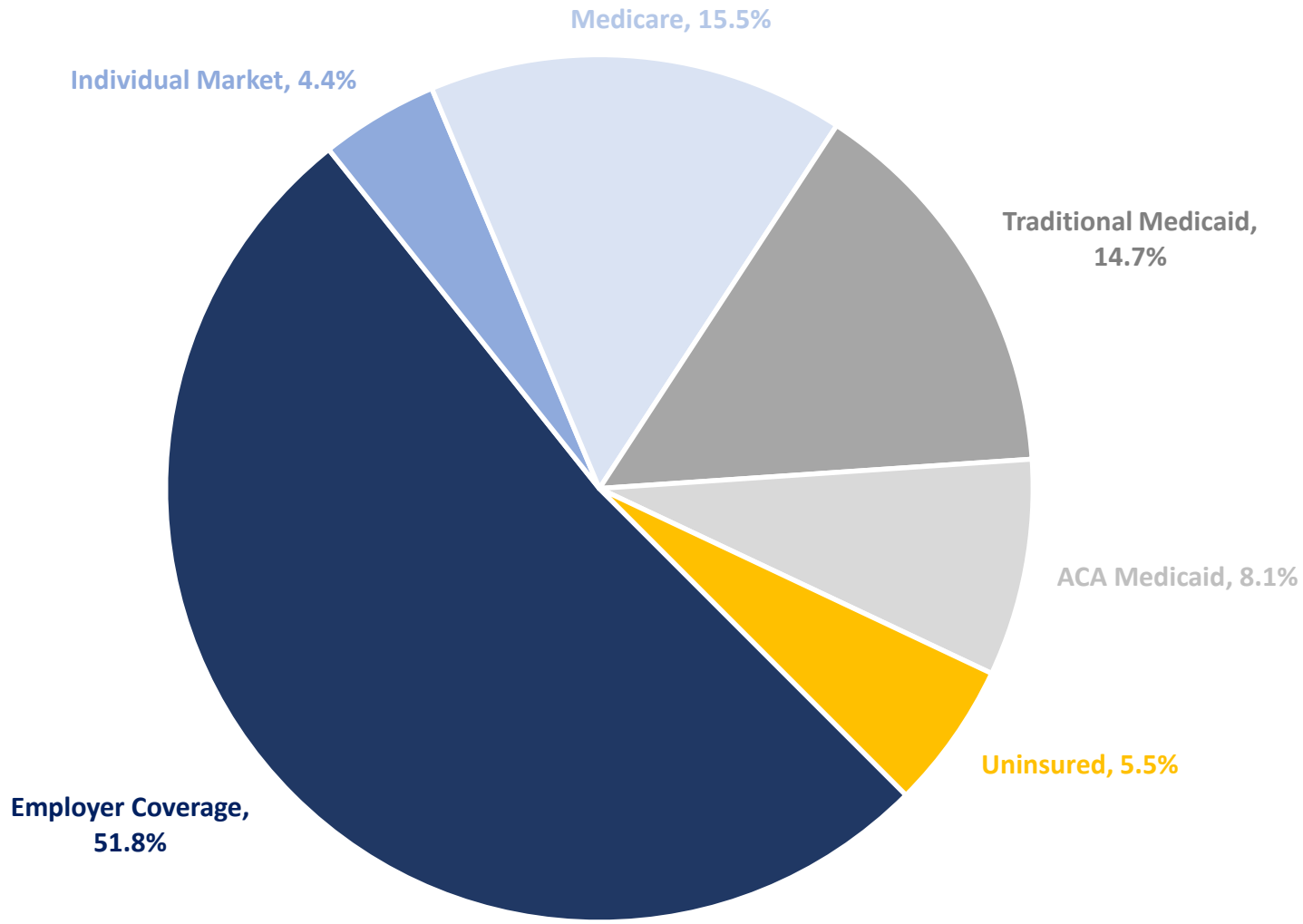
Washington Health Benefit Exchange

House Health Care & Wellness Committee

Pam MacEwan, CEO
Joan Altman, Legislative & External Affairs

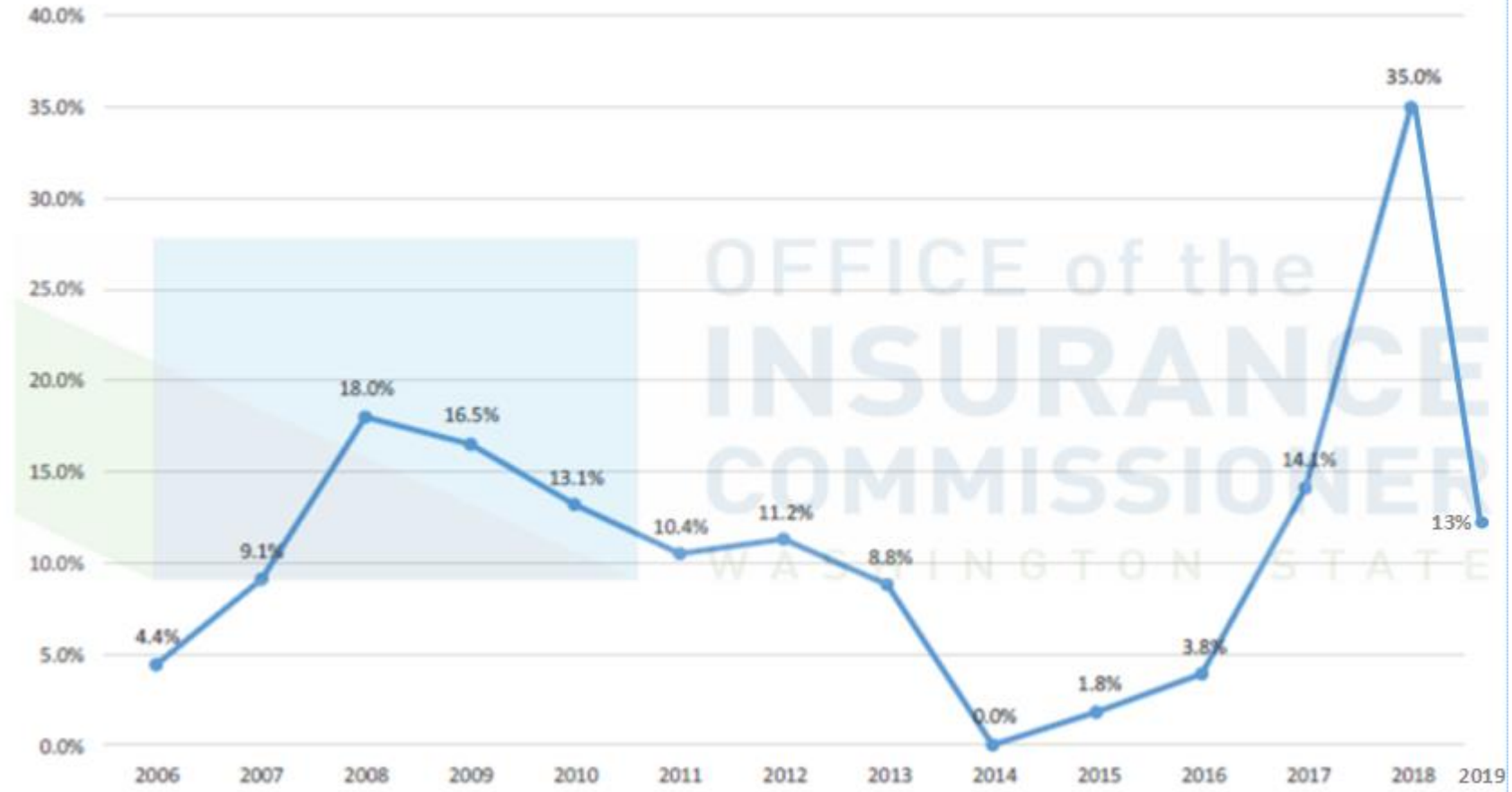
HEALTH COVERAGE IN WASHINGTON STATE, 2017



State of Individual Market – 2019

- Stability in issuers
  - On & Off Exchange: 11 issuers selling 88 plans
  - On-Exchange: 7 issuers offering 40 plans.
- No bare counties
- Fourteen counties with one issuer
  - Asotin, Chelan, Clallam, Douglas, Ferry, Garfield, Grays Harbor, Island, Okanogan, Pacific, Pend Oreille, San Juan, Skagit, Wahkiakum

Individual market weighted rate change



Source: Carrier rate filing with the OIC

Methodology: this graph represents the annual change in rate for continuing plans on the individual market as approved (rather than requested) by OIC. The average rate changes are weighted by observed enrollment as of March of the earlier year and expected enrollment for the following year.

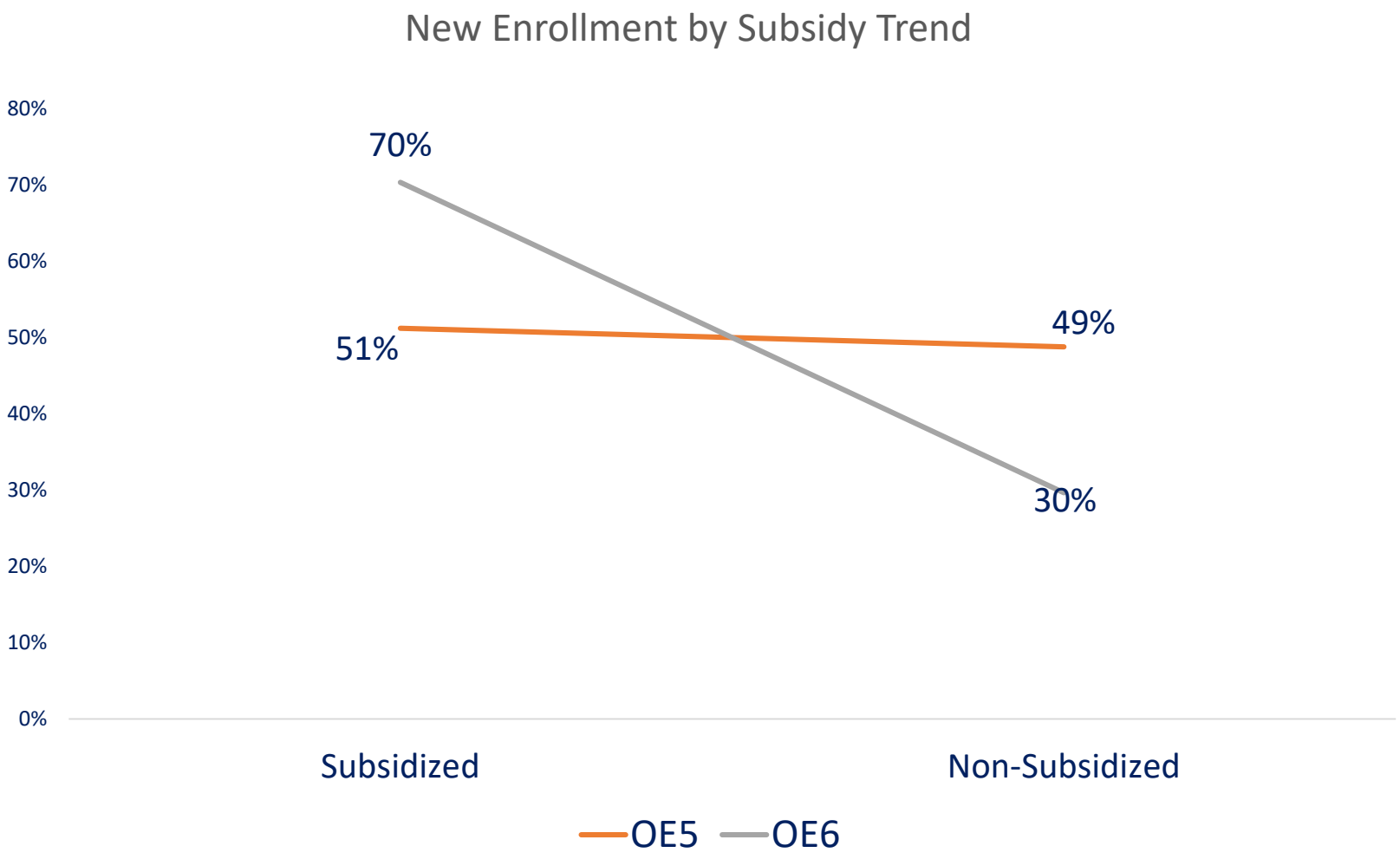
The rate increase in 2018 reflects the impact of termination of CSR payments and federal reinsurance payments.
The proposed average rate increase for 2019 is 13%.

OE6 Highlights

- ~220,000 sign ups
  - First ever decrease in plan selections
- 65% Subsidized; 35% Non-Subsidzed
  - 2% increase in subsidized; 2% decrease in non-subsidized
- Significantly fewer new enrollees

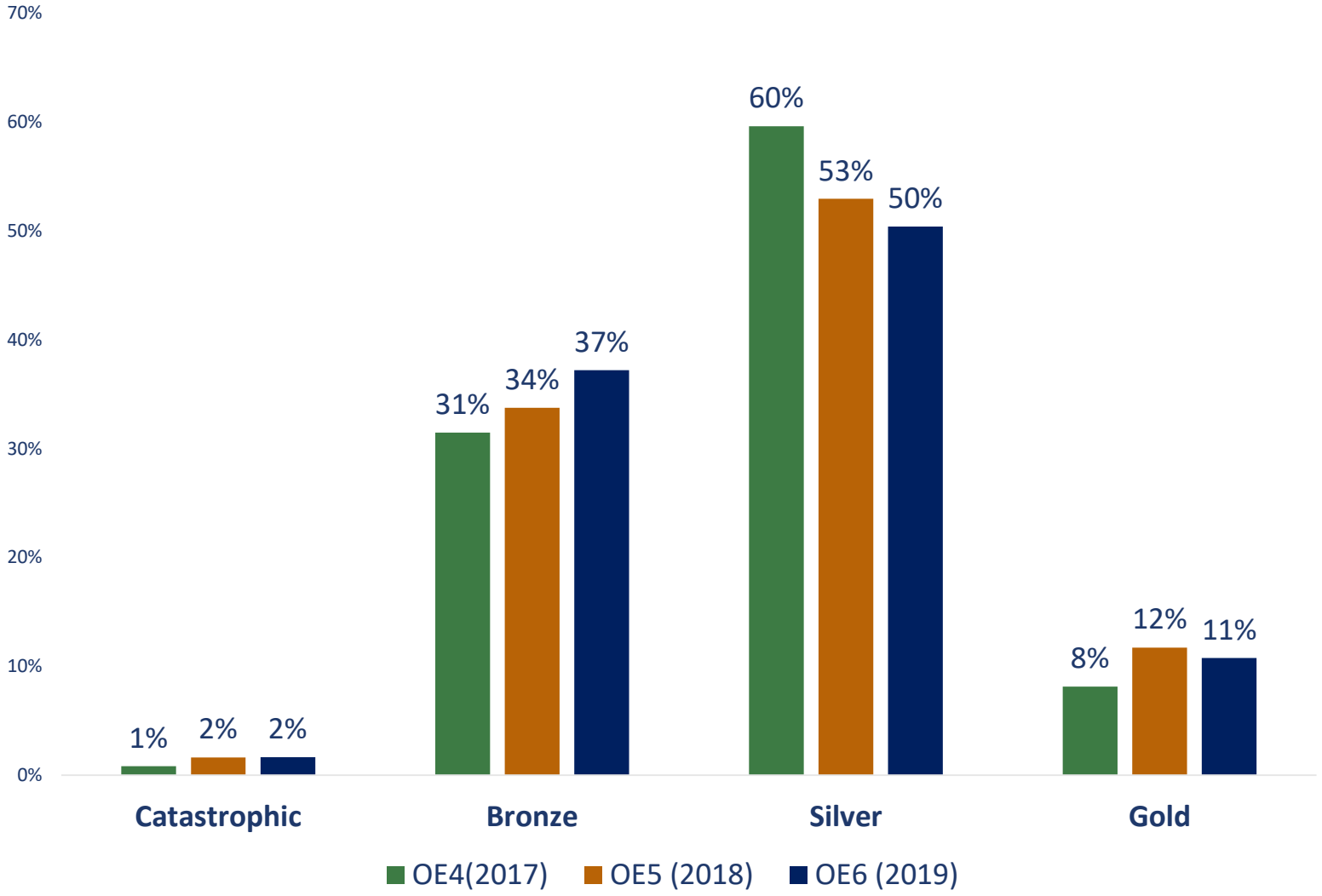
Description	OE5 (2018)	OE6 (2019)
Selected	242,850	218,849
New	78,834	42,505
Retain	164,016	176,344

Decline in New, Non-Subsidized Customers



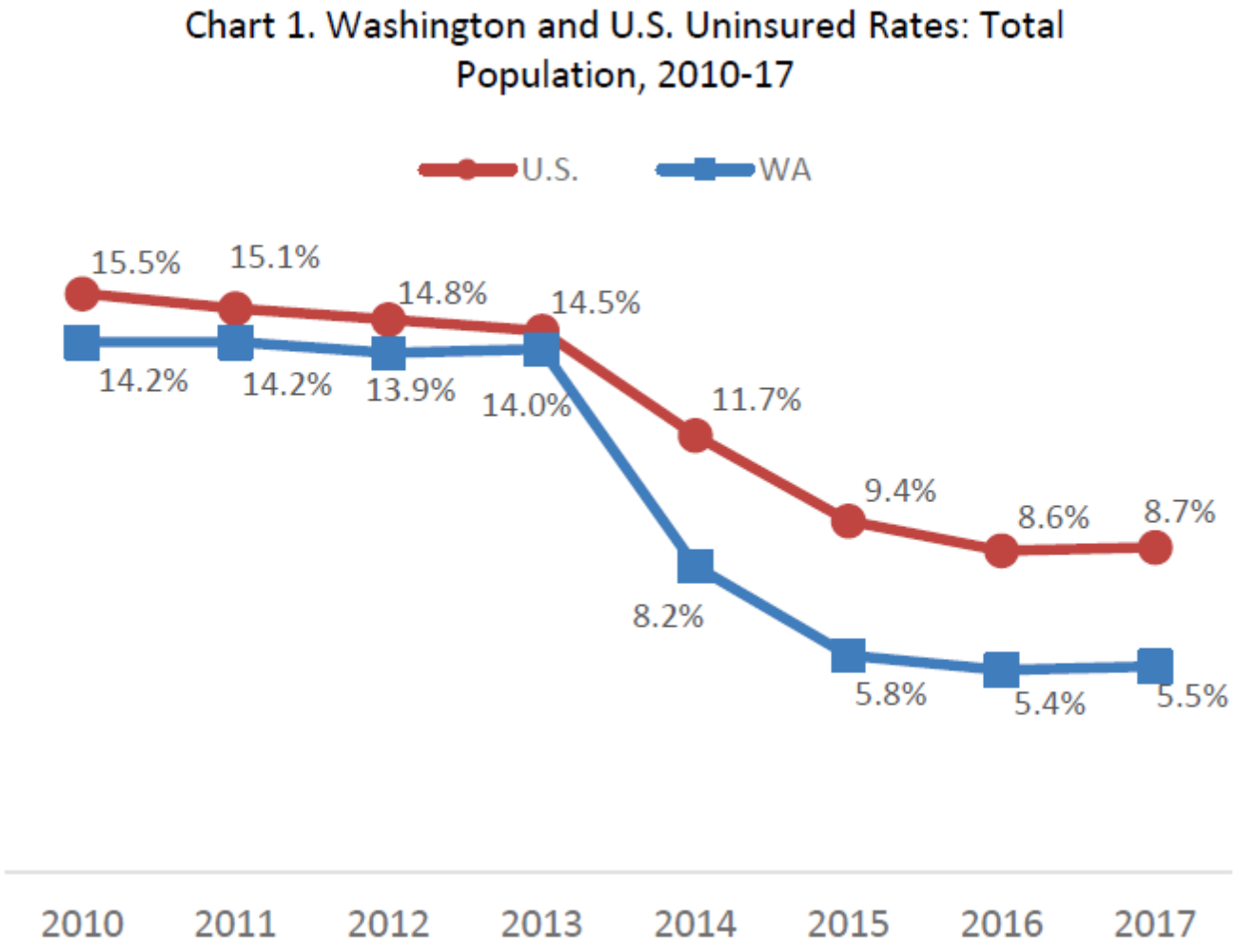
Data is from the end of open-enrollment each year

Plan Selection by Metal Tier
Increase in Bronze; Decrease in Silver



Data is from the end of open-enrollment each year

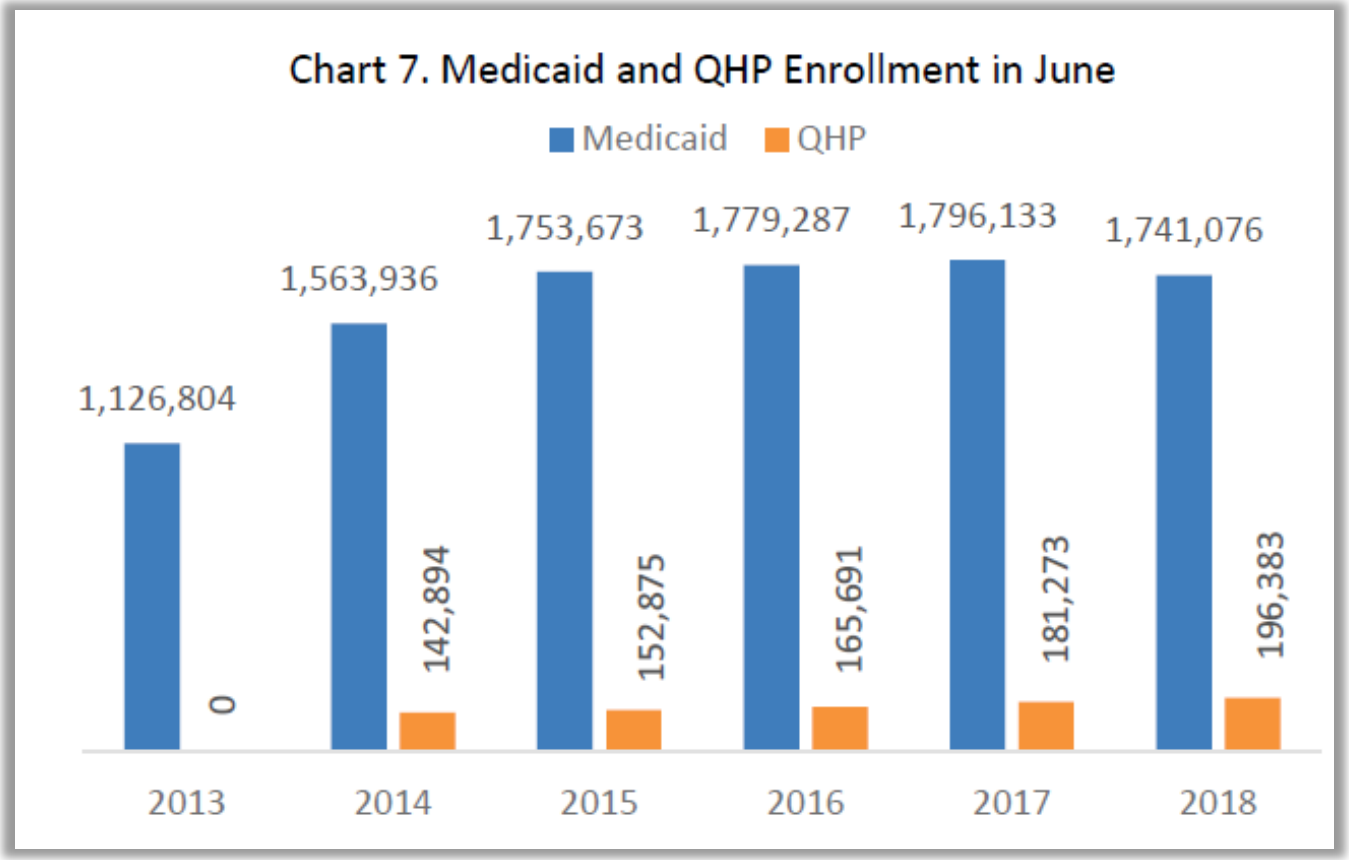
Washington's Uninsured Rate



Source: OFM Research Brief (Dec. 2018)
https://www.ofm.wa.gov/sites/default/files/public/dataresearch/researchbriefs/brief089.pdf

Market Movement From 2017-2018

- 35,000 fewer people in individual market as a whole (on and off Exchange)
- 55,000 fewer people in Medicaid
- Lack of continuity for QHP-eligible residents churning off Medicaid



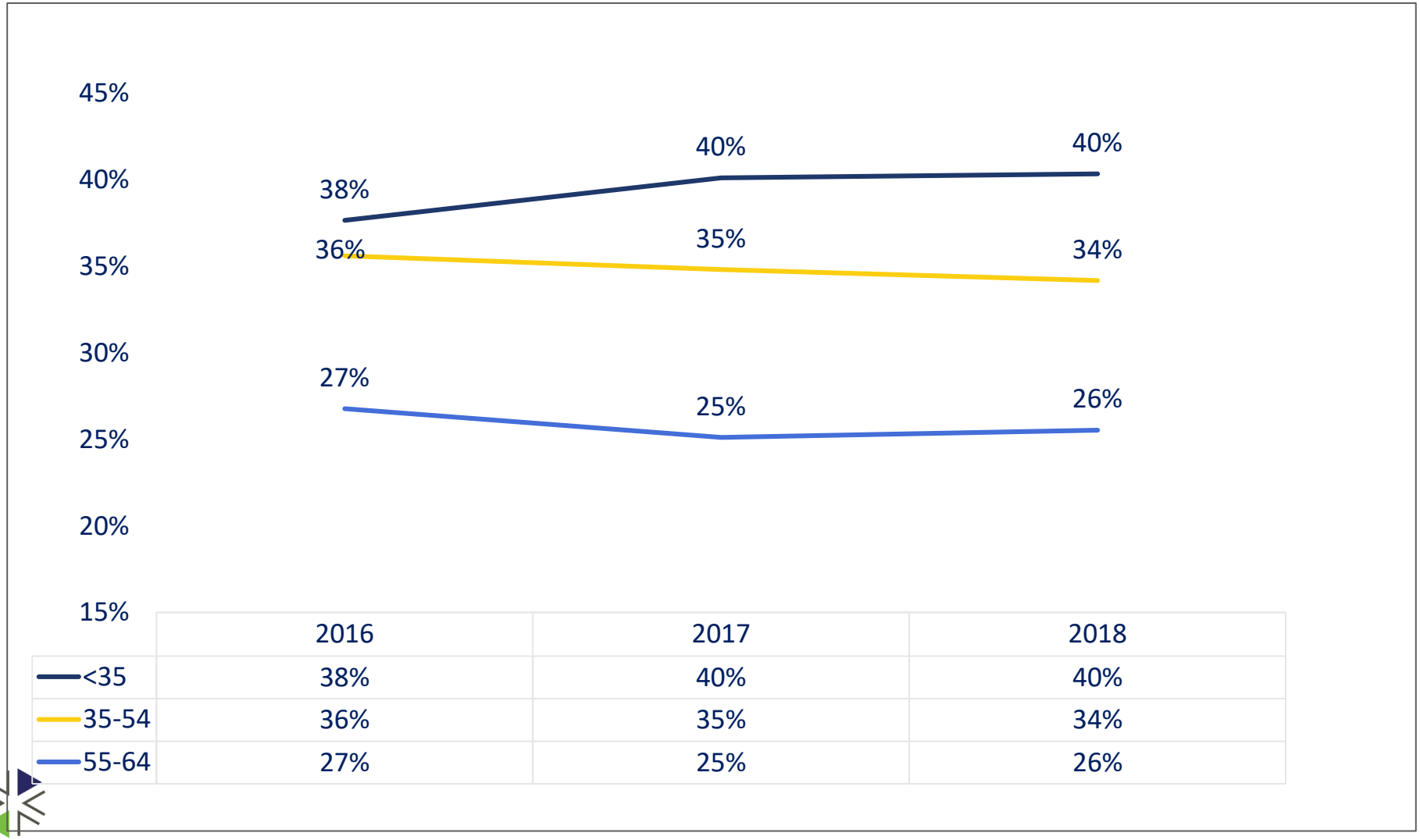
Exchange Customer Experience 2018

- Highest drops on Exchange among 'Young Invincibles' (<35 y/o) and residents not receiving federal subsidies
- Surveyed 2017 customers who did not renew coverage in 2018; 35% of respondents said they couldn't find a plan to fit their budget

"My premiums would be over 15% of my income, with a $6500 deductible. With premiums and deductible I would not be able to afford to even go to the doctor even if I needed to."

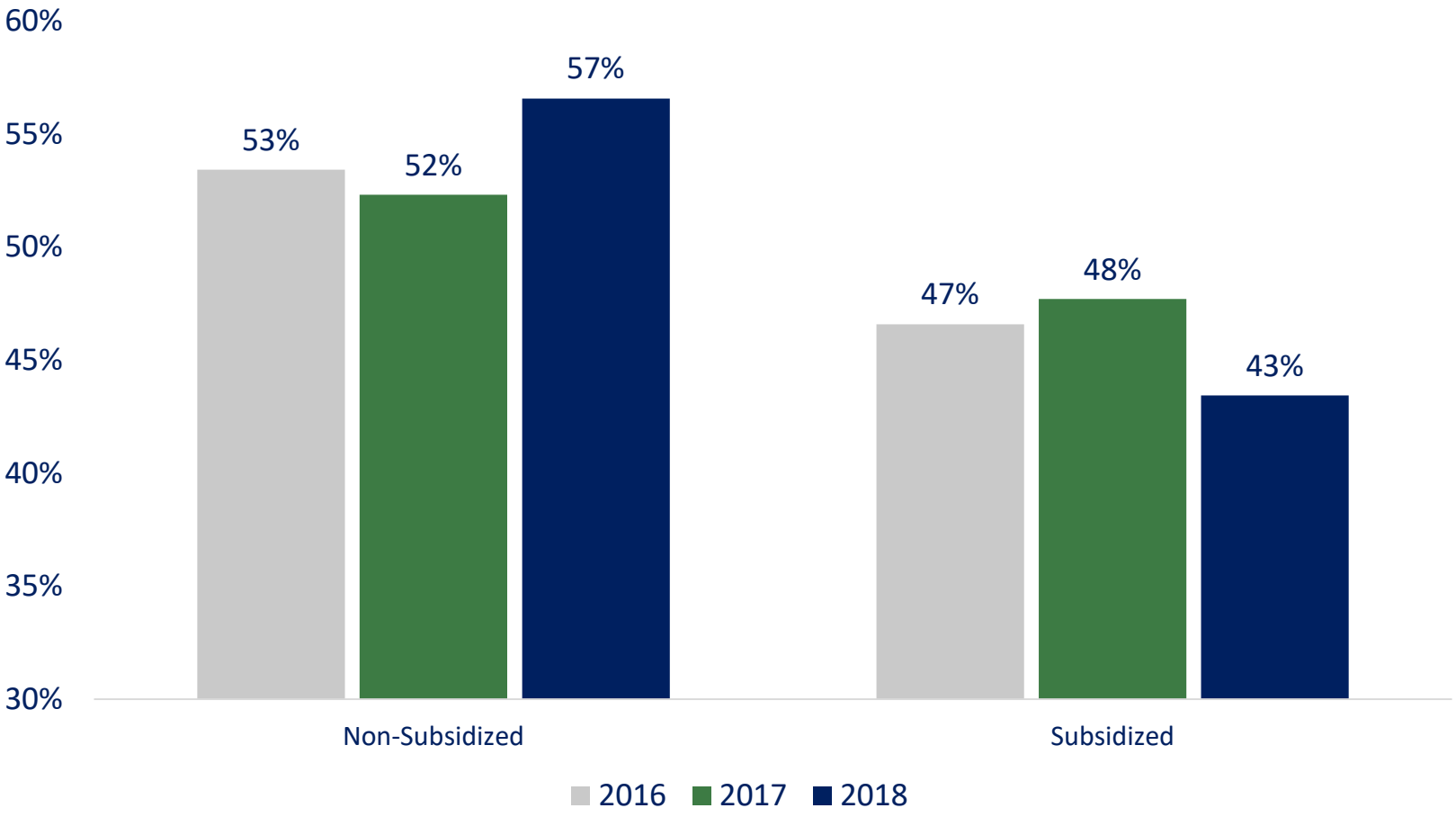
"It was more cost effective to pay our medical expenses out of pocket each month rather than pay a premium each month, but then still be responsible to pay for prescriptions and a $7500 deductible per person."

Highest Drops Consistently Among 'Young Invincibles' (<35)

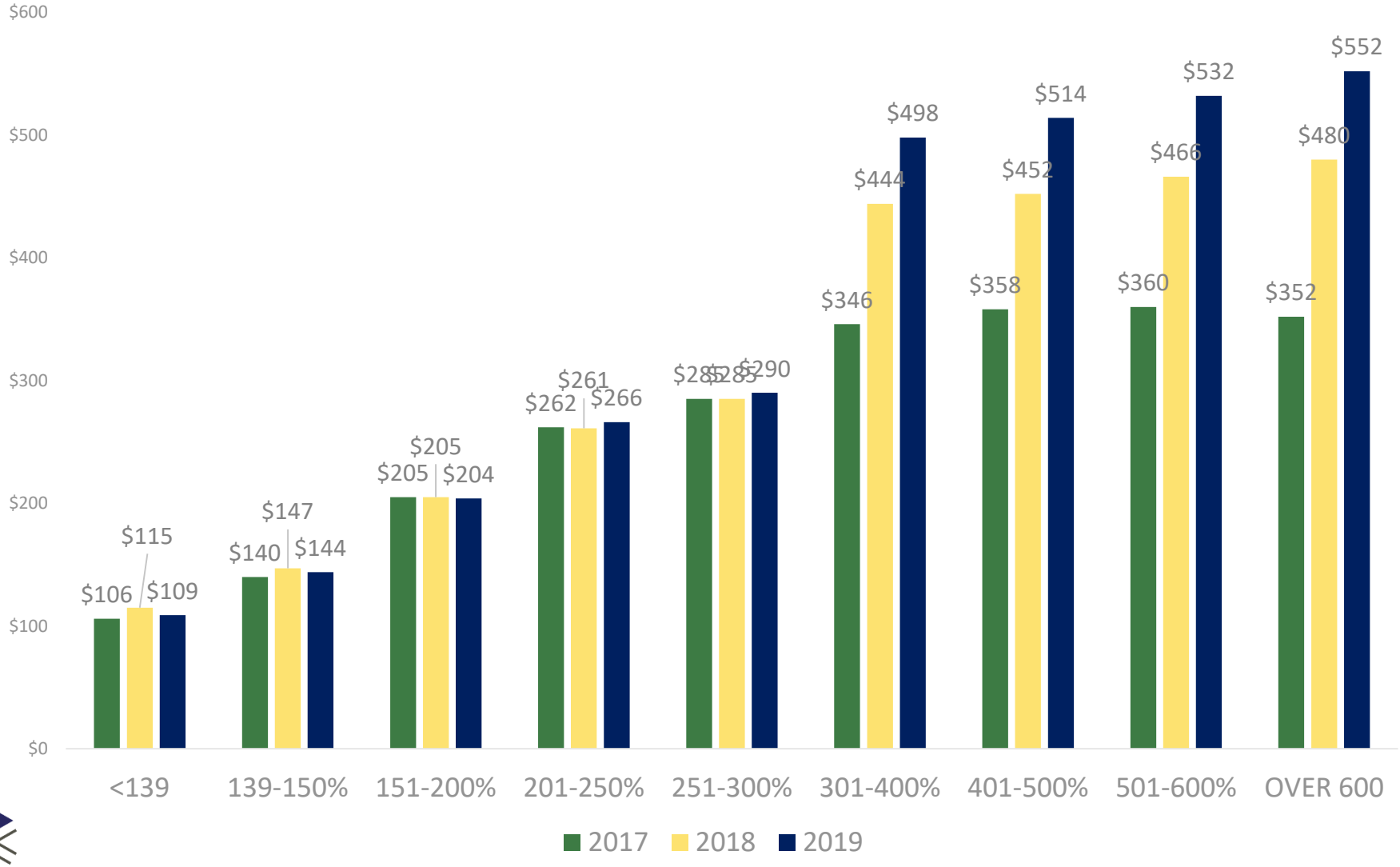


	2016	2017	2018
<35	38%	40%	40%
35-54	36%	35%	34%
55-64	27%	25%	26%

Highest Drops Consistently Among Non-Subsidized

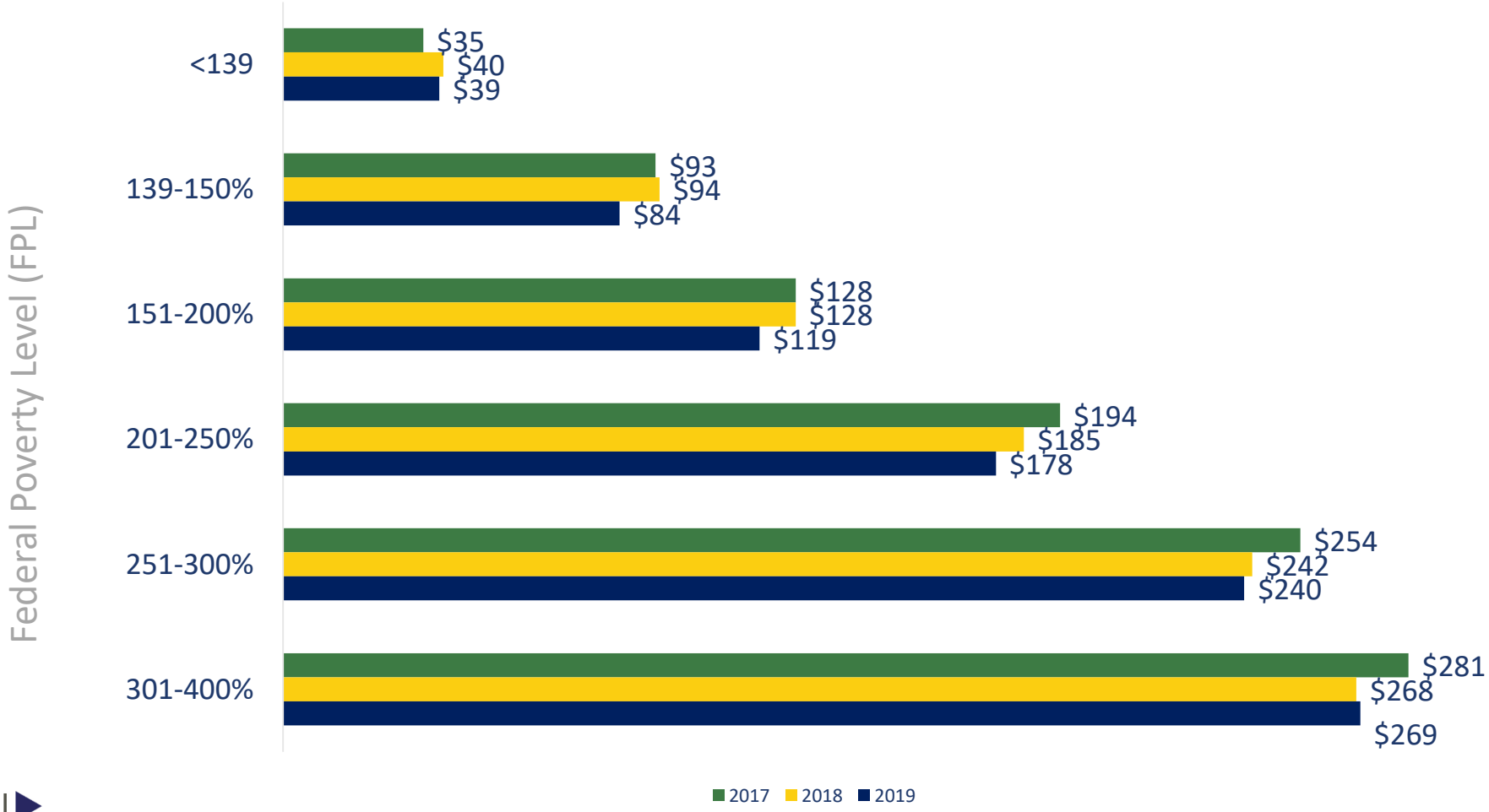


Average Net Premium Trend For Exchange Customers



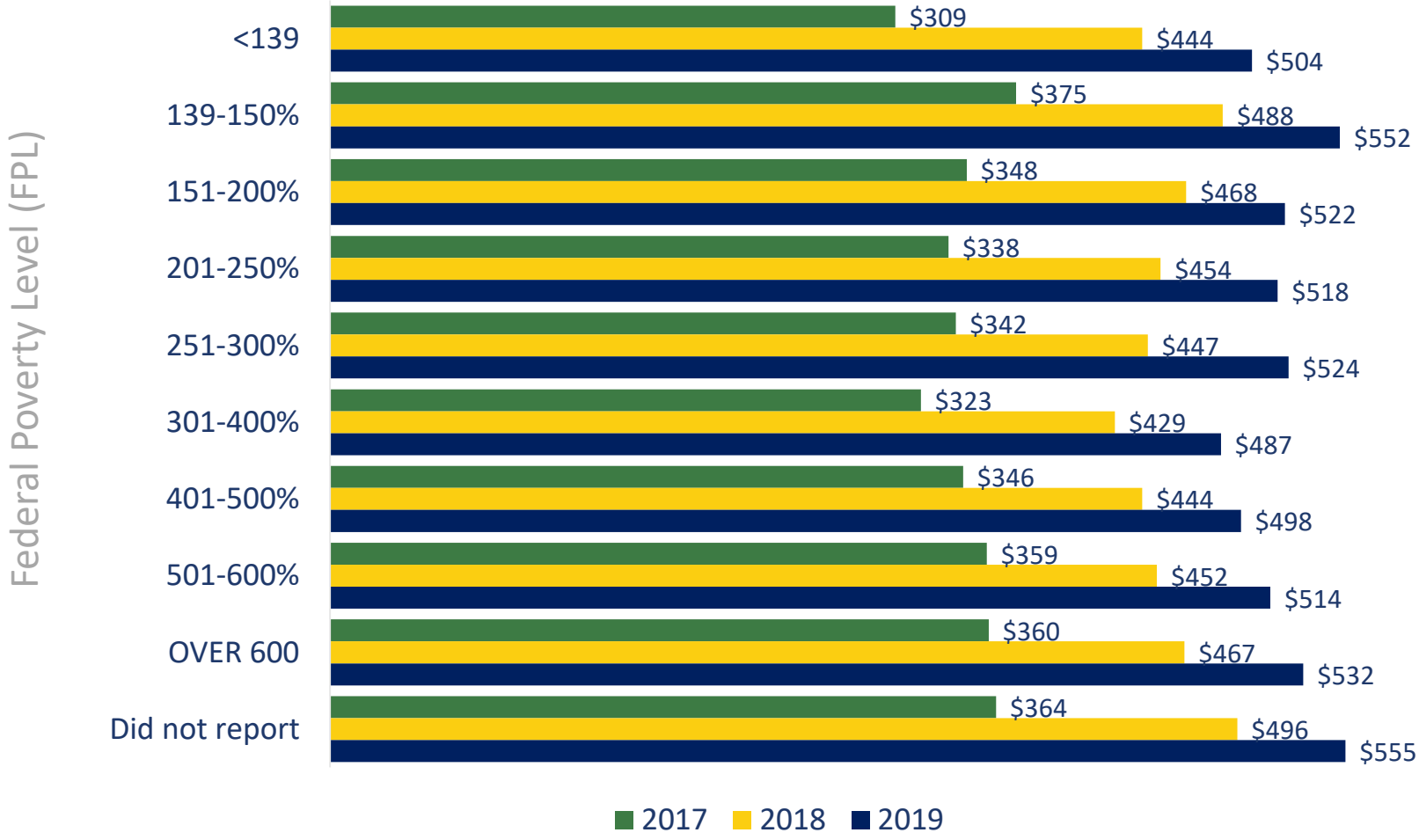
Subsidized Customers Largely Shielded

Average Monthly Net Premium by FPL For Subsidized Exchange Customers, 2017-2019

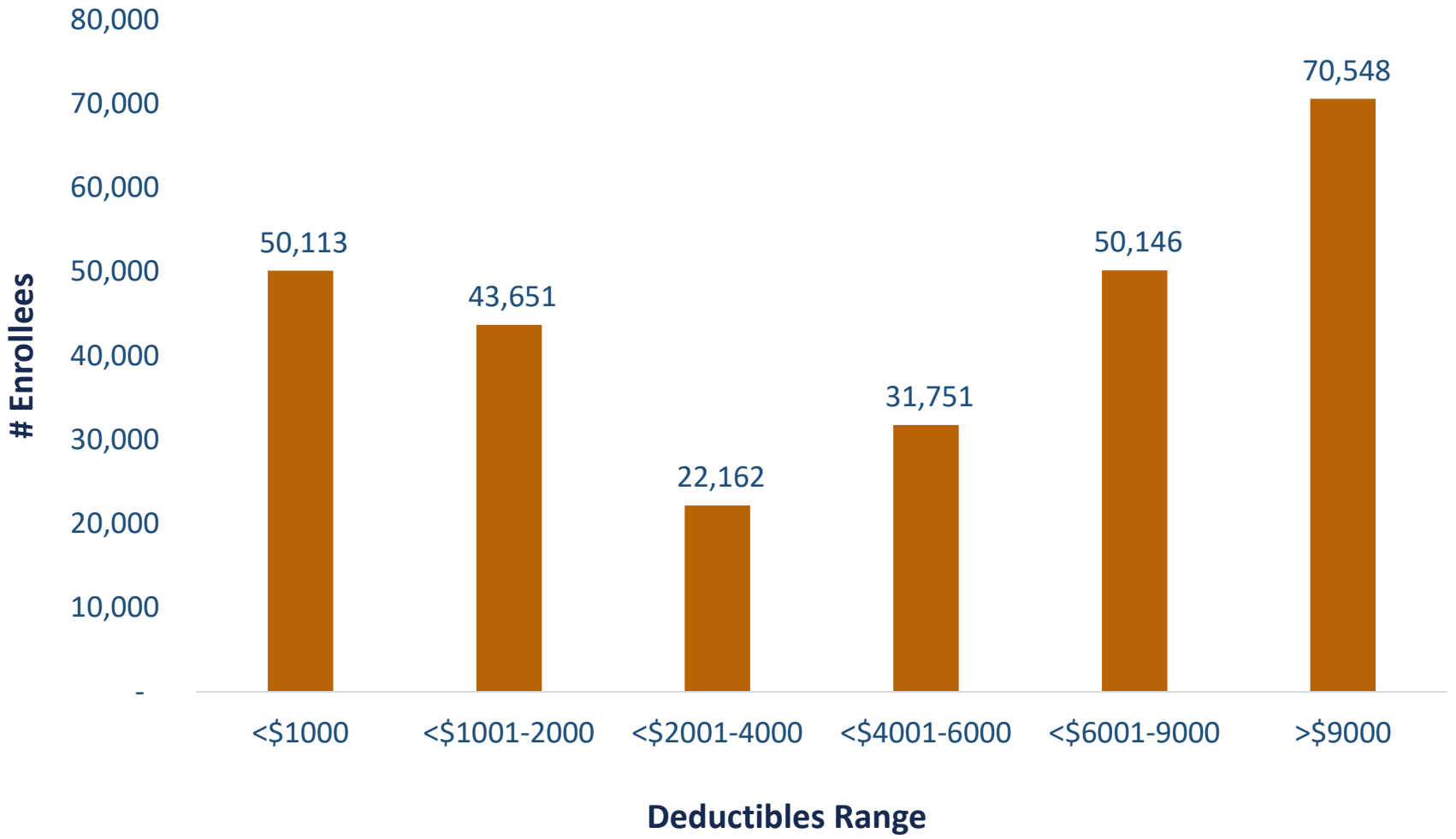


Non-Subsidized Customers Faced Significant Increases

Average Monthly Net Premium by FPL For Non-Subsidized Exchange Consumers, 2017-2019



2018 Exchange Customer Deductibles



Deductibles are for individual and family plans after cost-sharing reductions have been applied.

Consumers Pay A Significant Amount of Household Income on Health Coverage

Subsidy Status	FPL	Number of Customers	Avg. % of Income Spent on Premium	Est. % of Income Spent on Premium and Deductible*
Subsidized	139-150%	12,257	6%	14%
	151-200%	34,878	6%	21%
	201-250%	22,884	8%	31%
	251-300%	15,498	9%	31%
	301-400%	20,983	9%	26%
	401-500%			
	501-600%			
	OVER 600			
Non-Subsidized	139-150%	349	30%	76%
	151-200%	1,208	23%	61%
	201-250%	1,201	18%	47%
	251-300%	1,117	15%	37%
	301-400%	1,934	13%	31%
	401-500%	7,442	11%	26%
	501-600%	3,604	10%	21%
	OVER 600	6,584	4%	9%

Assumes annual deductible is met

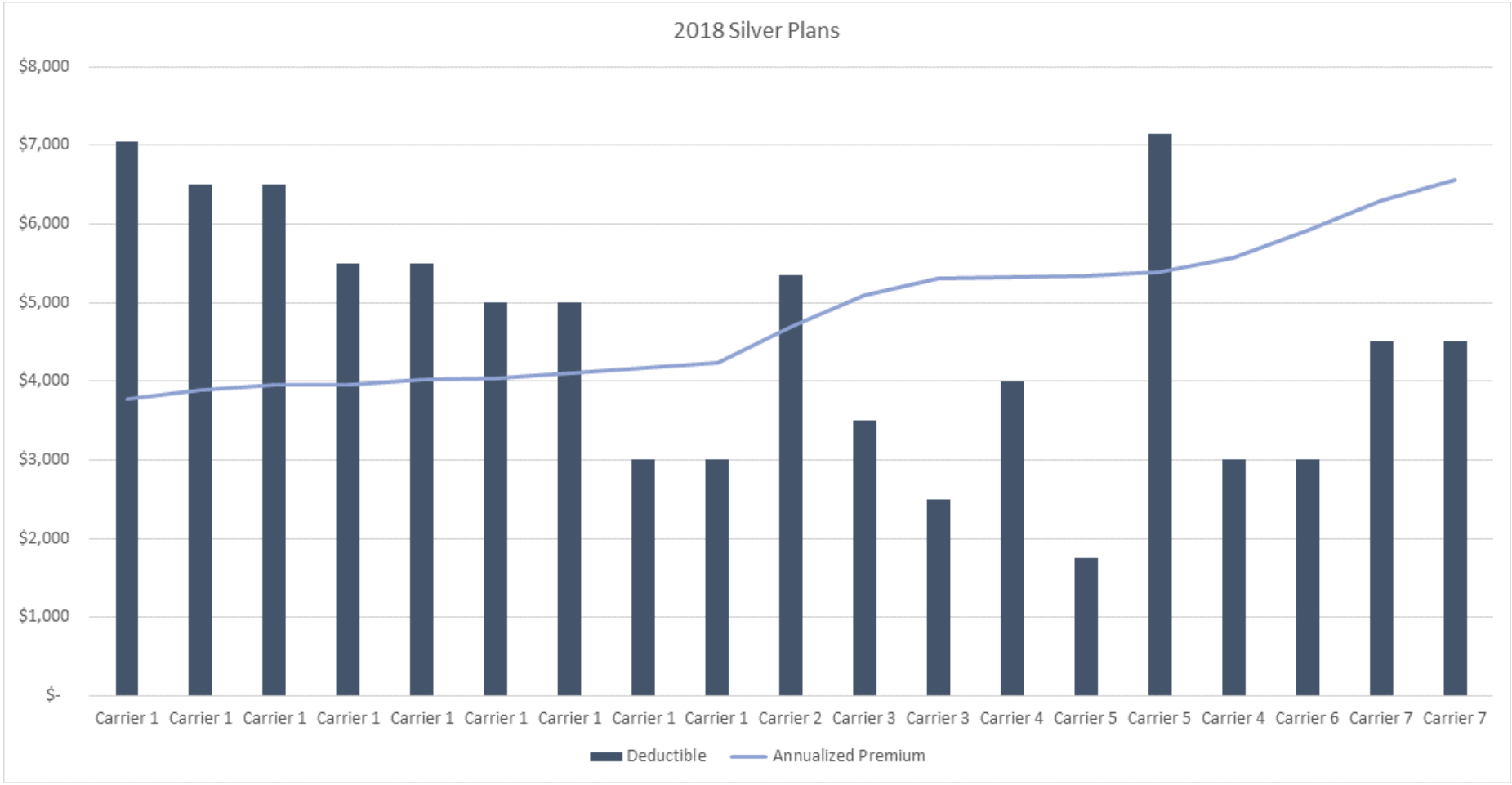
Excludes customers <139% FPL and customers who did not report income

Note: There are several reasons why customers who are otherwise income eligible do not receive federal tax credits – most are related to their tax filing status or whether anyone in their family received an offer of a family employer sponsored insurance plan. For example, an entire family is ineligible for the tax credit if one family member was offered an 'affordable' self-only policy through their employer, even if the family policy offered was prohibitively expensive (a problem known as the "family glitch"). Lawfully present enrollees (including those who are in the five-year bar for Medicaid) are eligible for subsidies in the Exchange.

Importance of Individual Market Stabilization

- Premiums and deductibles have continued to rise year over year
- Consumers have difficulty understanding cost-sharing, comparing the value of plans, and accessing benefits
- Consumers do not access care, even when insured, due to high cost sharing/deductibles
- Increase in availability of 'skinny' off-Exchange options (association health plans, health ministries, short-term limited duration plans)
- Individual mandate penalty zeroed out in 2019
  - National studies have found that a state level mandate with an enforcement mechanism could reduce the uninsured rate and decrease premium rates up to 10%

Plans Can Have Similar Premiums and Significantly Different Deductibles



Plan premiums are averaged over all counties where a carrier is offering the plan.
Deductibles reflect the standard plan.

Example: Same Carrier, Similar Premium, Different Deductibles

- Silver Plan 1
  - $332 premium
  - $3,000 deductible
  - OOP max: $6,500
- Silver Plan 2
  - $314 premium
  - $6,500 deductible
  - OOP max: $6,500

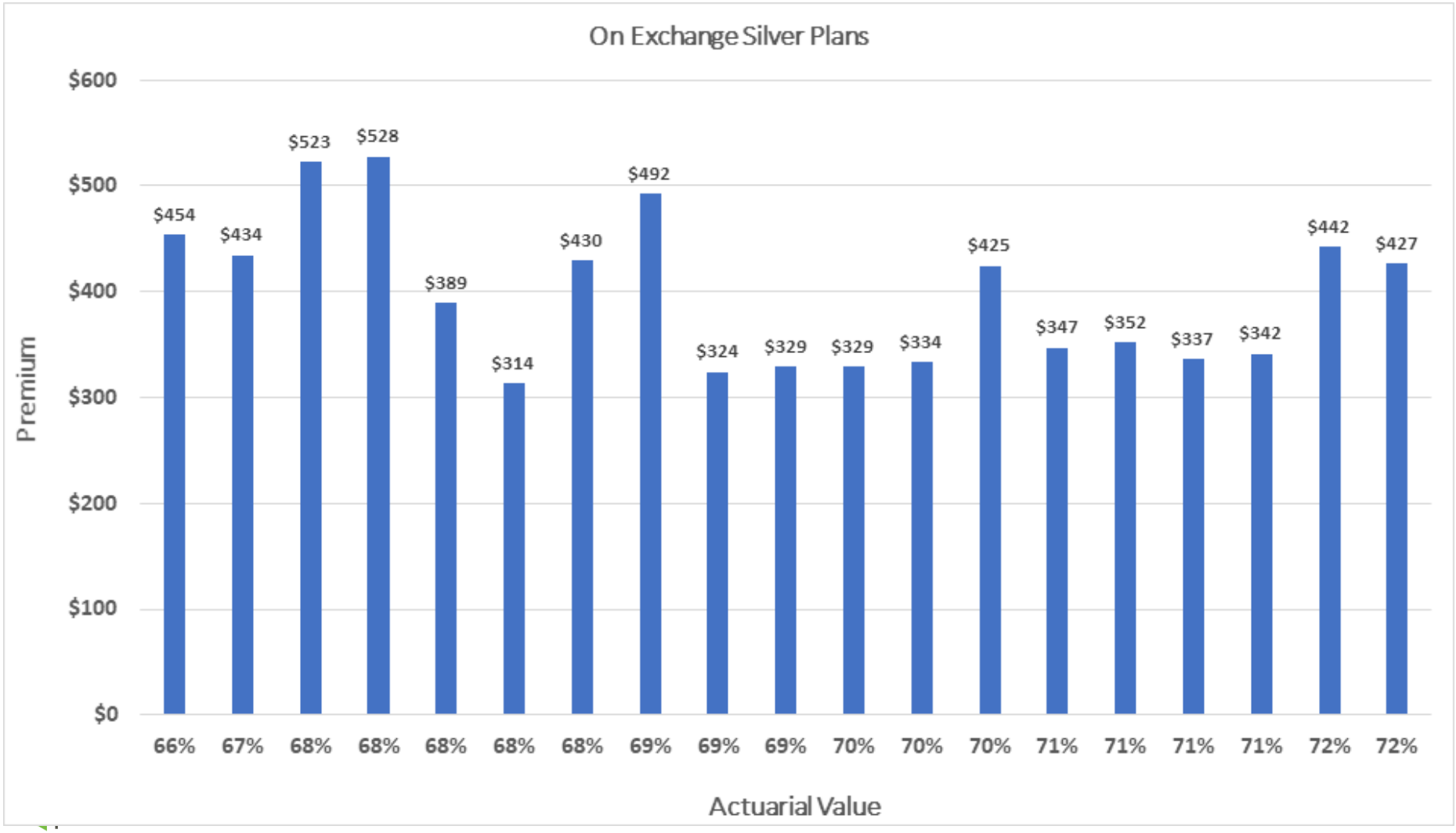
Actuarial Value

- In health insurance the actuarial value is the estimated percentage of a typical policyholder's medical bills that an individual plan is expected to pay
- The actuarial value is considered a good baseline for the coverage most policyholders will receive most of the time
- The Affordable Care Act set permissible actuarial values for the differing levels of coverage

Metallic Level	Permissible Actuarial Value
Bronze	56% – 65%*
Silver	66% – 72%
Gold	76% – 82%
Platinum	76% – 92%

*Bronze plans may have an AV up to 65% if they offer at least one service before the deductible or are a high deductible health plan

Plans Can Have Similar Premiums and Significantly Different Actuarial Values



How Standard Plans Could Help Washington Consumers

- Simplify the shopping experience
  - Provide apples-to-apples comparison of plan costs
  - Allow consumers to compare plans on premium, network, customer service, and quality
- Make using coverage more affordable
  - Provide lower deductible options and more covered services before deductible
- Maximize federal tax credits
  - Provide a higher actuarial value (AV) standard silver plan, so subsidized consumers can purchase higher-value coverage without spending more
- Provide more meaningful choices and better value
  - Provide more comprehensive bronze options and more affordable gold options, helps all consumers, particularly non-subsidized

State-Based Options to Address Affordability in the Individual Market

- **Implement Consumer-Centered/Standard Plans (starting PY 2021)**
  - Standard plans offered through the Exchange could: reduce deductibles, provide more transparent/predictable cost-sharing, and increase access to services for consumers before the deductible
  - State Exchanges that have implemented: California, Connecticut, District of Columbia, Massachusetts, New York, Oregon, Vermont
- **Leverage State's Purchasing Power to Lower Costs**
  - State procured plans offered through the Exchange could provide more affordable premiums, while incorporating standard plan design and best practices regarding quality and value
- **Provide Enhanced Subsidies**
  - State-based subsidies offered through the Exchange could promote continuity of coverage and improve the individual market risk pool

State-Based Options to Address Affordability in the Individual Market

- **Implement State Individual Mandate (w/enforcement)**
  - State level requirement to obtain minimum essential coverage, mirrored after the federal requirement, that includes relevant exemptions.
  - Could reduce premiums by providing regulatory certainty and improving the individual market risk pool
  - The following states have adopted: MA, DC, NJ, VT
  - IRS data indicates that 109k Washington residents paid the penalty in 2016, totaling $79M

- **Prohibit Surprise Billing**

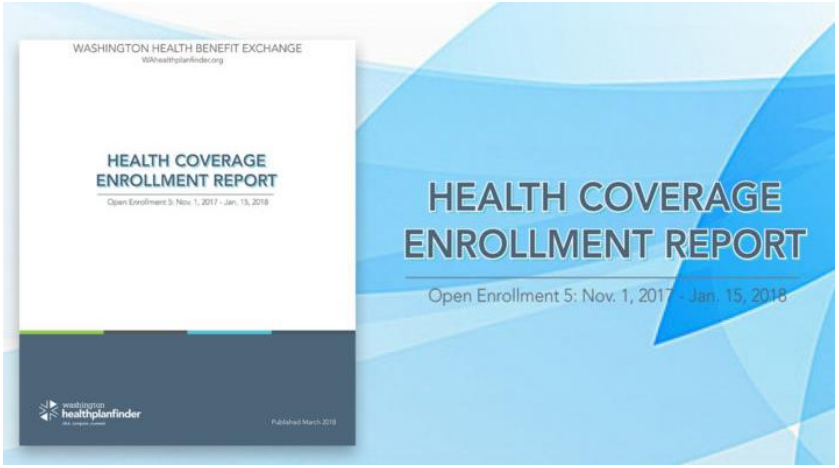
Questions?

- *Pam MacEwan,* CEO

360.688.7711 or Pam MacEwan (pam.macewan@wahbexchange.org)

- *Joan Altman,* Associate Director of Legislative and External Affairs

360.688.7774 or joan.altman@wahbexchange.org

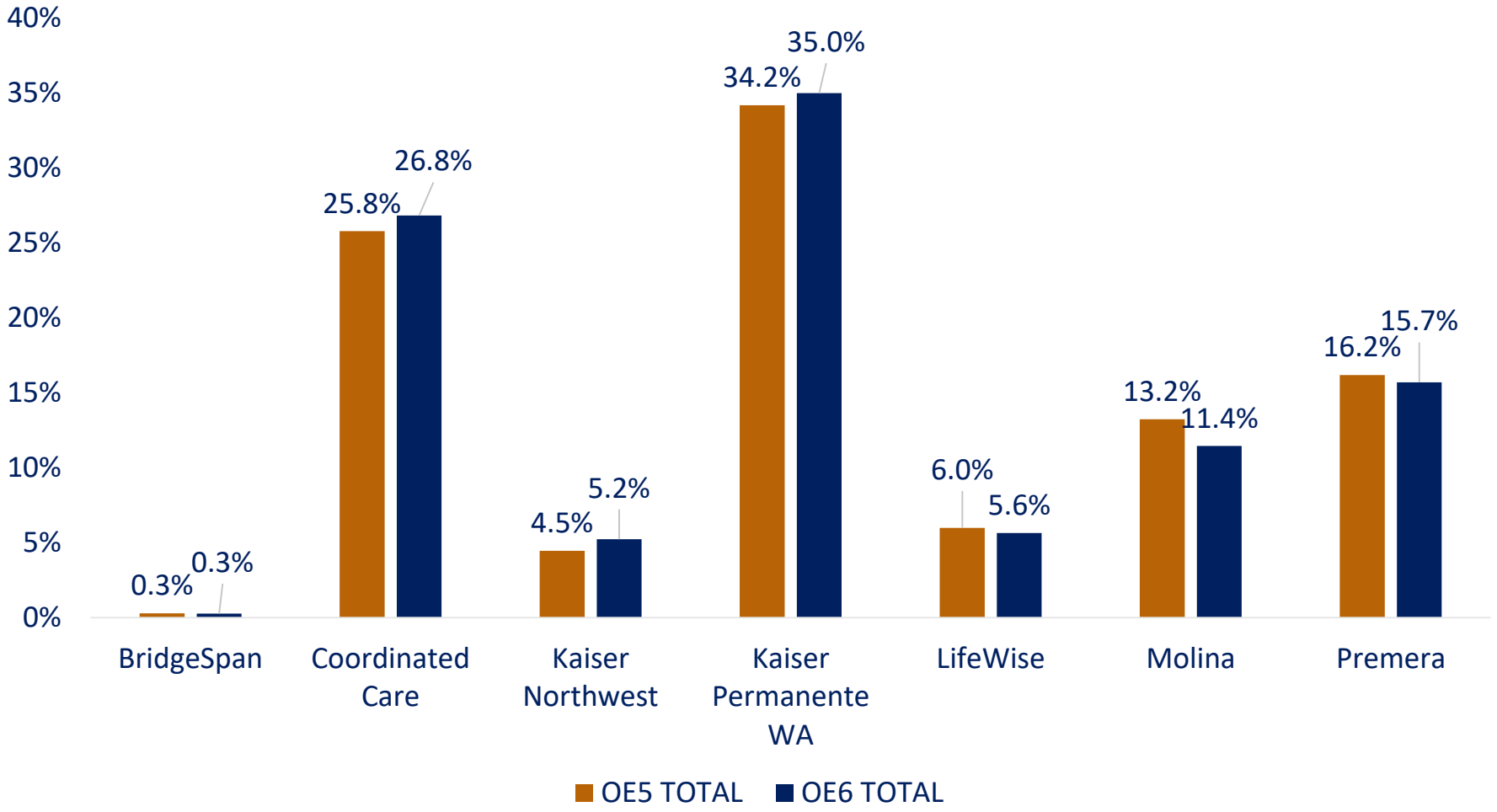


Exchange Reports & Data

https://www.wahbexchange.org/about-the-exchange/reports-data/

Appendix

Plan Selection by Carrier 2018 v. 2019



Data is from the end of open-enrollment each year

How Tax Credits are Calculated

- Advance Premium Tax Credits (APTC) are a subsidy from the federal government that help consumers up to 400% FPL with the cost of their premiums
- APTC is calculated using a formula defined in federal regulation using the following factors:
  - Maximum contribution percentage
  - Second Lowest Cost Silver Plan (SLCSP) for an individual's county
- The maximum contribution percentage is multiplied by the cost of the applicable SLCSP. This product is the *maximum contribution amount*
- The tax credit amount is the difference between the SLCSP and the maximum contribution amount

FPL Guidelines for 2019 Coverage

Household Size	138%	200%	250%	300%	400%
1	$16,753	$24,280	$30,420	$36,420	$48,560
2	$22,715	$32,920	$41,150	$49,380	$65,840
3	$28,676	$41,560	$51,590	$62,340	$83,120
4	$34,638	$50,200	$62,750	$75,300	$100,400

Customers up to 400% FPL may be eligible for federal premium tax credits; customers up to 250% FPL may be eligible for cost-sharing reductions

Example: Tax Credit Calculation

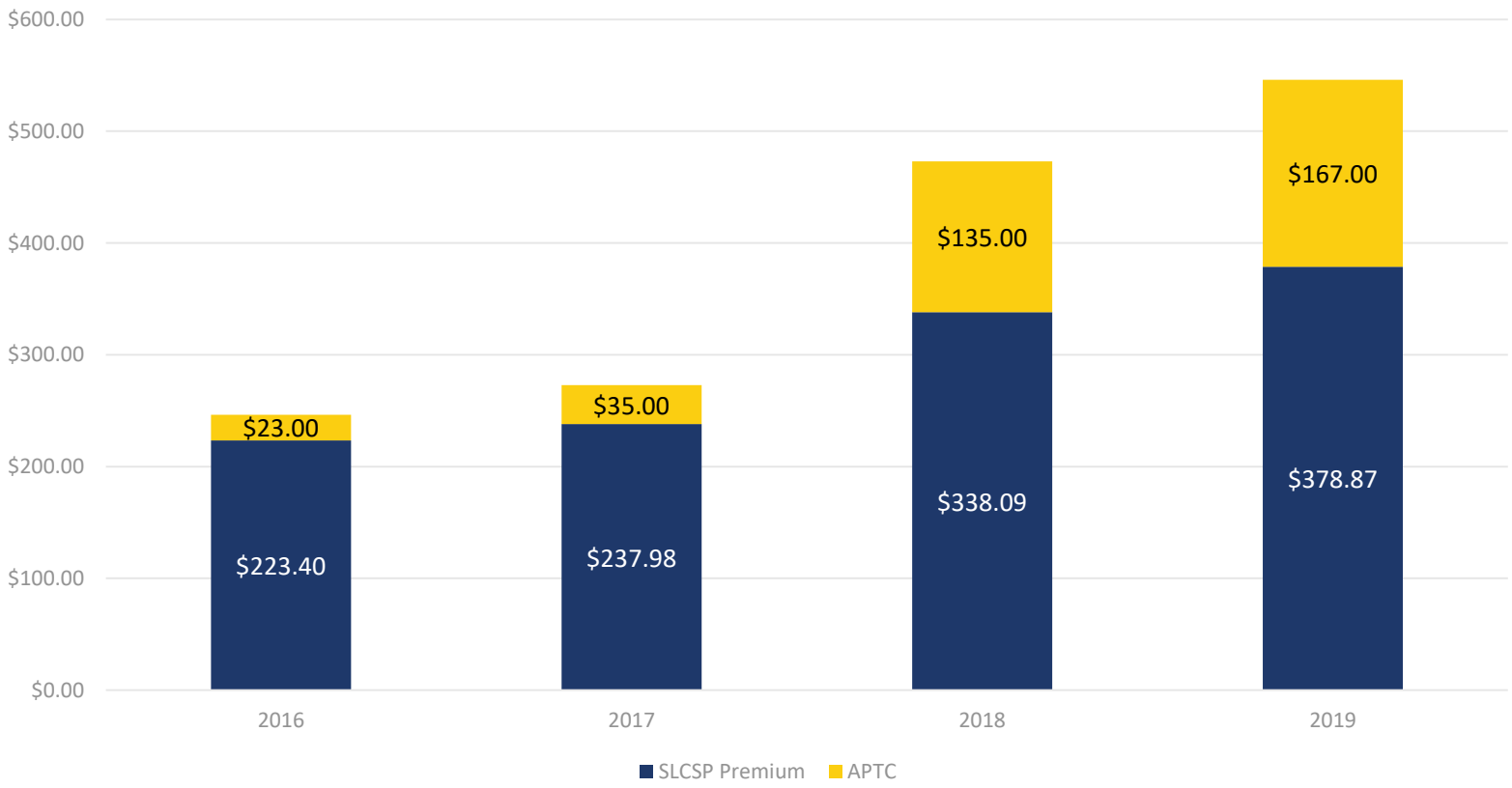
- 40 year old in King County with income of 250% FPL
- Inputs:
  - Second lowest cost silver plan: $378.87
  - Maximum contribution percentage: 8.36%
  - Maximum contribution amount: (378.87*0.0836) = $211.57
- Tax Credit Amount

$$\$378.87 - \$211.57 = \$167$$

Maximum Percent of Consumer Contribution for APTC Calculation - 2019

%FPL	Applicable %
Under 100%	No cap
100%-133%	2.08%
133%-150%	3.11% - 4.15%
150%-200%	4.15% - 6.54%
200%-250%	6.54% - 8.36%
250%-300%	8.36% - 9.86%
300%-400%	9.86%
Over 400%	No cap

As Premiums Increase, Tax Credits Increase



Example is for a 40-year old non-smoker in King County, 250% FPL

Cost-Sharing Definitions

deductible

The amount you will spend on your health care before your health plan starts to pay some of your health care costs. The deductible is one of the ways you share the cost of your care with your health plan.

Your deductible amount starts over at the beginning of every calendar year.

co-pay

A co-pay is a fixed amount you pay for a covered health care service. Services like a regular doctor's visit or filling a prescription will normally have a co-pay.

Your co-pay is due at the time you receive the service.

co-insurance

Co-insurance is your share of the cost of a covered health care service. You start to pay co-insurance after you have paid your health plan's deductible.

Co-insurance is just one of the ways you will share the cost of your health care with your health plan.

out-of-pocket

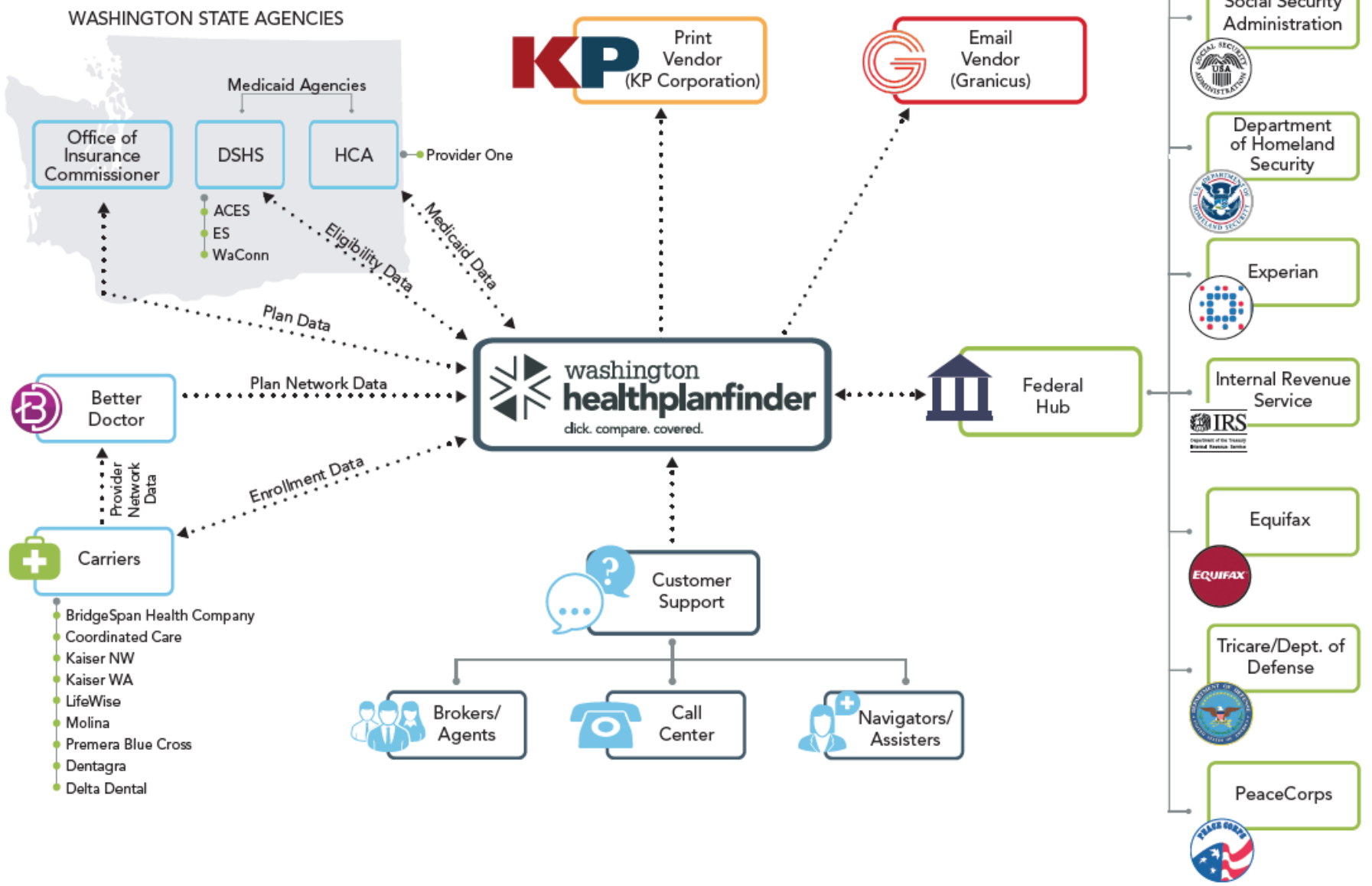
The costs you pay that are not paid by your health plan.

Out-of-pocket costs include deductibles, co-insurance, and co-pays for covered services plus all costs for services not covered by your health plan.

Out-of-pocket costs for 2015 can be no more than $6,600 for an individual plan and $13,200 for a family plan if purchased inside the marketplace.

Washington Healthplanfinder

-HEALTHPLANFINDER SYSTEM INTERFACES



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