Cascade Care Savings – DRAFT ANALYSIS

2023 Premium Assistance Amounts and Methodology

PRESENTED BY
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Agenda

Background

2023 State Premium Subsidy Program

- Methodology for proposed 2023 Cascade Care Savings premium assistance amounts – Updates from March estimates

Background and Assumptions

- Updated baseline Modeling for 2023
  - Exchange enrollment and premiums
    - Incorporates 2022 individual level data from mid-January, with high level updates based on April 2022 effectuated enrollment
    - Assumes PHE ends December 2022 and Medicaid redetermination continues through December 2023
    - Assumes family glitch is addressed in 2023
    - Incorporates proposed 2023 rates
  - Off-Exchange enrollment
  - Uninsured
    - QHP-eligible
    - Without federally recognized immigration status
    - Family glitch affected
  - Two versions: ARPA subsidies continue and ARPA subsidies expire in 2023

Background and Assumptions

- State Premium Assistance Program
  - $50M state appropriation, with $5M of that amount held in reserve for modeling purposes to account for enrollment uncertainty
  - Wakely solved for a single PMPM subsidy amount for both (1) enrollees receiving federal and state subsidies, and (2) enrollees receiving only state subsidies

- Based on final policy and criteria
  - Subsidies only available for members in Silver or Gold Cascade and Cascade Select plans
  - Eligibility for enrollees up to 250% FPL

- Previous modeling for preliminary 2023 subsidy calculation based on January 2022 enrollment and 2022 plan rates: $75 PMPM non-ARPA, $150/PMPM with ARPA

2023 Premium Subsidy Program

Summary of Results – ARPA Continues in 2023

ARPA Continues			On-Exchange Take-Up				
Enrollment Scenario	State Subsidy Estimate, PMPM	Total State Funding ($ Millions)	On Echange Enrollment	New Enrollment	Uninsured (QHP Eligible)	Off-Exchange (QHP Eligible)	Total Members Receiving State Subsidies
Best	$215	$43.2	226,600	13,400	12,000	1,400	90,100
Low	$215	$34.8	197,300	9,000	8,300	700	74,200
High	$215	$51.7	256,700	19,700	17,500	2,200	105,400

- Federal subsidy-eligible and non-federal subsidy eligible members receive same maximum subsidy PMPM
- The Low estimate assumes lower enrollment. It reflects larger premium increases from 2022 and more hesitancy among uninsured to take-up relative to Best estimate
- The High estimate assumes higher enrollment. It reflects smaller premium increases from 2022 and less hesitancy among uninsured to take-up relative to Best estimate

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Changes from March Draft Results

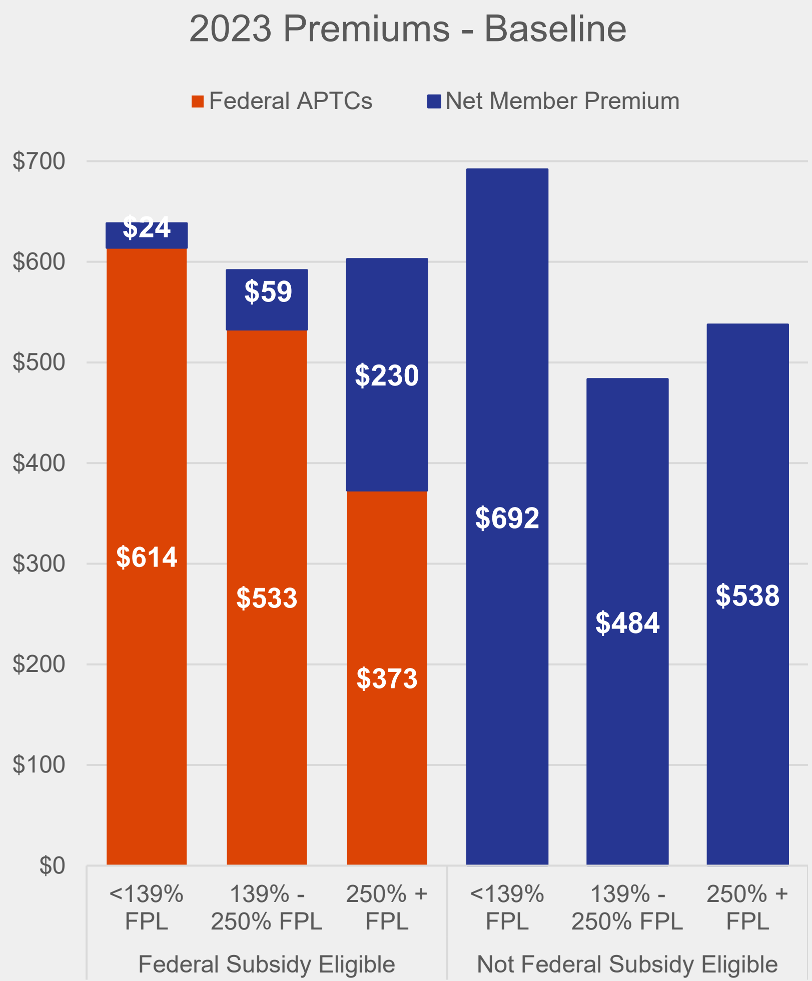
- Changes to the PMPM amounts from previous modeling were impacted by a number of factors, particularly:
  - Updated effectuated enrollment data from April 2022
    - Previous model based on January 2022 enrollment data
  - Higher premium increases than assumed in the previous model
    ~7% increase in initial filings vs. ~2% in previous model
  - A lower increase (~1%) in SLCS benchmark rate, resulting in lower APTC
  - Results in a higher PMPM, given less uptake is expected

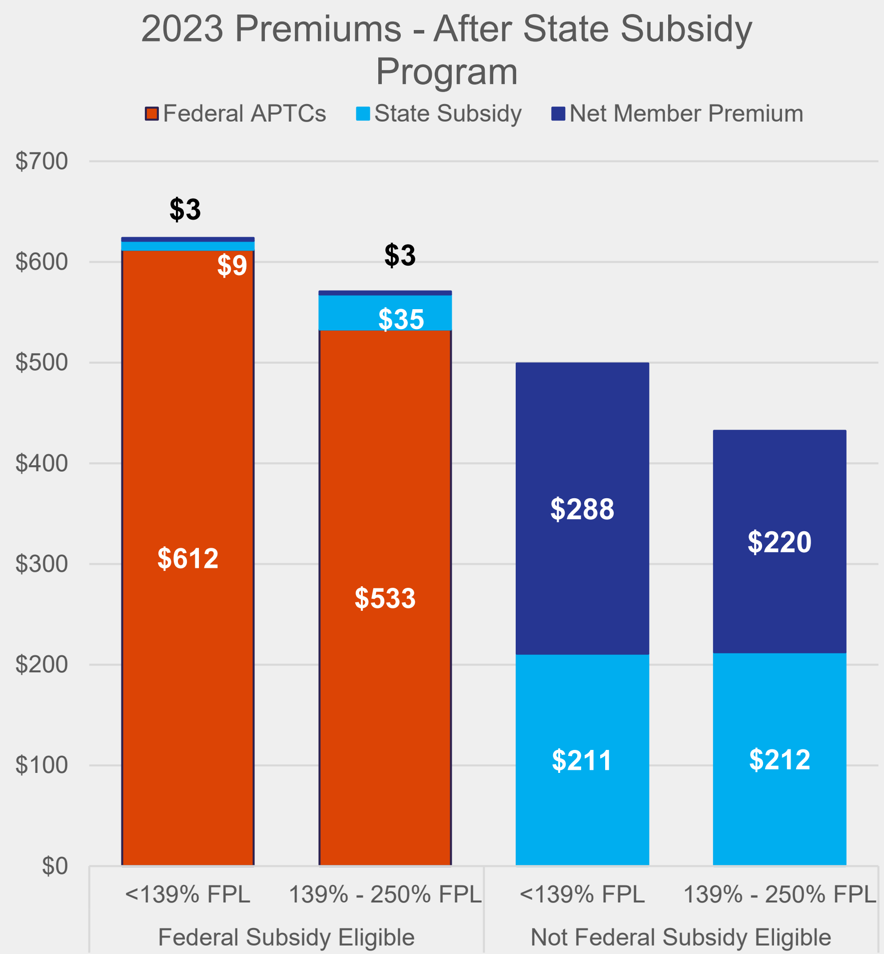
  - Family glitch regulation is expected to be implemented by 2023

  - The PHE unwind is now expected to begin in 2023
    - The previous model assumed redeterminations would begin in July 2022, and be complete in mid-2023.

Premium Impact – Best Estimate Scenario w/ ARPA

Members Receiving State Subsidies Only





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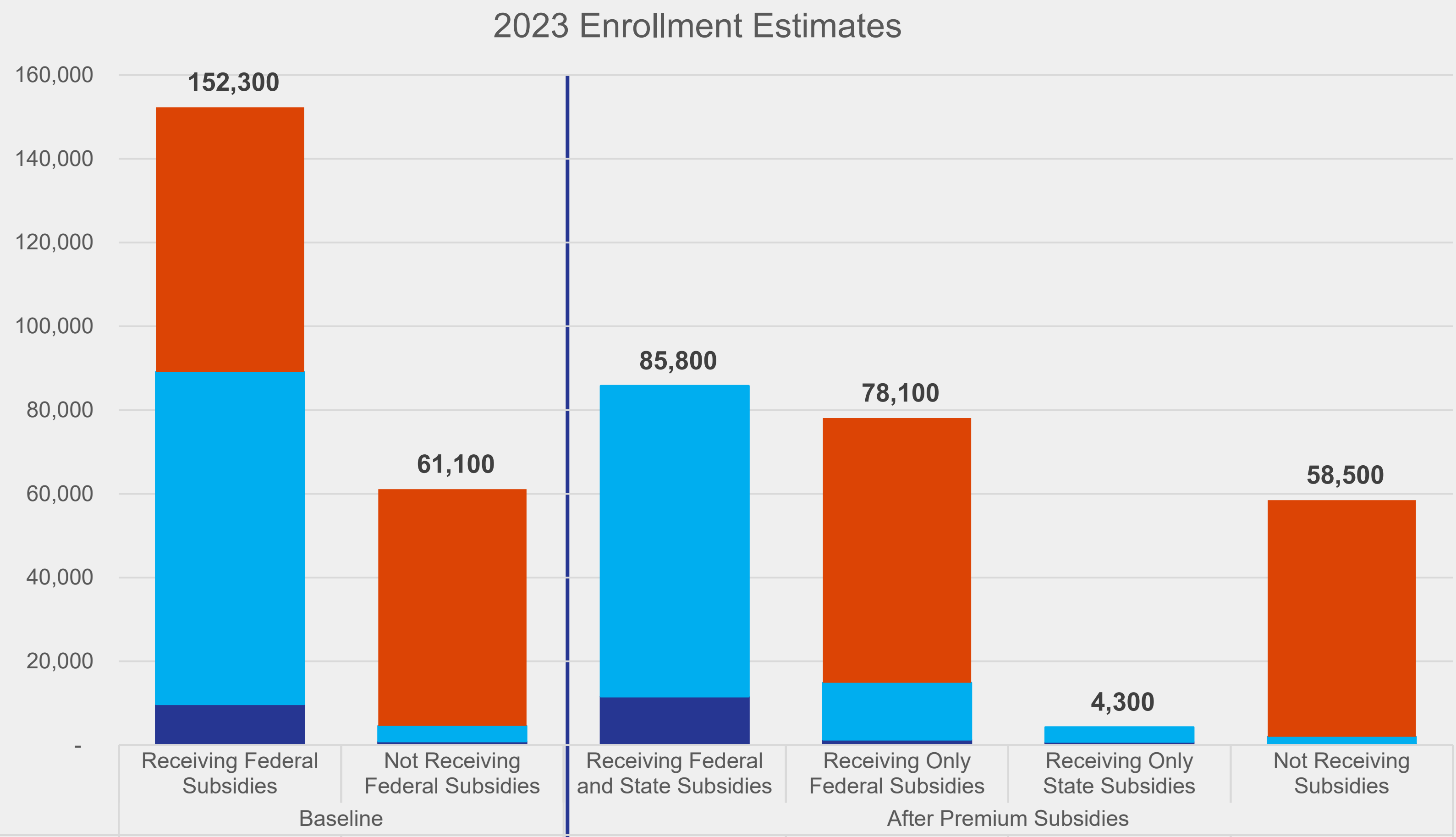
Enrollment Impact – Best Estimate Scenario w/ ARPA (continued)



	Baseline: Receiving Federal Subsidies	Baseline: Not Receiving Federal Subsidies	After Premium Subsidies: Receiving Federal and State Subsidies	After Premium Subsidies: Receiving Only Federal Subsidies	After Premium Subsidies: Receiving Only State Subsidies	After Premium Subsidies: Not Receiving Subsidies
Total	152,300	61,100	85,800	78,100	4,300	58,500
250% +	63,200	56,500	-	63,200	-	56,500
139% - 250%	79,300	3,700	74,200	13,600	3,500	1,600
<139%	9,800	900	11,600	1,300	800	400

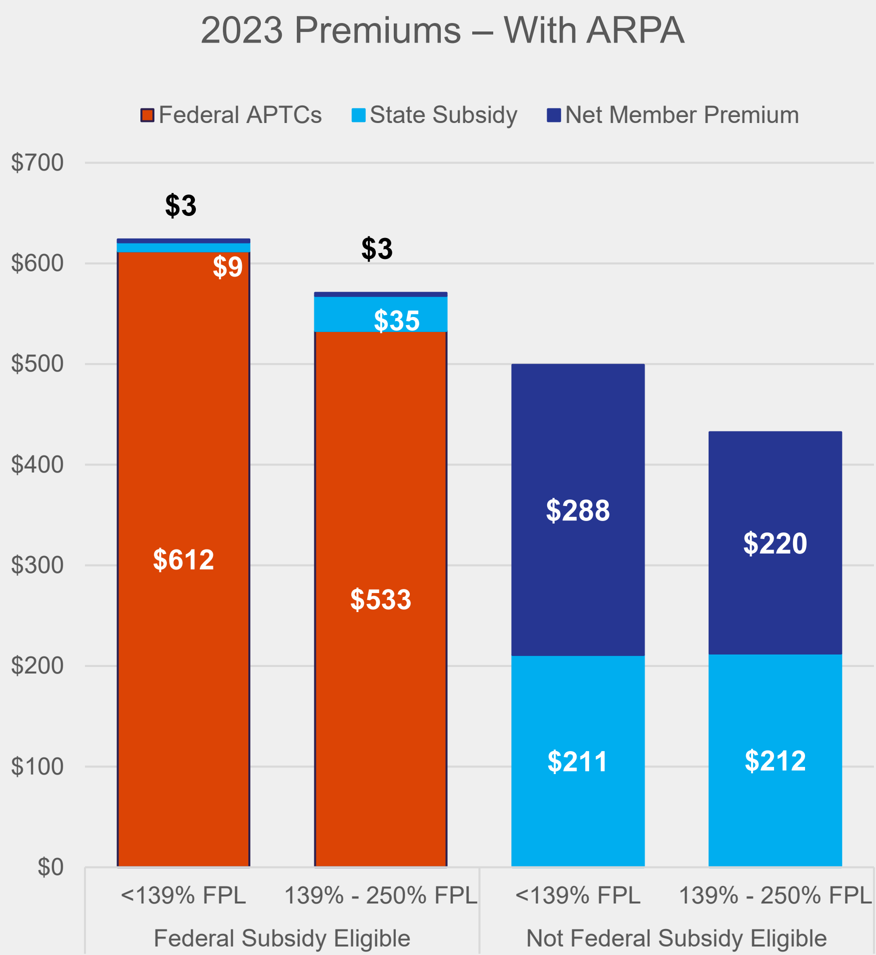
ARPA Subsidies Discontinued

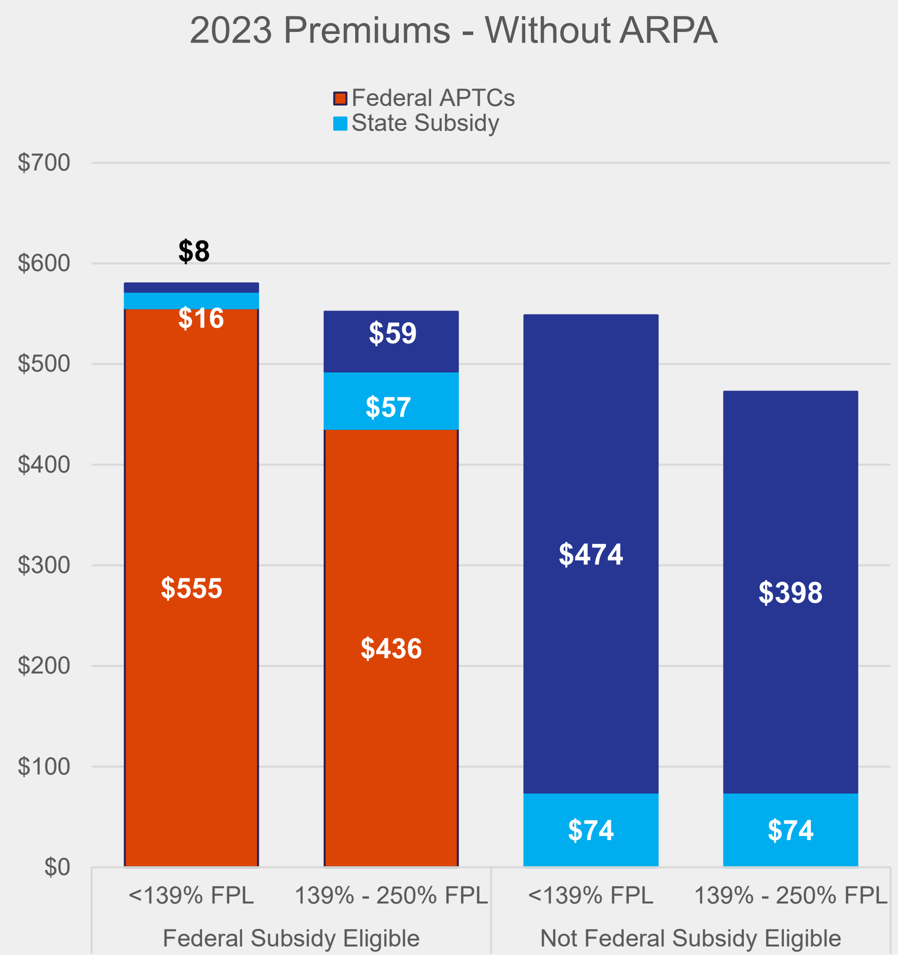
ARPA Expires			On-Exchange Take-Up				
Enrollment Scenario	**State Subsidy Estimate, PMPM**	**Total State Funding ($ Millions)**	**On Exchange Enrollment**	**New Enrollment**	**Uninsured (QHP Eligible)**	**Off-Exchange (QHP Eligible)**	**Total Members Receiving State Subsidies**
Best	$75	$43.1	207,500	10,200	9,800	400	69,300
Low	$75	$35.4	183,500	6,800	6,600	200	57,600
High	$75	$51.2	238,100	14,600	13,900	700	82,500

- Enhanced federal premium subsidies under the American Rescue Plan Act will expire at the end of 2022, barring Congressional action (as of 8/5/22)
- The table above shows the state premium subsidy PMPM estimate for the same $45M funding should ARPA expire.

Premium Impact – Best Estimate Scenario Comparison (with and without ARPA)

Members Receiving State Subsidies Only





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Conclusions

- Several factors result in a higher proposed subsidy amount if ARPA continues, including updated effectuated enrollment numbers, proposed 2023 premium increases, and extension of PHE

- We understand this higher PMPM amount (with ARPA) based on “best estimate” of enrollment includes assumptions with respect to some pieces that are still unknown – acknowledging this presents some risk

- 2023 subsidy amount will be updated again based on this methodology, to include:
  - Final 2023 plan rates after Plan Certification in September
  - Firmer information about continuation of ARPA subsidies
  - Known impact of cross-mapping for customers who will be auto-enrolled into a new plan

Questions and Discussion

- Do the updated enrollment and premium estimates resonate? What questions do you have about assumptions, methodology, or anticipated outcomes?

- What risks are presented by the methodology and estimates? Do you have suggestions about what Wakely should consider to mitigate these risks?

- In both legislative scenarios (ARPA expires/continues), $75 / $215 PMPM respectively, state subsidy slightly exceeds appropriation ($50 million) under high enrollment scenario.
  - What is your reaction to risk associated with possibility of hitting the high-enrollment scenarios?

- Considering the many unknowns facing the Exchange and its customers (e.g., continued enhanced federal subsidies, PHE unwind, final rates), what goals or principles should be considered to ensure maximization of state premium assistance while balancing risk?

Limitations and Disclosures

Disclosures and Limitations

Responsible Actuary. I, Ksenia Whittal, am the actuary responsible for this communication. I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to issue this analysis.

Purpose. The purpose of this analysis is to provide updated estimates of the state premium subsidy amounts (flat per member per month) provided under a state-based premium subsidy program starting in 2023, given the preliminary 2023 filed premium increases by the participating issuers and several scenarios (low, best and high enrollment, assuming expiration and continuation of the American Rescue Plan Act (ARP)). The goal for this analysis is to facilitate discussions with stakeholders on potential program structures and review the changes in the subsidy amounts from the prior estimates. The goal of this review is to ensure that the information included in the model provides enough details and the type of information necessary to evaluate the program structures in order make a recommendation as well as ensure that the directionality and magnitude of changes in assumptions or the program structure are in line with expectations.

Intended Users. This information has been prepared for the sole use of the Washington Health Benefits Exchange (WAHBE). It is our understanding that this model will be provided to members of the stakeholder group, including carrier participants, for review. This model cannot be distributed to or relied upon by any other third party without the prior written permission of Wakely. This information is confidential and proprietary.

Risks and Uncertainties. The assumptions and resulting estimates included in this analysis are inherently uncertain, and numerous projection assumptions may be refined before the final report. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. Note that since the 2023 premium increases are the initial filing requests, it is likely that the final approved rates could potentially be different from the increases used in this analysis and consequently affecting the results. Wakely does not warrant or guarantee the projected values included in the analysis. It is the responsibility of the organization receiving this output to review the assumptions carefully and notify Wakely of any potential concerns. This is a market level analysis. Actual experience for any issuer could be notably different than the market average.

Conflict of Interest. The responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this analysis. In addition, Wakely is organizationally and financially independent to WAHBE.

Data and Reliance. We have relied on others for data and assumptions used in the assignment. We have reviewed the data for reasonableness, but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly. For some estimates, there are multiple sources of information, including public sources. In some cases, the different sources produce meaningfully different data/information. For example, the distribution of uninsured by income level as reported by the 2018 ACS data and summary provided by OFM contain different distributions by income level, though the total number of uninsured are similar. In this version of the model, we have reviewed the data for reasonableness, however, we continue to review the various sources of information and subsequent versions may incorporate adjustments to better reflect the market in Washington.

Subsequent Events. There are no known relevant events subsequent to the date of information received that would impact the results of this report.

Contents of Actuarial Report. This document and the supporting exhibits/files constitute the entirety of actuarial report and supersede any previous communications on the project.

Deviations from ASOPS. Wakely completed the analysis using sound actuarial practice. To the best of my knowledge, the report and methods used in the analysis are in compliance with the appropriate Actuarial Standards of Practice (ASOP) with no known deviations.

Reliances

Wakely has utilized data provided by WAHBE as well as public data in the analyses described in this report.

- 2023 premium changes from initial rate filings as well as the change in the second-lowest cost silver (SLCS) plan by county, as provided by the state.

- 2022 enrollment data through January 2022, including county, plan, metal level, premiums (before and after APTC), APTC, household, income, age, race, ethnicity, effectuation status

- 2022 enrollment data through April 2022 including subsidy and effectuation status

- 2021 and 2022 Final Rate data for all carriers by plan, age, and county

- OFM FPL and Immigration Status of the Uninsured: 2018 and 2019

- Information on implementation considerations and requirements for WAHBE to administer the programs discussed in this report

- Emerging open enrollment results for the 2022 benefit year, as of December 3, 2021

In addition to the data described above, Wakely relied on the following public data sources to inform the assumptions used in the analyses:

- Small Area Health Insurance Estimates: 2019

- Medical Loss Ratio Data: Public Use File for 2019

- Summary Report on Permanent Risk Adjustment Transfers for the 2020 Benefit Year

- Congressional Budget Office (CBO) Background Paper “The Price Sensitivity of Demand for Nongroup Health Insurance”

- CBO “How CBO and JCT Analyzed Coverage Effects of New Rules for Association Health Plans and Short-Term Plans”

- Kaiser Family Foundation Distribution of Nonelderly Uninsured Individuals who are Ineligible for Financial Assistance

Caveats

Data Limitations. No updates to the actual member-level enrollment since January 2022 has been made. The overall number of subsidized and unsubsidized members in 2022 data was adjusted to match April 2022 effectuated enrollment, more closely resembling recent member attrition and effectuation rates. Still, there is uncertainty on attrition patterns or other changes through the remainder of 2022 by other member characteristics such as income, plan metal tier, age and county. Changes to base estimates could influence estimates. Secondly, income data was not available for a large portion of the on-Exchange enrollment and for the off-Exchange customers. It is assumed that these customers would not be eligible for state subsidies due to higher incomes. To the extent these customers would be eligible for state subsidies, the cost estimates could be understated. Data on individual market income levels includes a certain level of error and uncertainty. The extent to which incomes of either the currently insured or uninsured differ from the estimates may result in material changes in the estimates.

Political Uncertainty. There is significant policy uncertainty. Future federal actions such as additional unemployment insurance payments or other Federal actions could change the estimates enclosed in this report. Additionally, the timing of the end of the Federal emergency declaration over COVID-19 could affect enrollment. Changes to Federal laws and regulations may also impact the estimates. Finally, policy changes at the state level, such as regulations around standard plan designs or public option.

Enrollment Uncertainty. Additionally, there is enrollment uncertainty. Beyond changes to potential rates and policy, individual member or firm responses to these changes also has uncertainty. There is significant uncertainty of take-up levels among the undocumented individuals as these members have not previously been eligible for enrollment in QHPs.

Premium Uncertainty. Given the potential change in enrollment, metal level enrollment decisions, or other enrollment decisions could influence the average premium in the market.

Economic Uncertainty. There remains considerable uncertainty as to the economic conditions in 2022 and 2023, which could impact the number of uninsured as well those with employer-sponsored insurance coverage, which could impact enrollment and premium levels.

Implementation Uncertainty. There is significant uncertainty as to how the program above would be implemented. How the program is ultimately implemented could have material impact on enrollment and costs. For example, the method and potential reconciliation of income data. For purposes of this analysis, Wakely assumed reported income would be used for determination of subsidy eligibility. The extent to which verification of income or after the benefit year reconciliation is different from those assumptions could impact the estimates contained in this report. Similarly, Wakely did not account for any interactions with the current Health Reimbursement Arrangements (HRA) requirements. Eligibility for the program based on employer offers could influence the number of firms that shift employees into the individual market and therefore impact the estimates. Finally, Wakely did not include any costs associated with implementation or assume that those costs (or other costs) would impact the available of funds for the programs analyzed.