

Wakely Feasibility Study: Model Standard Plan Designs in the Exchange Individual Market

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BACKGROUND

The Exchange has received feedback from consumers that they do not perceive value or cannot afford current individual market health plans.

As a result, the Exchange has been exploring ways to improve the value and affordability of qualified health plans in the Exchange. Specifically, the Exchange is interested in plan options that:

- Lower deductibles
- Provide more services before the deductible
- Provide more transparent and predictable cost sharing (co-payments rather than co-insurance)
- Maximize federal tax credits

This summer, at the direction of the Exchange Board, we contracted with Wakely Consulting, an actuarial firm, to assess the feasibility of implementing more consumer-friendly standard plans in the Washington Exchange market. Eight other states have implemented standard plan requirements through their state exchanges.

SCOPE

Wakely conducted a thorough market analysis based on 2018 Exchange plan offerings, including popularity of current plan designs at each metal level (bronze, silver, gold). Wakely then generated model standard plans in each metal level that were used to evaluate potential impacts on premiums. For comparison purposes, each model plan was compared to current 2018 offerings with the highest enrollment.

KEY FINDINGS

The Wakely analysis finds that QHPs can be structured with lower deductibles, more services before the deductible, and co-pays rather than coinsurance, without significantly impacting premiums.

- ***Lower deductibles can be offered at each metal level.***
- ***More services with fixed co-payments can be provided before the deductible at each metal level.***
- ***Estimated premium impacts result in a:***
 - *Decrease of 1% to 6.5% at the gold level;*
 - *Decrease of 5% to an increase of 2.5% at the silver level;*
 - *Decrease of 1.5% to an increase of 3.5% at the bronze level.*
- ***The model plans are aligned with current plan offerings and would not significantly disrupt the current market.***
- ***Model plans can maximize federal tax credits at the silver level by setting a floor for plan design, while still permitting variation.***

KEY POLICY CONSIDERATIONS

The following considerations could be used to inform policy discussions about how the state could improve value and affordability of plans in the individual insurance market.

- Evidence shows that individuals (especially healthier individuals) are more likely to enroll if they are provided with better, consolidated plan choices
- To assist in consumer choices, states have instituted various policies to “standardize” health plans. Eight state-based marketplaces (CA; CT; DC; MA; MD NY; OR; VT) require all on-Exchange carriers to offer a standard plan at the bronze, silver and gold metal level. All but CA allow non-standard plans to be offered alongside the standard options – though many states limit the number of non-standard plan offerings
- Standard plans can be used to maximize the amount of federal tax credit available to consumers. To ensure that subsidized consumers can afford the standard offerings, it could be required that the standard silver plans are the lowest AV product offered by each carrier at the silver level. This approach of having the standard silver product set the ‘floor,’ is consistent with other states. For example, in Connecticut, among silver plans, the standard plan is required to be the lowest cost plan available by the issuer
- In Washington, the earliest standard plans could be designed, approved, and offered through *Washington Healthplanfinder* is for plan year 2021
- Standard plan designs could be incorporated into a state-offered public option