

Washington Health Benefit Exchange

September 30, 2024

Final Cascade Care Savings amounts for plan year (PY) 2025 released

Cascade Care Savings is the Exchange's state subsidy program. Low-income customers can get Cascade Care plans for lower costs than other qualified health plans. Today, more than 100,000 Exchange customers lower their monthly premiums with Cascade Care Savings.

Washington Health Benefit Exchange (Exchange) finalized the following maximum amounts available to eligible customers to lower their monthly premiums based on the attached PY 2025 Cascade Care Savings methodology developed by the Exchange's actuarial consultant Wakely:

- **Customers with federal subsidies: \$155 per member, per month (PMPM)**
- **Customers without federal subsidies: \$250 PMPM**

Based on our commitment to equity and our goals to eliminate health disparities, the Exchange seeks to implement the most equitable approach possible while maximizing the program's fiscal year (FY) 2023-2025 legislative appropriation. We are pleased to share **the Exchange is maintaining the maximum monthly Cascade Care Savings amounts available to eligible customers from 2024 to 2025.**

How did we make this decision?

Premium increases for 2025 (average 10%) were the largest factor driving the potential need to lower the subsidy amounts. The Exchange is pleased to be able to provide stable state subsidy amounts in 2025 for low-income customers, including those who are ineligible for federal tax credits, particularly when premiums have risen an average of 30% over the last three years. However, these are unique circumstances driven by program start-up enrollment dynamics that the Exchange does not expect to be present in future years without adjustments to appropriation levels.

Detailed in the model, Wakely projected a "best estimate" plan year spend that maximizes appropriated funding. The Exchange is confident in the model. However, if enrollment is greater than projected, the Exchange may need to close the program to new enrollment sometime in 2025 in order to keep already awarded subsidies available through the plan year. This is referred to as the "contingency for low funds," and is detailed in the [2025 Final Cascade Care Savings Policy](#).



Washington Health Benefits Exchange (WAHBE) 2025 Cascade Care Savings (CCS) Subsidy Amount Analysis

DISCLOSURES AND LIMITATIONS

Responsible Actuary. We, Ksenia Whittall and Darren Johnson, are the actuaries responsible for this communication. We are Members of the American Academy of Actuaries and Fellows of the Society of Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to issue this analysis. Michael Cohen has made significant contributions to this analysis.

Purpose. The purpose of this analysis is to provide estimated changes in the Cascade Care Savings (CCS) PMPM amounts for 2025 benefit year, incorporating the preliminary filed 2025 premium rates and most recent 2024 enrollment snapshot. The goal for this analysis is to facilitate discussions with stakeholders on potential revisions to the CCS PMPM amounts.

The estimates are based on 2024 experience data as of July 23, 2024 and 2025 projected market experience. Future market changes such as significant changes in the risk pool, metal mix changes, changes in the starting number of eligible persons (for Group 2 and Group 3 cohorts), regulatory and economic changes would impact these estimates. Analysis was completed on September 18, 2024.

Intended Users. This information has been prepared for the sole use of the Washington Health Benefits Exchange (WAHBE). It is our understanding that these results will be provided to members of the stakeholder group for review. This analysis cannot be distributed to or relied on 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 subsidy amounts are finalized for 2025. 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. 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.

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. In this draft 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. Changes to federal or state law or regulation could impact the results. Additionally, changes to economic conditions could material affect results. 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 our knowledge, the report and methods used in the analysis are in compliance with the appropriate Actuarial Standards of Practice (ASOP) with no known deviations. In developing these estimates and the resulting actuarial certification, Wakely followed applicable Actuarial Standards of Practice (ASOP) including:

ASOP No. 23 Data Quality;
ASOP No. 25 Credibility Procedures;
ASOP No. 41 Actuarial Communications;
ASOP No. 56 Modeling.



Washington Health Benefits Exchange (WAHBE) 2025 Cascade Care Savings (CCS) Subsidy Amount Analysis

The workbook contains the following tabs:

Tab	Tab Description	Tab Link
Methodology	This tab summarizes the methodology and assumptions underlying the estimates.	Link
Summary	This tab summarizes the 2024 estimates along with two sets of 2025 projected enrollment and CCS subsidy amounts: (1) 2025 Best Estimate with Prior Rate Change Assumptions; (2) Updated Analysis with Final 2025 Rate Impacts for Best, Low, and High enrollment scenarios (Option 1)	Link



Washington Health Benefits Exchange (WAHBE) 2025 Cascade Care Savings (CCS) Subsidy Amount Analysis

Results and Methodology

The updated results of the analysis presented on [Summary] tab demonstrate the impacts on the projected 2025 enrollment by subsidy group (1, 2, and 3) of the following changes from the last set of CCS projections provided to WAHBE as part of July enrollment projections:

- Incorporating final 2025 premium rates by issuer, plan and county, including the impacts for the SLCS and LCS CC benchmark plans by county;
- July 23, 2024 enrollment snapshot;
- Updated uninsured distribution from 2020-2022 ACS Census;
- Updated undocumented uninsured distribution;
- Updated Off exchange distribution
- Assumptions related to failure to reconcile (FTR) impact resulting in a population moving from Group 1 to Group 2 of customers that are denied APTC due to failing to reconcile their taxes;
- Assumptions related to the movement of enrollees from Group 3 to Group 1;
- Updated WAH/AHE cap to 12,000 enrollees in PY 2025; and
- Updated DACA assumptions.

The proposed 2025 CCS PMPM amount options targeted \$65 million in best funding scenario as requested by WAHBE.

In general, the final average 2025 premium changes were slightly lower than the draft rate changes:
10.5% final vs. 11.1% draft rates; the final average increase was 10.5% for CC plans, and 10.3% for non CC plans.
5.0% final vs. 5.4% draft rates for SLCS benchmark plans.
4.5% final vs. 4.7% draft rates for LCS CC benchmark plans.

Methods and Assumptions

2025 projections of enrollment of waiver population by varying levels of Cascade Care Savings (CCS) premium subsidy amounts were developed using July 23, 2024 WAHBE enrollment snapshot data provided to Wakely by WAHBE staff. The data included several components including enrollment by county, age, income-level, subsidized status, and premium information. Premium and APTC information was also provided in this dataset. The member level experience was summarized to a cohort level and used in the subsidy modeling.

The take up, attrition and plan switching discussed below were modeled based on the elasticities estimated by the Congressional Budget Office (CBO (1)), and Saltzman et al (July 2021) research on selection in the ACA Exchanges (2). The function computes expected enrollment change based on premium rate changes. Dampening factors were applied to this take-up function. The dampening factor is intended to reflect the ramp-up factor of introducing a new premium subsidy program. The dampening adjustment was determined based on the ramp-up levels researched by ASPE, which assumed it would take 3-5 years for programs to reach steady state enrollment (3). Note that since PY2025 will be the third program year, we are approaching steady state enrollment (though changing subsidy levels and market conditions influence this as well) and the impact of this dampening adjustment has been lessened.

There are three specific groups of members enrolled on-Exchange eligible for CCS state premium subsidies:
- Group 1 enrollees are QHP-eligible residents of Washington State who are eligible for both APTC Federal subsidies and for CCS state premium subsidies.
- Group 2 enrollees are QHP-eligible residents of Washington State who are not eligible for APTC Federal subsidies but eligible for CCS state premium subsidies.
- Group 3 enrollees are newly QHP-eligible, undocumented residents of Washington State who are not eligible for APTC Federal subsidies but eligible for CCS state premium subsidies under the state's 1332 waiver.

The key components of 2025 CCS estimate and associated take up include the following:

Effectuation adjustment for starting point data. Enrollment data for July 23, 2024 did not include complete effectuation from the open enrollment period. A portion of currently not effectuated as of date of the base data was assumed to become effectuated in 2024, based on a range of prior years' experience as of July.

Member attrition from prior year (2024) modeled as a function of 2025 premium increases. The attrition dampening factors were calibrated using actual member attrition experience between 2022 and 2023 and varied by age, income, plan metal tier, and plan type (CC, CC Select and Non-CC plans). Given that in the most recent two years, there were increases in enrollment despite higher premium rate changes, we increased the dampening factors for the attrition to reflect this experience.

Member persistency through the year. The basis for the member persistency during the benefit year was experience in 2024 (Jan-July) and 2023 for to estimate August-December 2024.

Medicaid redetermination related take up. Medicaid redetermination began in May 2023 and ended July 2024. Using the end date of WAH coverage, we identified QHP enrollees after the start of Medicaid redetermination (4/1/2023) in July enrollment data. Based on this information, we assumed no additional redetermination related enrollment in the remaining months of 2024 and 2025. These existing redetermination members are expected to behave as other ACA enrollees with a similar demographic and economic profile.

Off-Exchange migration. Off-Exchange enrollment as of August 2021 by issuer, age and gender and was provided by WAHBE. This summary did not include enrollment information by rating area or income. We used the PY2023 risk adjustment reports 2023 billable membership to back out the on-Exchange enrollment and estimate 2023 off-Exchange enrollment in aggregate, assuming similar distribution by rating area. We also assumed that these members would not be eligible for premium subsidies and that their income would be similar to unsubsidized members on the Exchange, with the majority of enrollees with income over 400% FPL. As such, we have assumed little take-up from off-Exchange enrollment but did reflect some movement based on the same elasticity function used to reflect movement from non-Cascade Care plans on-Exchange into Cascade Care plans given the additional subsidies available.

Uninsured take up (due to CCS and also general take up). The number of uninsured individuals was estimated based on the average uninsured individuals reported through ACS for 2022 (and 2020 for a subset of counties). To project the 2024 data to 2025, the enrollment changes were modeled as a function of change in 2025 premiums by county and also assumed general enrollment growth independent on the premium changes. The take up dampening factors were calibrated using actual member take up experience between 2022 and 2023 and varied by age, income and plan metal tier. The factors were smoothed and dampened to remove extreme values when selecting factors for 2025 projection.

Undocumented take up was modeled consistent with prior modeling assumptions. The number of uninsured undocumented members (by age and income) was updated based on the information received from WA OFM and based on 2022. The elasticity function as described above was used to estimate the number of undocumented individuals that may choose to take up coverage with the availability of the state premium subsidies, however the elasticity was dampened to reflect that these individuals may be hesitant to sign up for coverage, particularly in the first couple years of the program. A small amount of QHP enrolled customers with assumed DACA status were counted as Group 3.

Plan switching from non-CC plans to CC plans. The switching dampening factors were calibrated using actual member switching experience between 2022 and 2023 and varied by age, income and plan metal tier. The factors were smoothed and dampened to remove extreme values when selecting factors for 2024 and 2025 projection. We assumed no meaningful changes in the Cascade Care plan offerings or premium amounts that may differ from the overall market from 2024 to the projection year. For 2024 projection, only the incremental switching was modeled in the remaining months of the calendar year.

Failure to Reconcile. Starting in 2025, there will be a cohort of members who are denied APTC due to failing to reconcile their taxes. These members will be moving from Group 1 to Group 2. WAHBE's more recent experience shows a reduction in this number and based on the 2024 CMS guidance requiring the Exchange to only deny tax credits based on two consecutive years of failure to reconcile, with the expected number to be 750, which was reflected in the modeling.



**Washington Health Benefits Exchange (WAHBE)
2025 Cascade Care Savings (CCS) Subsidy Amount Analysis**

Results and Methodology

Methods and Assumptions

Plan switching from to lower cost plans (Bronze and LCCS). Given the significant average premium increase based on final 2025 filed rates, we modeled consumer buydown to lower cost plans in order to preserve lower net premiums. For the CCS eligible consumers, we modeled switching to the LCCS plan available in their county; for those ineligible, we modeled switching to the bronze plans.

WAH impact. We incorporated the WAH Medicaid coverage expansion program to the undocumented eligibles with incomes below 139% FPL effective July 1, 2024 based on current Apple Health Expansion enrollment (capped). It was assumed the current enrollment cap would also be in place in 2025 projection year. We reflected the impact of a lower pool of undocumented uninsured below 139% by reducing the starting number 35,200 by the current AHE enrollment as of 7/1/2024.

DACA impact. Based on information provided by OFM on September 9, 2024, we incorporated assumptions to reflect likely increase in enrollment due to the adoption of the DACA Final Rule. The overall impact was an assumed additional enrollment of 346 individuals in Group 1 (subsidized) cohort, with 136 of these members migrating from Group 3 (unsubsidized) to Group 1.

2025 premium rate increases. The actual final 2025 premium rates and plan crosswalks filed by issuers were provided by WAHBE by plan and county.

The three scenarios (low, best and high) reflect the following assumptions:

Best scenario: This scenario reflects best estimate of market enrollment based on WAHBE experience and best estimates of assumptions for:

- Effectuation rates consistent with past experience;
- Member persistency improvement due to CCS program;
- Enrollment growth in absence of CCS (organic growth) consistent with 2023-2024 experience;
- Enrollment attrition due to premium changes consistent with 2023-2024 experience;
- CC plan switching consistent with 2023-2024 experience;
- Uninsured take up consistent with 2023-2024 experience;
- Undocumented take up with average dampening reflective of average hesitancy;
- 27% lower morbidity of the uninsured and undocumented taking up coverage.

Low scenario: This scenario reflects generally lower estimate of market enrollment and higher morbidity of those enrolling:

- Lower effectuation rates relative to the best scenario;
- Lower enrollment growth in absence of CCS (organic growth) relative to the best scenario;
- Higher enrollment attrition due to higher premium changes relative to the best scenario;
- Lower Medicaid redetermination impact on enrollment relative to the best scenario;
- Lower CC plan switching relative to the best scenario;
- Lower uninsured take up relative to the best scenario;
- Lower undocumented take up with the dampening reflective of higher hesitancy relative to the best scenario;
- 15% lower morbidity of the uninsured and undocumented taking up coverage.

High scenario: This scenario reflects generally higher estimate of market enrollment and lower morbidity of those enrolling:

- Higher effectuation rates relative to the best scenario;
- Higher enrollment growth in absence of CCS (organic growth) relative to the best scenario;
- Lower enrollment attrition due to higher premium changes relative to the best scenario;
- Higher Medicaid redetermination impact on enrollment relative to the best scenario;
- Higher CC plan switching relative to the best scenario;
- Higher uninsured take up relative to the best scenario;
- Higher undocumented take up with the dampening reflective of lower hesitancy relative to the best scenario;
- 36% lower morbidity of the uninsured and undocumented taking up coverage.

Except for the impacts described above, we did not assume any significant changes to enrollment or plan offerings in 2025. Changes to federal law, state law (beyond what was modeled), or economic conditions could materially impact the estimates.

We have assumed that the distribution of members' income as a federal poverty limit (FPL) in 2025 is similar to the current 2024 Exchange enrollment.

We have assumed that individuals that are ineligible for federal subsidies due to Medicaid eligibility will also not be eligible for the state program.

We assumed that the state subsidies funding levels would remain the amounts estimated as part of the 1332 application. We also assumed the same subsidy structure would apply as currently in force, with the subsidy amount capped at the lowest cost silver Cascade Care rate in a county.

Additionally, we assumed the 1332 waiver would not be impacted by the changes of the policy. Wakely did not evaluate the potential for the policies to impact the 1332 waiver or the guardrails necessary for the waiver to maintain approval status.

The premium subsidy estimates shown here are based on Advanced Premium Tax Credits (APTCs). The actual final Premium Tax Credit (PTC) may differ once income is verified through the tax filing process each year.

Finally, we relied on the determination of CCS eligibility provided by WAHBE at a member level in May enrollment data. Per discussion with WAHBE team, members with "NULL" CCS amounts were deemed as ineligible and were treated consistently in the 2025 projections.

References:

- (1) <https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/66xx/doc6620/08-24-healthinsurance.pdf>
- (2) NBER WORKING PAPER SERIES. INERTIA, MARKET POWER, AND ADVERSE SELECTION IN HEALTH INSURANCE: EVIDENCE FROM THE ACA EXCHANGES. Saltzman et al. <http://www.nber.org/papers/w29097>. July 2021
- (3) https://aspe.hhs.gov/system/files/pdf/77161/ib_Targets.pdf
- (4) Age and Family Income Level of Washington State's Undocumented Immigrants Who Were Uninsured, 2021, provided by WAHBE on July 12, 2023.



Washington Health Benefits Exchange (WAHBE)
 2025 Cascade Care Savings (CCS) Subsidy Amount Analysis
 Updated Analysis with Final 2025 Rate Impacts, July 2024 Enrollment

Updated CCS PMPMs for 2025
 With Final 2025 Rates (Best) - \$65 million Funding Target

	2024 Best Estimate			2025 Best Estimate With Interim 2025 Rates		Updated CCS PMPMs for 2025 With Final 2025 Rates (Best) - \$65 million Funding Target			
	[1]	[2]	Change	[3]	[3]-[2]	Best	Change	Low	High
Source Tab:									
<u>CCS Maximum Subsidy:</u>									
Group 1	\$155	\$155		\$155		\$155		\$155	\$155
Group 2/3	\$250	\$250		\$250		\$250		\$250	\$250
<u>Enrollment:</u>									
Group 1	95,580	101,900	6,320	98,950	(2,950)	91,560	105,310		
Group 2/3	5,340	7,330	1,990	7,160	(170)	6,660	7,980		
Total Exchange Enrollment	262,290	266,090	3,800	262,330	(3,760)	245,710	276,840		
<u>CCS Expenditures (in millions):</u>									
Group 1	\$42.1	\$44.2	\$2.1	\$43.4	(\$0.8)	\$39.5	\$48.7		
Group 2/3	\$16.0	\$21.9	\$5.9	\$21.5	(\$0.5)	\$20.0	\$23.9		
Total	\$58.1	\$66.1	\$8.0	\$64.8	(\$1.3)	\$59.4	\$72.7		
<u>CCS Utilization PMPM:</u>									
Group 1	\$37	\$36	(\$0.5)	\$37	\$0.4	\$36	\$39		
Group 2/3	\$250	\$249	(\$0.4)	\$250	\$0.3	\$250	\$250		
Total	\$48	\$50	\$2.5	\$51	\$0.5	\$50	\$53		
<u>Net Premium PMPM:</u>									
Group 1	\$51	\$59	17.2%	\$69	16.2%	\$70	\$68		
Group 2/3	\$214	\$222	3.8%	\$218	-1.9%	\$220	\$213		
<u>Gross Premium PMPM:</u>									
Group 1	\$575	\$603	4.8%	\$612	1.5%	\$614	\$605		
Group 2/3	\$463	\$471	1.7%	\$467	-0.8%	\$469	\$463		

Note: average premiums PMPM reflect the demographic and plan mix of the projected population.