

State of Montana

Individual Market Data Elements for 2022 Pass-Through Calculations

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Introduction

The Montana Reinsurance Association Board (“Board”) retained Wakely Consulting Group, LLC (“Wakely”) to analyze the effects of a state-based reinsurance program on the 2022 individual Affordable Care Act (ACA) market. In particular, the Board requested that Wakely estimate the effect of the 1332 reinsurance waiver on the second lowest cost-silver plan (“SLCSP”) by geographic area and on total premiums in the ACA individual market. These data elements will be used by the Departments of Health and Human Services (“HHS”) and Treasury (“the Treasury”) to calculate the pass-through amounts for the 2022 waiver year for Montana. Wakely determined the SLCSP premiums by county based on rate filing information provided by the Board; Wakely also estimated the impact of reinsurance.

This document has been prepared for the sole use of Montana, although we understand that it may be distributed to HHS and the Treasury. This document contains the results, data, assumptions, and methods used in our analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements. Using the information in this report for other purposes may not be appropriate.

Total Premiums in ACA Market with and without the Waiver

The table below shows the modeling to estimate total enrollment and total premiums aligned with the methods previously described in Montana’s 1332 waiver application, with slight adjustments for updated data. The adjustments were made to account for enrollment changes since the 2021 benefit year that occurred subsequent to the approved application, including actual 2021 enrollment, actual premium rate increases filed by the issuers for 2022, and for the expected impact of the American Rescue Plan (ARP) Act.¹ The impact of ARP is expected to increase enrollment, specifically subsidized enrollment in the without waiver scenario. The result of the ARP and the open SEP period has resulted in monthly enrollment patterns that may not be aligned with prior averaging methodologies. This may cause 2022 to differ from reporting in prior years. Table 1 summarizes total premiums with and without the 1332 waiver.

¹http://reinsurance.mt.gov/Portals/212/Montana_1332%20Report_2019-06-10.pdf

Table 1: 2021 Estimated Average Enrollment and Total Premiums

	2022
Baseline (with waiver)	
Average Non-Group Enrollment	53,633
Average Non-Group Premium PMPM	\$576.29
Total Non-Group Premiums	\$370,894,460
Without Waiver	
Average Non-Group Enrollment	52,902
Average Non-Group Premium PMPM	\$641.86
Total Non-Group Premiums	\$407,464,580

To develop the total premiums with and without reinsurance, Wakely completed the following steps:

1. The data was adjusted to calendar year 2021 using the following steps:
 - a. Enrollment from January to June 2021, as of September 2021, was used as a starting point for 2021 members. Two adjustments were made to the initial data. The first is that the data was adjusted for further expected changes as the data becomes complete. This adjustment was made by comparing January through June 2020 enrollment provided as of September 2020 and September 2021. The second adjustment was made for attrition since enrollment drops off throughout the year. The data for the first half of 2021 was adjusted by attrition, as measured by the first half of 2020 compared to the average 2020 enrollment.
 - b. Premium per member per month (PMPM) estimates were developed by using emerging 2021 premiums and adjusting using the same two adjustments applied to the emerging 2021 enrollment.
2. Once average calendar year 2021 data was estimated, the data was further adjusted to estimate the 2022 total premiums with the 1332 waiver:
 - a. Premiums per member per month were increased by the 2021 rate filing amount of 0.5%. The 2021 increase was calculated taking a weighted average of the premium change by issuer and their 2021 premium by issuer.
 - b. The 2022 enrollment was estimated to increase as a result of the American Rescue Plan Act. Given the partial year nature of ARP for 2021 and the expectation that increased outreach would result in further enrollment increases in 2022, Wakely assumed the high point of 2021 enrollment (i.e., August) would align with the start of 2022. Net attrition patterns from prior years were then applied to calculate average enrollment. The resulting enrollment was checked for reasonability.

- c. To estimate the total premiums, with the 1332 waiver, the average enrollment was multiplied by average premiums and by 12 to account for the full year.
3. To estimate total ACA individual market premiums without a waiver:
 - a. 2021 premiums were increased by the total premiums weighted rate change without the waiver. Wakely estimated the premium increases without reinsurance using the following steps:
 - i. Starting with the “with waiver” plan adjusted index rate (PAIR), the paid claims PMPM was adjusted to add in the estimated reinsurance PMPM. The paid claims were further adjusted to account for a higher morbidity in the without waiver scenario. If there was no waiver, premium increases would be higher. The result of the higher premiums is that lower cost members would be expected to drop coverage. The estimated enrollment decrease was based on the market average increase without reinsurance² using the take-up function estimated by CEA. Based on the estimated enrollment differences and assuming members leaving the market had a health relativity of 73% compared to those staying in the market³, resulted in a morbidity increase of 0.4% to claims PMPM.
 - ii. The risk adjustment payable/receivable was adjusted to account for the difference in the statewide average premiums. That is, without reinsurance premiums will be higher so the statewide average premiums and corresponding risk adjustment payables/receivables PMPM will also be higher. The estimated market wide premium change relative to with reinsurance was applied to the issuers’ estimated risk adjustment transfer with reinsurance.
 - iii. Variable non-benefit expense components were summarized to estimate the impact of these components increasing on a PMPM basis as premiums increased without reinsurance for each issuer. The variable non-benefit expenses included the exchange fee, premium taxes, and the contribution to reserve (profit/risk load). No adjustment was made to fixed non-benefit expense items.
 - iv. The revised components were summed to develop a revised PAIR. The adjusted without reinsurance PAIR was compared to the with reinsurance

² Given the circularity of this calculation, several iterations were completed until the market increase without reinsurance stabilized in the two calculations.

³https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

PAIR to develop an impact of reinsurance for each of the issuers. The premium increase without reinsurance was calculated by taking the ratio of the rate increase with reinsurance divided by the impact of reinsurance.

- v. Applying this approach for each of the issuers and weighting the increases by January to June 2021 premiums, yielded an average premium increase of 11.8% without reinsurance.
- b. The 2022 enrollment was estimated to decrease as a result of the premium increases among the unsubsidized enrollees if there is no reinsurance/waiver. Enrollment decreases were estimated using the CEA take-up function.⁴
- c. To estimate the total premiums, without the reinsurance waiver, the average enrollment was multiplied by average premiums and by 12 to account for the full year.

Second Lowest Cost Silver Plan Premium

As noted in the prior section, Wakely estimated the impact of reinsurance for all issuers. The impact of reinsurance was used to estimate the premiums without reinsurance. The premium with reinsurance was provided by issuers in their rate filings. Table 2 captures the second lowest cost silver plan (SLCSP) premium for a 21-year old non-tobacco user in 2022, with and without the waiver. The table provides a summary of the premiums by rating area. For 2022, it is required to submit the SLCSP premium by appropriate geographic for rating areas that have service categories that are smaller than the rating area and have varying SLCSP premiums. For Montana, there were two rating areas where the SLCSP varies for one or more counties within the rating area. The table below shows the SLCSP premium by rating area and county, where appropriate, as identified in the 2022 rate filings and as calculated by Wakely. Please see Appendix A for a complete listing of SLCSP premiums with the waiver by county.

⁴ibid

**Table 2: 2022 Second Lowest Cost Silver Plan Premium PMPMs
By Rating Area (21-Year Old, Non-Tobacco)**

Rating Area	County	2022 SLCSP Premium with Waiver	2022 Estimated SLCSP Premium No Waiver	No Waiver / Waiver
1	All	\$340.47	\$375.05	10.2%
2	All Except Cascade, Gallatin, Lewis and Clark	\$393.04	\$432.96	10.2%
2	Cascade, Gallatin, Lewis and Clark	\$384.49	\$423.55	10.2%
3	All Except Flathead	\$380.73	\$419.39	10.2%
3	Flathead	\$389.19	\$428.72	10.2%
4	All	\$381.12	\$419.83	10.2%

Reinsurance Reimbursement

Wakely set the reinsurance parameters assuming \$45.6 million in reinsurance reimbursements in 2022. This amount was set to align with Montana’s estimates on state funds available and estimated Federal pass-through amounts. Consequently, an estimated \$45.6 million will be paid in reinsurance reimbursements for the 2022 benefit year.

Reliances and Caveats

The following is a list of the data Wakely relied on for the analysis:

- 2020 and January to July 2021 enrollment and premium data provided by the State and issuers in September 2021
- 2022 issuer rate filing information, including but not limited to the Unified Rate Review Template (URRT), Service Area template, and Plan and Benefits template, provided by Montana’s Commissioner of Securities and Insurance (CSI)
- Issuer submitted paid claim continuance tables for 2020, provided in the spring of 2021
- CEA Take-Up Function⁵

⁵https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

- CBO's Estimates of the American Rescue Plan Act⁶

The following are additional reliances and caveats that could have an impact on results:

- **Data Limitations.** The entire year of 2021 was not yet available. As a result, there is uncertainty on attrition patterns or other changes to the 2021 year. Changes to base estimates could influence estimates. Wakely made some assumptions on the weighting but different data may influence the results.
- **Political Uncertainty.** There is significant policy uncertainty. Future Federal legislative or regulative changes could affect the estimates enclosed in this report. Additionally, the timing of the end of the Federal emergency declaration over COVID-19 or other COVID related policy changes could affect enrollment.
- **Enrollment Uncertainty.** Additionally, there is enrollment uncertainty. Beyond changes to potential rates and policy, individual enrollee responses to these changes also has uncertainty. There is considerable uncertainty as to enrollment patterns due to the pandemic.
- **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, which could impact the number of uninsured as well as ESI coverage, which could impact enrollment levels.

Disclosures and Limitations

Responsible Actuaries. Lydia Tolman and Julie Peper are the actuaries responsible for this communication. Both are Members of the American Academy of Actuaries and Fellows of the Society of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to issue this report. Michael Cohen also contributed significantly to the analysis and memo.

Intended Users. This information has been prepared for the sole use of the state of Montana. Distribution to parties should be made in its entirety and should be evaluated only by qualified users. The parties receiving this report should retain their own actuarial experts in interpreting results.

⁶ <https://www.cbo.gov/system/files/2021-02/hwaysandmeansreconciliation.pdf>

Risks and Uncertainties. The assumptions and resulting estimates included in this report and produced by the modeling are inherently uncertain. 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 that Montana or the issuers will attain the estimated values included in the report. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

Conflict of Interest. Wakely provides actuarial services to a variety of clients throughout the health industry. Our clients include commercial, Medicare, and Medicaid health plans, the federal government and state governments, medical providers, and other entities that operate in the domestic and international health insurance markets. Wakely has implemented various internal practices to reduce or eliminate conflict of interest risk in serving our various clients. Except as noted here, the responsible actuary is 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 the state of Montana.

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. The information included in the 'Reliances and Caveats' sections identifies the key data and reliances.

Subsequent Events. These analyses are based on the implicit assumption that the ACA will continue to be in effect in future years with no material change. Material changes in state or federal laws regarding health benefit plans may have a material impact on the results included in this report. In addition, any changes in issuer actions as well as complete 2021 enrollment and experience could impact the results. There are no other known relevant events subsequent to the date of information received that would impact the results of this report.

Contents of Actuarial Report. This document constitutes the entirety of actuarial report and supersede any previous communications on the project. However, more information regarding the analysis preceding this report can be found in the formal 1332 waiver report produced by Wakely on behalf of Montana.

Deviations from ASOPs. Wakely completed the analyses using sound actuarial practice. To the best of our knowledge, the report and methods used in the analyses are in compliance with the appropriate ASOPs with no known deviations. A summary of ASOP compliance is listed below:

ASOP No. 23, Data Quality

ASOP No. 41, Actuarial Communication

ASOP No. 56, Modeling

Appendix A SLCSP by County

Rating Area	County	2022 SLCSP Premium with Waiver
1	Carbon	\$340.47
1	Musselshell	\$340.47
1	Stillwater	\$340.47
1	Sweet Grass	\$340.47
1	Yellowstone	\$340.47
2	Broadwater	\$393.04
2	Cascade	\$384.49
2	Chouteau	\$393.04
2	Deer Lodge	\$393.04
2	Gallatin	\$384.49
2	Jefferson	\$393.04
2	Judith Basin	\$393.04
2	Lewis and Clark	\$384.49
2	Silver Bow	\$393.04
2	Teton	\$393.04
3	Flathead	\$389.19
3	Lake	\$380.73
3	Missoula	\$380.73
4	Beaverhead	\$381.12
4	Big Horn	\$381.12
4	Blaine	\$381.12
4	Carter	\$381.12
4	Custer	\$381.12
4	Daniels	\$381.12
4	Dawson	\$381.12
4	Fallon	\$381.12
4	Fergus	\$381.12
4	Garfield	\$381.12
4	Glacier	\$381.12
4	Golden Valley	\$381.12
4	Granite	\$381.12
4	Hill	\$381.12

Rating Area	County	2022 SLCS Premium with Waiver
4	Liberty	\$381.12
4	Lincoln	\$381.12
4	Madison	\$381.12
4	McCone	\$381.12
4	Meagher	\$381.12
4	Mineral	\$381.12
4	Park	\$381.12
4	Petroleum	\$381.12
4	Phillips	\$381.12
4	Pondera	\$381.12
4	Powder River	\$381.12
4	Powell	\$381.12
4	Prairie	\$381.12
4	Ravalli	\$381.12
4	Richland	\$381.12
4	Roosevelt	\$381.12
4	Rosebud	\$381.12
4	Sanders	\$381.12
4	Sheridan	\$381.12
4	Toole	\$381.12
4	Treasure	\$381.12
4	Valley	\$381.12
4	Wheatland	\$381.12
4	Wibaux	\$381.12