



## State of Montana

### **Individual Market Data Elements for 2024 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 2024 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 2024 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 that occurred subsequent to the approved application, including actual 2023 enrollment, actual premium rate increases filed by the issuers for 2024, and for the expected impact of Medicaid redetermination. The impact of Medicaid redetermination is expected to increase enrollment, specifically subsidized enrollment, in both the with and without waiver scenarios. Table 1 summarizes total premiums with and without the 1332 waiver.

**Table 1: 2024 Estimated Average Enrollment and Total Premiums**

2024	
<b>Baseline (with Waiver)</b>	
Average Non-Group Enrollment	60,230
Average Non-Group Premium PMPM	\$637.65
Total Non-Group Premiums	\$460,870,269
<b>Without Waiver</b>	
Average Non-Group Enrollment	59,690
Average Non-Group Premium PMPM	\$699.16
Total Non-Group Premiums	\$500,794,636

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

1. The emerging 2023 data was adjusted to calendar year 2023 using the following steps:
  - a. Enrollment from January to June 2023, as of September 2023, was used as a starting point for 2023 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 2022 enrollment provided as of September 2022 and September 2023. The second adjustment was made for attrition since enrollment drops off throughout the year. The data for the first half of 2023 was adjusted by attrition, as measured by the first half of 2022 compared to the average 2022 enrollment.
  - b. Premium per member per month (PMPM) estimates were developed by using emerging 2023 premiums and adjusting using the same two adjustments applied to the emerging 2023 enrollment.
2. Once average calendar year 2023 data was estimated, the data was further adjusted to estimate the 2024 total premiums with the 1332 waiver:
  - a. Premiums per member per month were increased by the 2024 rate filing amount of 4.8%. The 2024 increase was calculated taking a weighted average of the premium change by issuer and their 2023 premium by issuer.
  - b. The 2024 enrollment was estimated to increase as a result of Medicaid redetermination in May 2023. Wakely started with average 2023 enrollment and net attrition patterns from prior years were then applied to calculate average enrollment prior to Medicaid redetermination in May 2023. Additional members expected to roll off Medicaid were then added to this result. Overall, we estimate around an additional 2,900 members on average in 2024. These members are all expected to be eligible for APTCs. 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. The 2024 premiums with the waiver included in the 2024 rate filings were increased by the impact of reinsurance. 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 reinsurance<sup>1</sup> 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 market,<sup>2</sup> resulted in a morbidity increase of 0.2% 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 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 2023 premiums, yielded an average premium increase of 14.8% without reinsurance.

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<sup>1</sup> Given the circularity of this calculation, several iterations were completed until the market increase without reinsurance stabilized in the two calculations.

<sup>2</sup>[https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701\\_individual\\_health\\_insurance\\_market\\_cea\\_issue\\_brief.pdf](https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf)

- b. The 2024 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.<sup>3</sup>
- 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

Table 2 captures the second lowest cost silver plan (SLCSP) premium for a 21-year-old non-tobacco user in 2024, with and without the waiver. The table provides a summary of the essential health benefit (EHB) portion of premiums by rating area. Both SLCSP issuers reported no significant non-EHB premiums in 2024. It is also required to submit the SLCSP premium by appropriate geographic for rating areas that have service categories that are smaller than the CMS defined areas and have varying SLCSP premiums. Data on the percent of non-EHB premium was submitted by issuers and provided to Wakely by the state.

For Montana, there is one rating area in 2024 where the SLCSP varies for one or more counties within the rating area. For 2023, there were two rating areas for which the SLCSP varied by county and CMS has set up their template based on 2023 variations. Thus, in the table below, Rating Area 3 has two separate rows, but the rates are the same for 2024 (but were different in 2023). The table below shows the SLCSP premium by rating area and county, where appropriate, as identified in the 2024 rate filings. Please see Appendix A for a complete listing of SLCSP premiums with and without the waiver by county.

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<sup>3</sup>[https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701\\_individual\\_health\\_insurance\\_market\\_cea\\_issue\\_brief.pdf](https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf)

**Table 2: 2024 Second Lowest Cost Silver Plan Premium PMPMs  
By Rating Area (21-Year Old, Non-Tobacco)**

Rating Area	County	2024 SLCSP Premium with Waiver	2024 Estimated SLCSP Premium No Waiver	No Waiver / Waiver	Non EHB Percent of Premium
1	All	\$322.38	\$353.12	9.5%	0.00%
2	All Except Cascade, Gallatin, Lewis and Clark	\$432.78	\$469.78	8.5%	0.00%
2	Cascade, Gallatin, Lewis and Clark	\$408.55	\$447.51	9.5%	0.00%
3	All Except Flathead	\$391.54	\$428.87	9.5%	0.00%
3	Flathead	\$391.54	\$428.87	9.5%	0.00%
4	All	\$414.27	\$449.69	8.5%	0.00%

## Reinsurance Reimbursement

Wakely set the reinsurance parameters assuming \$42.6 million in reinsurance reimbursements in 2024. This amount was set to align with Montana’s estimates on state funds available and estimated Federal pass-through amounts.

## Reliances and Caveats

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

- 2022 and January to July 2023 enrollment and premium data provided by the State and issuers in September 2023
- 2024 issuer rate filing information, including but not limited to the Unified Rate Review Template (URRT), provided by Montana’s Commissioner of Securities and Insurance (CSI)
- Issuer submitted paid claim continuance tables for 2022, provided in the spring of 2023
- CEA Take-Up Function<sup>4</sup>

<sup>4</sup>[https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701\\_individual\\_health\\_insurance\\_market\\_cea\\_issue\\_brief.pdf](https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf)

- Disenrollment estimates from Medicaid due to redetermination from the Urban Institute<sup>5</sup> and ASPE<sup>6</sup>
- State provided rates by issuer with reinsurance.

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

- **Data Limitations.** The entire year of 2023 was not yet available. As a result, there is uncertainty on attrition patterns or other changes to the 2023 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.
- **Enrollment Uncertainty.** Beyond changes to potential rates and policy, individual enrollee responses to these changes also have uncertainty. There is considerable uncertainty as to enrollment patterns due to Medicaid redetermination, and enhanced subsidies via the Inflation Reduction Act. The considerable enrollment uncertainty and morbidity of the risk pool results in some level of uncertainty for final reinsurance reimbursements.
- **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 2024, which could impact the number of uninsured as well as ESI coverage, which could impact enrollment levels.

## Disclosures and Limitations

**Responsible Actuaries.** Julie Peper is the actuary responsible for this communication. She is a Member of the American Academy of Actuaries and Fellow of the Society of Actuaries. She meets

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<sup>5</sup>[https://www.urban.org/sites/default/files/publication/104785/what-will-happen-to-unprecedented-high-medicaid-enrollment-after-the-public-health-emergency\\_0.pdf](https://www.urban.org/sites/default/files/publication/104785/what-will-happen-to-unprecedented-high-medicaid-enrollment-after-the-public-health-emergency_0.pdf)

<sup>6</sup>[https://aspe.hhs.gov/sites/default/files/documents/404a7572048090ec1259d216f3fd617e/aspe-end-mcaid-continuous-coverage\\_IB.pdf](https://aspe.hhs.gov/sites/default/files/documents/404a7572048090ec1259d216f3fd617e/aspe-end-mcaid-continuous-coverage_IB.pdf)

the Qualification Standards of the American Academy of Actuaries to issue this report. Michael Cohen, Karan Rustagi, and Matt Cornish also contributed 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.

**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 and the Board.

**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 2023 enrollment and experience could impact the results. Finally, the Medicaid redetermination could materially impact the results of this analysis. 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	2024 SLCSP Premium with Waiver	2024 SLCSP Premium without Waiver	Non-EHB Percent of Premium
1	Carbon	\$322.38	\$353.12	0.00%
1	Musselshell	\$322.38	\$353.12	0.00%
1	Stillwater	\$322.38	\$353.12	0.00%
1	Sweet Grass	\$322.38	\$353.12	0.00%
1	Yellowstone	\$322.38	\$353.12	0.00%
2	Broadwater	\$432.78	\$469.78	0.00%
2	Cascade	\$408.55	\$447.51	0.00%
2	Chouteau	\$432.78	\$469.78	0.00%
2	Deer Lodge	\$432.78	\$469.78	0.00%
2	Gallatin	\$408.55	\$447.51	0.00%
2	Jefferson	\$432.78	\$469.78	0.00%
2	Judith Basin	\$432.78	\$469.78	0.00%
2	Lewis and Clark	\$408.55	\$447.51	0.00%
2	Silver Bow	\$432.78	\$469.78	0.00%
2	Teton	\$432.78	\$469.78	0.00%
3	Flathead	\$391.54	\$428.87	0.00%
3	Lake	\$391.54	\$428.87	0.00%
3	Missoula	\$391.54	\$428.87	0.00%
4	Beaverhead	\$414.27	\$449.69	0.00%
4	Big Horn	\$414.27	\$449.69	0.00%
4	Blaine	\$414.27	\$449.69	0.00%
4	Carter	\$414.27	\$449.69	0.00%
4	Custer	\$414.27	\$449.69	0.00%
4	Daniels	\$414.27	\$449.69	0.00%
4	Dawson	\$414.27	\$449.69	0.00%
4	Fallon	\$414.27	\$449.69	0.00%
4	Fergus	\$414.27	\$449.69	0.00%
4	Garfield	\$414.27	\$449.69	0.00%
4	Glacier	\$414.27	\$449.69	0.00%
4	Golden Valley	\$414.27	\$449.69	0.00%
4	Granite	\$414.27	\$449.69	0.00%
4	Hill	\$414.27	\$449.69	0.00%

Rating Area	County	2024 SLCSP Premium with Waiver	2024 SLCSP Premium without Waiver	Non-EHB Percent of Premium
4	Liberty	\$414.27	\$449.69	0.00%
4	Lincoln	\$414.27	\$449.69	0.00%
4	Madison	\$414.27	\$449.69	0.00%
4	McCone	\$414.27	\$449.69	0.00%
4	Meagher	\$414.27	\$449.69	0.00%
4	Mineral	\$414.27	\$449.69	0.00%
4	Park	\$414.27	\$449.69	0.00%
4	Petroleum	\$414.27	\$449.69	0.00%
4	Phillips	\$414.27	\$449.69	0.00%
4	Pondera	\$414.27	\$449.69	0.00%
4	Powder River	\$414.27	\$449.69	0.00%
4	Powell	\$414.27	\$449.69	0.00%
4	Prairie	\$414.27	\$449.69	0.00%
4	Ravalli	\$414.27	\$449.69	0.00%
4	Richland	\$414.27	\$449.69	0.00%
4	Roosevelt	\$414.27	\$449.69	0.00%
4	Rosebud	\$414.27	\$449.69	0.00%
4	Sanders	\$414.27	\$449.69	0.00%
4	Sheridan	\$414.27	\$449.69	0.00%
4	Toole	\$414.27	\$449.69	0.00%
4	Treasure	\$414.27	\$449.69	0.00%
4	Valley	\$414.27	\$449.69	0.00%
4	Wheatland	\$414.27	\$449.69	0.00%
4	Wibaux	\$414.27	\$449.69	0.00%