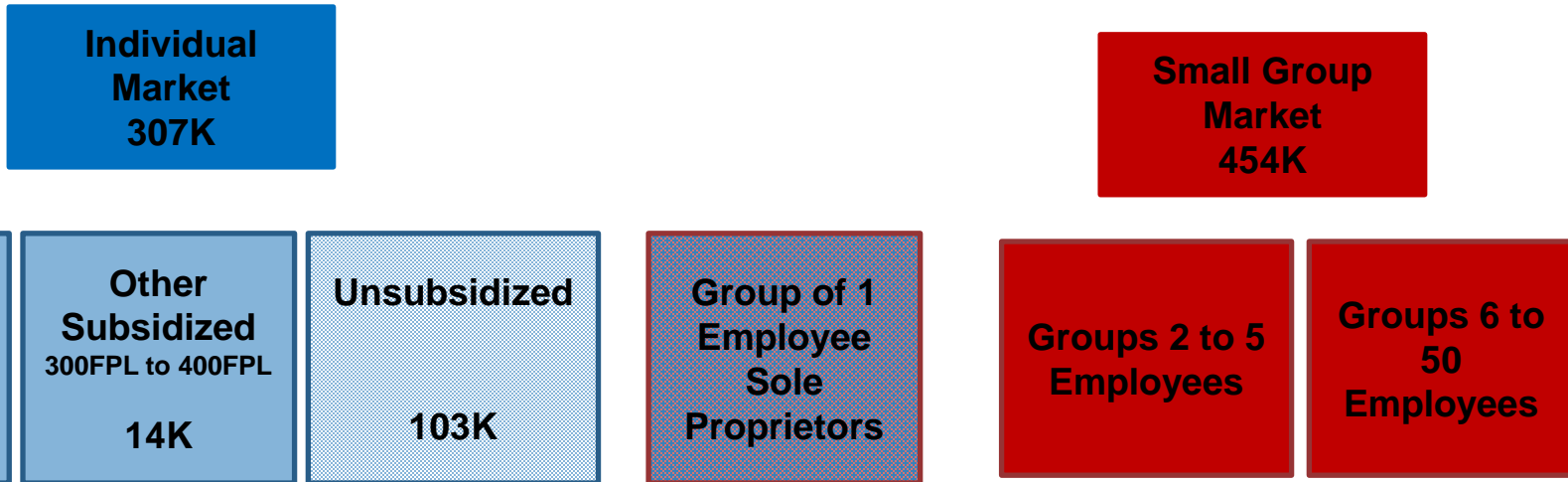
- Data Discussion
- Merged Market Membership & Premiums
- Rate Development for Merged Market
- Health Care Claims Costs and Risk Adjustment
- Differences between Individual and Small Group Market

Data Considerations

- All future modeling based on CY 2018 data but will review YE June 2019 data and publicly available YE 2019 data to ensure there are no significant shifts
- Chose not to refresh modeling with CY 2019 data
 - Do not believe it will have a material impact on overall results
 - Timing Issue
 - Insurer Burden
- Two Main Sources of Data: CHIA Data which is publicly available and special DOI Request

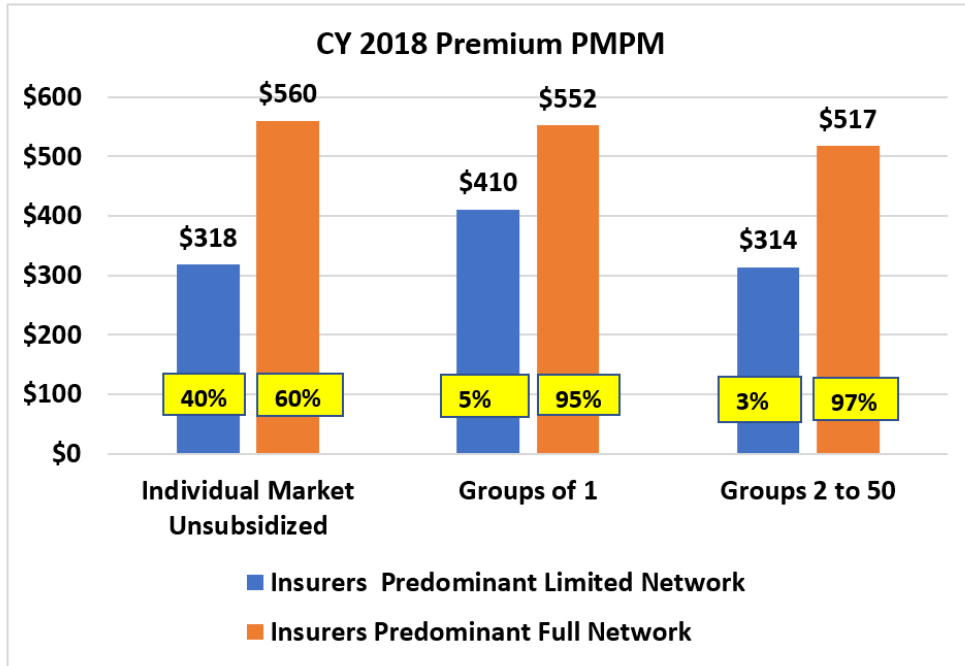
Merged Market Diversity

Avg 2018 Membership



Source: CHIA 2019 Annual Report
Connecticare excluded
FPL is the Federal Poverty Level

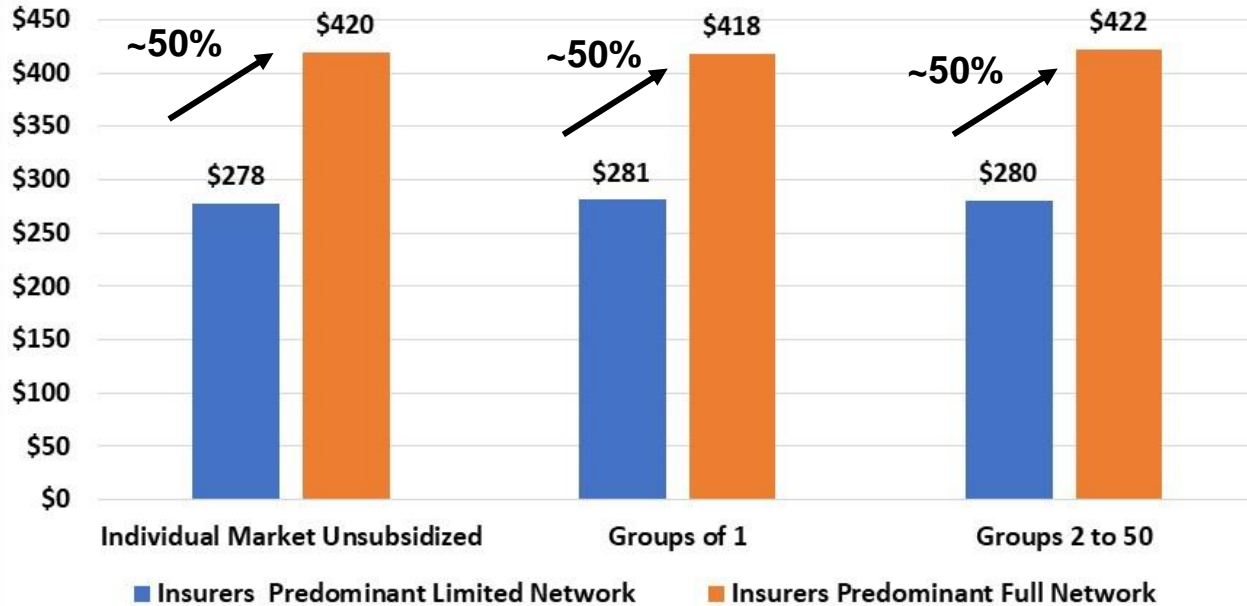
Merged Market 2018 Average Premiums



- 40% of the unsubsidized individual market enrolled in limited network plans
- Premiums are not adjusted for age, benefits, or region
- Those enrolled in limited network plans are generally younger and in higher deductible plans

Merged Market 2018 Average Premiums

CY 2018 Premium PMPM Adjusted for Age and Benefit



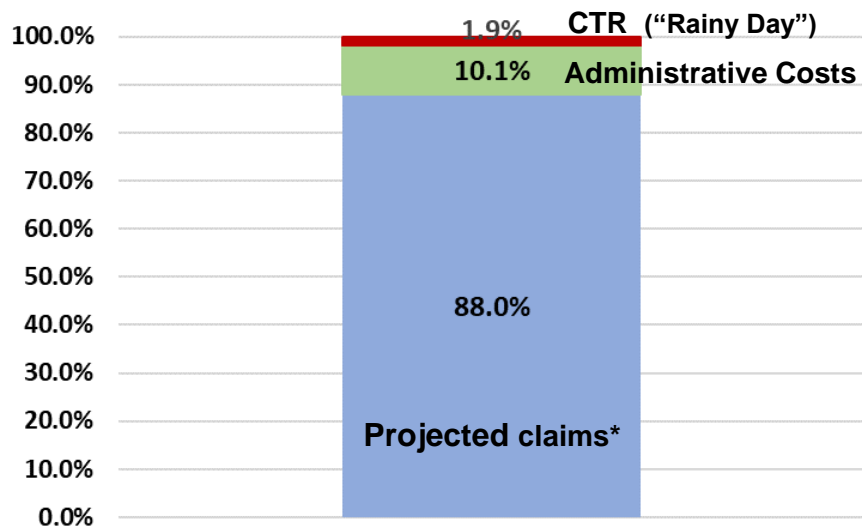
- Adjusted for age and paid to allowed ratio
- Full network plans are ~50% higher than limited network plans

Not adjusted for regional differences
Premium adjusted for paid to allowed ratio to adjust for benefit
Source: MA DOI Special Request

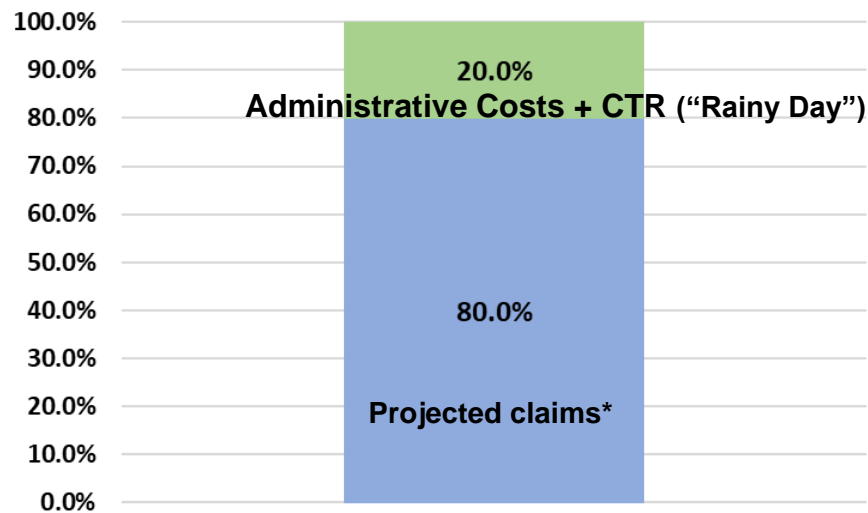


Health insurance base rates are made up of projected claims, administrative costs and contribution to reserve (“CTR”).

Massachusetts Individual and Small group Market
Minimal Allowable Share by Law (MLR)



Federal Individual and Small Group Market
Minimal Allowable Shares by Law (MLR)



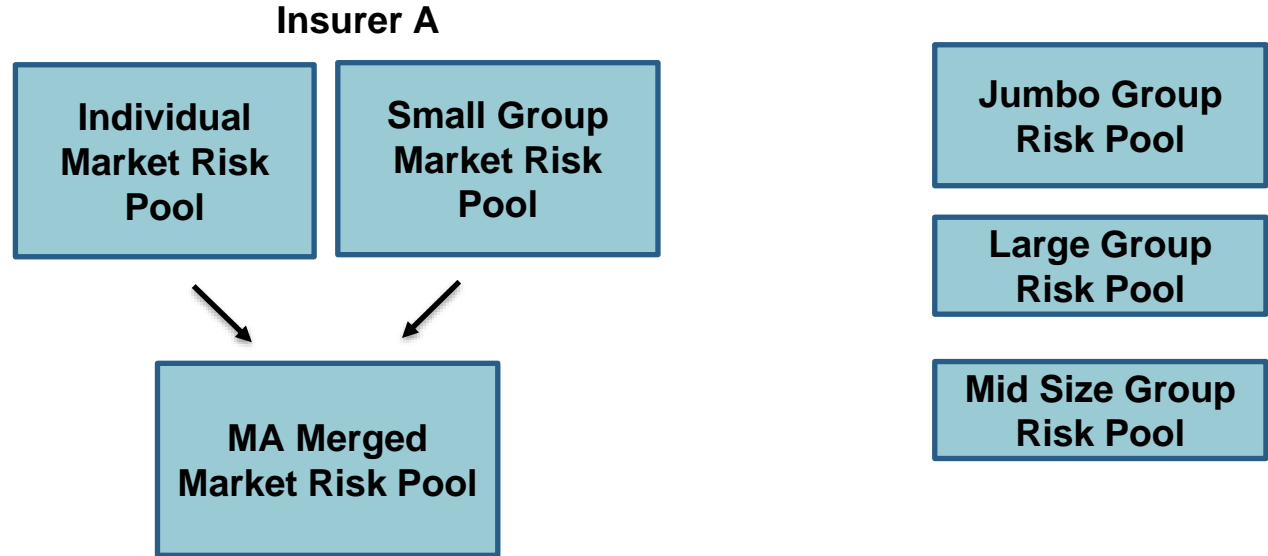
* Projected claims include other adjustments allowed in the medical loss ratio (MLR) calculation

Insurance companies' book of business can be separated into different rating risk pools.

What is a risk pool?

It is how insurers segregate their business when establishing premium rates.

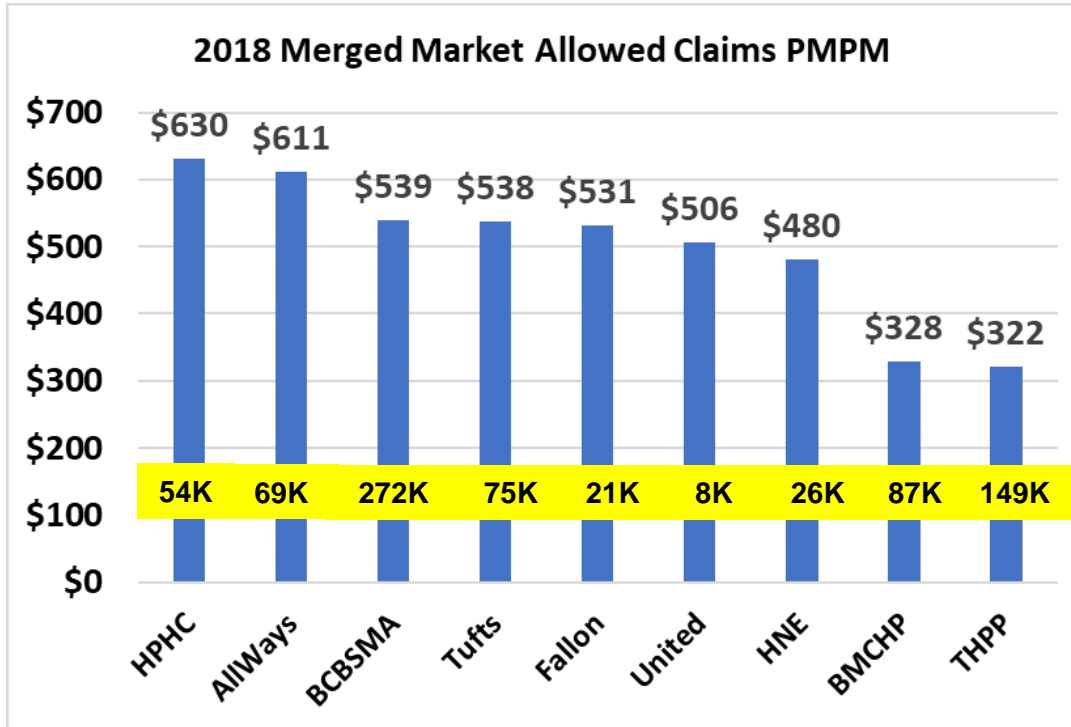
*Merged market base rates are based on **each insurer's** combined individual/small group pool*



Insurer claims costs by risk pool may vary significantly.

- **Morbidity:** If one risk pool has a higher concentration of high risk patients compared to another, the premium rates will be higher
- **Utilization:** If one risk pool uses more health care services compared to another, the premium rates will be higher
- **Providers:** If one risk pool uses more expensive providers compared to another, the premium rates will be higher

Each insurers' claims PMPMs are different as their insured populations, products, and provider networks are diverse.



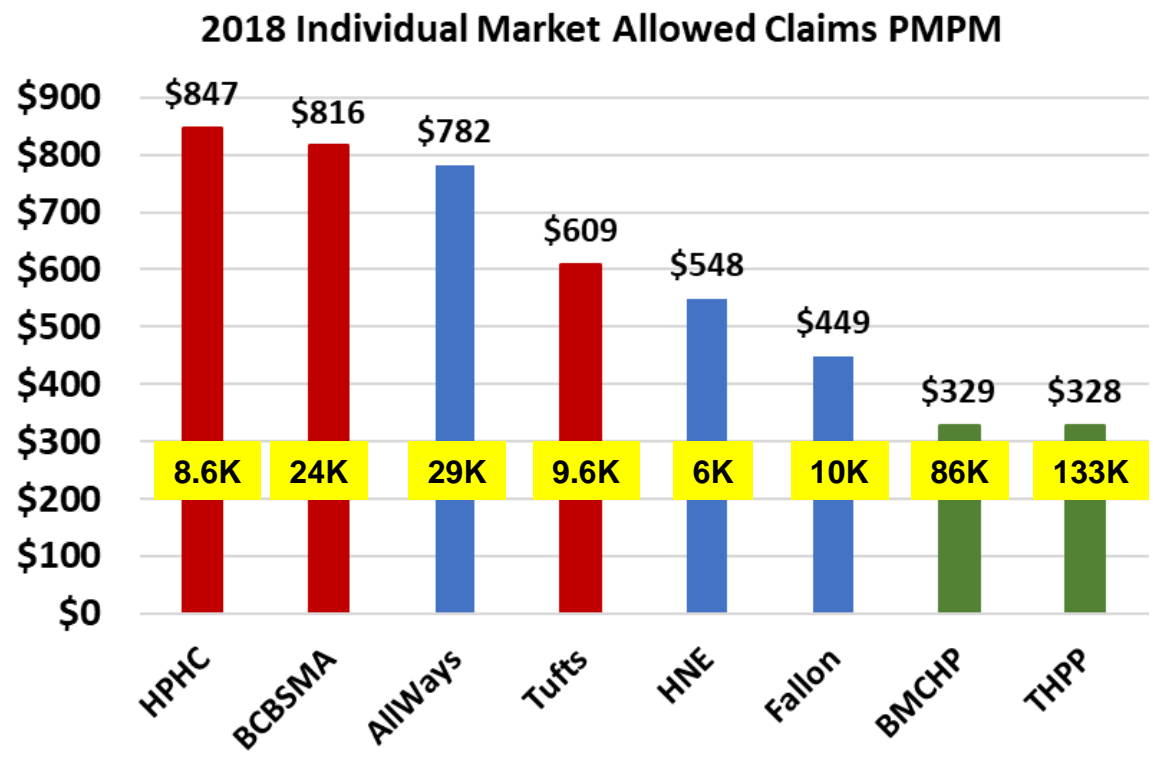
HPHC: Harvard Pilgrim Health Care
AllWays: (formerly Neighborhood Health Plan)
BCBSMA: Blue Cross & Blue Shield of MA
Tufts: Tufts Health Plan
Fallon
United
HNE: Health New England
BMCHP: Boston Medical Center Health Plan
THPP: Tuft Health Public Plan (formerly Network Health)

 Average 2018 Membership

Source: CHIA's 2019 Annual Report Coverage Dataset:
Excludes Connecticare



There is a wide spread in claims PMPMs within the Individual Market with the highest 2.6 times the lowest

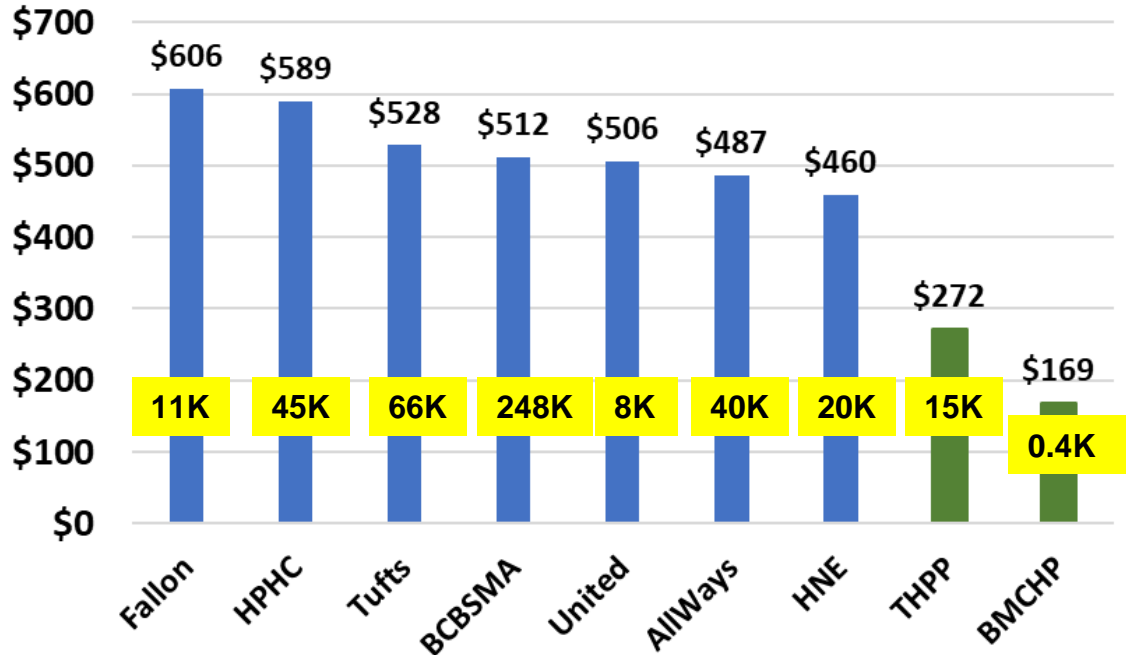



- Doesn't participate in ConnectorCare
- Predominantly limited network

Source: CHIA's 2019 Annual Report Coverage Dataset

The Small Group Market has less variation than the Individual Market

2018 Small Group Market Allowed Claims PMPM



 Predominantly limited network

Source: CHIA's 2019 Annual Report Coverage Dataset



There has been considerable volatility in risk adjustment transfers over the past 6 years

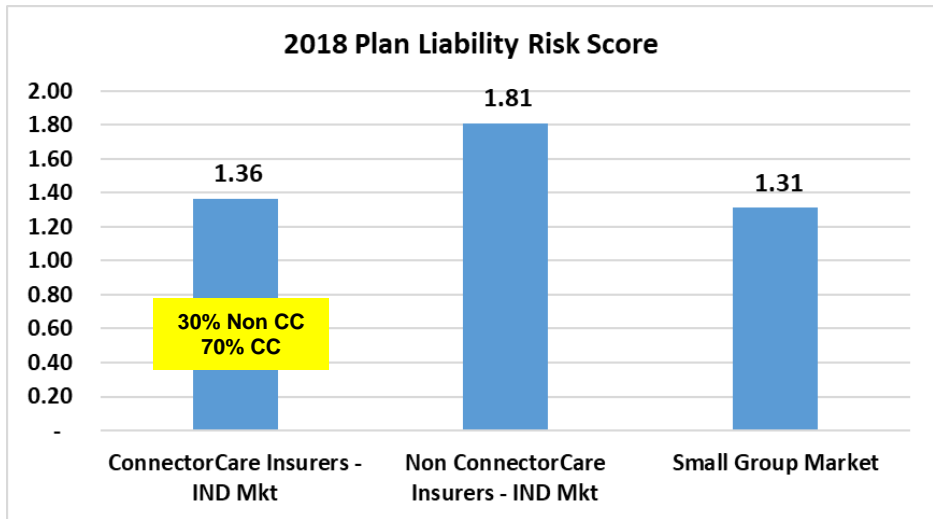
	Risk Adjustment Transfer Amounts MA Merged Market					
	PY 2019 ⁽⁴⁾	PY 2018 ⁽¹⁾	PY 2017 ⁽¹⁾	PY 2016 ⁽²⁾	PY 2015 ⁽²⁾	PY 2014 ⁽³⁾
AllWays	\$50,979,924	\$55,007,378	\$56,321,259	\$54,771,043	\$5,353,042	(\$27,858,047)
BCBSMA	\$47,533,655	\$12,500,608	\$4,057,603	\$33,826,090	\$81,741,193	\$50,714,401
BMC	(\$16,745,783)	(\$37,948,809)	(\$35,993,129)	(\$18,139,498)	(\$18,620,484)	(\$5,152,402)
Celticare	\$0	\$0	\$199,701	(\$1,880,633)	(\$2,366,108)	(\$481,601)
Connecticare	\$552,385	\$527,550	\$664,697	(\$306,568)	(\$249,965)	(\$1,246,444)
Fallon	\$4,089,551	\$1,236,839	\$4,440,346	\$369,941	(\$3,890,227)	(\$11,107,357)
Health NE	(\$4,341,170)	(\$3,348,914)	(\$423,603)	(\$6,552,130)	(\$3,206,399)	(\$2,692,451)
Harvard Pilgrim	\$18,011,718	\$33,116,998	\$28,012,262	(\$16,497,354)	(\$10,852,737)	(\$2,182,465)
Minuteman		\$0	(\$10,888,138)	(\$9,619,224)	(\$5,976,150)	(\$2,857,045)
Tufts	(\$1,498,533)	\$5,187,094	\$16,623,471	\$21,203,852	(\$1,277,729)	\$8,201,309
Tufts Public	(\$89,438,269)	(\$62,005,322)	(\$61,974,969)	(\$55,423,070)	(\$39,440,273)	(\$3,696,957)
United	(\$9,143,478)	(\$4,273,421)	(\$1,115,078)	(\$1,752,449)	(\$1,214,162)	(\$1,640,940)

Notes:

- 1 - From Carriers' TPIR Reports for PY 2017 and PY 2018 (Celticare and Minuteman info pulled from CMS RA report for PY 2017)
- 2 - From Funds Transfer Summary Reports for Non-Catastrophic Plans
- 3 - Funds Transfer Summary - Reissued October 2015
- 4 - From CMS Report released July 2020

Excludes catastrophic plan risk adjustment transfers

Risk scores for insurers in the Non-ConnectorCare Individual Market are the highest



Allways
BMCHP
Fallon
HNE
THPP

BCBSMA
HPHC
THP
United

Plan Liability Risk Score:

This is the average risk score which reflects morbidity differences, age demographic differences, and cost sharing differences by metallic tier.

Plan Liability Risk Score also includes a component for induced demand for the CSR enrollees.

Generally, the higher the risk score, the higher the morbidity or health status.

Key Takeaways

- Merged market is diverse with many subpopulations
- Limited networks can provide significant premium reductions in the market.
- Risk Adjustment shifts funds from insurers with healthier enrollees to insurers with enrollee with greatest health care needs
- Merged Market is spreading the costs of the enrollees with the greatest health care needs across the market

Appendix - Different measurements of financial data

Total Medical Expense (TME)		This represents total health care benefit expenditures. It will include health care benefits paid for by the insurer and health care benefits paid for by the member in the form of member cost sharing. It will not include out-of-pocket expenses that the insurer does not know about. For example, OTC drugs spending.
Allowed Claims PMPM	\$500.00	
Member Cost Sharing PMPM	\$100.00	This represents what the member pays in copays, deductibles, and coinsurance amounts. Generally the higher the cost sharing PMPM, the higher the member cost sharing (higher deductible plans).
Incurred & Paid Claims PMPM	\$400.00	This is equal to Allowed Claims - Cost Sharing and is the insurer liability and insurer costs. When insurers analyze profits and their financial standing, they will look at this number. When insurers want to understand health care cost trends, or compare one population to another on an apples to apples basis, they will analyze allowed claims.
Paid to Allowed Ratio	80%	This is the ratio of incurred & Paid Claims to Allowed Claims and represents what percent of health care benefits are paid for by the insurer. The higher the ratio, the "richer" the benefits.