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The Connecticut Health Insurance Exchange dba Access Health CT

Individual Market Stabilization – Reinsurance Analysis

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Introduction

The Connecticut Health Insurance Exchange, dba Access Health CT, ("AHCT") retained Wakely Consulting Group, LLC ("Wakely"), to analyze the potential effects of a state-based reinsurance program on the 2020 individual Affordable Care Act (ACA) market. AHCT is interested in exploring policy options that will lower individual health insurance premiums for Connecticut residents. AHCT requested that Wakely analyze how a state-based reinsurance program for the 2020 benefit year might impact the individual market. In particular, Wakely analyzed how a potential reinsurance program would impact premiums in 2020, what the potential pass-through (i.e., Federal reimbursement amounts) might be if the state pursues a reinsurance-based 1332 waiver, and potential reinsurance payment parameters for select funding scenarios.

This document has been prepared for the use of AHCT for their discussions on reinsurance in the state. Wakely does not intend to benefit third parties and assumes no duty or liability to those third parties. Any third parties receiving this work should consult their own experts in interpreting the results. This report, when distributed, must be provided in its entirety and include caveats. This document contains the results, data, assumptions, and methods used in our analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements. Use of the information in this report for other purposes may not be appropriate.

Summary

Under a reinsurance program the issuer is reimbursed for some of the claims for which it previously would have been liable. Consequently, the issuer can lower premiums without incurring losses. Many states have combined claims-based and condition-based reinsurance programs with a 1332 waiver. Since the programs reduce premiums, this results in premium tax credit (APTC) savings for the Federal government, due to the decrease in premiums for the second lowest cost silver plans, which are used to calculate APTCs. The 1332 waiver requests that the Federal government "pass through" these savings to the state, which the state can use to fund part of the reinsurance program.

Two of the ways reinsurance can be structured are claims-based and condition-based.

- A claims-based reinsurance program reimburses issuers a portion of their costs (coinsurance amount) above a set threshold (attachment point) and up to a maximum amount (cap).

- A condition-based reinsurance program reimburses issuers for claims that are attributed to members who have certain conditions.

The two types of programs will have similar impacts on the total individual market given the total funding amount required would be the same. Wakely analyzed the feasibility of a claims-based reinsurance program under various enrollment and funding scenarios. Condition-based reinsurance was not analyzed. Given the timing and data needed, analyzing a condition-based program was not feasible. In addition, we believe that a claims-based program is likely more appropriate for the Connecticut market.

There are a number of reasons why condition-based reinsurance programs may be less advantageous than a claims-based program. The first is that condition-based reinsurance programs are operationally more complex than a claims-based reinsurance program. Identifying which conditions should be reimbursed can be difficult and may need to be revised each year. Also, the process of collecting condition-specific data from issuers could be cumbersome and expensive as more data quality and verification issues may arise relative to a claims-based reinsurance program. Finally, a condition-based program is more likely to have duplicative payments with the risk adjustment program. Excessive payments for specific conditions that are included in both the reinsurance and risk adjustment programs could undermine efforts at market stabilization.

Before analyzing the impact of a claims-based reinsurance program on the individual market, it is important to first understand the market prior to a reinsurance program being implemented. One of the largest drivers of change for the individual market in 2020 will be a state policy change that restricts the silver plan options offered on the Exchange. In 2019, issuers were allowed to offer up to three silver plans: a standard copay plan, a standard coinsurance plan, and a proprietary issuer variation. In 2020, only the standard silver copay plan will be allowed to be offered on the Exchange.

Given the state policy change as well as recent Federal regulatory changes, the enrollment and premiums in the 2020 market prior to reinsurance are uncertain. The baseline scenarios, prior to reinsurance, described in more detail later in the report, are as follows:

- Policy – All scenarios assume the silver plan policy change that will limit silver plans to one standard silver option per issuer.
- Enrollment Scenarios
    - Low Enrollment: The change in the silver plan policy results in significant attrition among both subsidized and unsubsidized enrollees.
    - Neutral Enrollment Impact: The change in the silver plan policy results in minimal attrition among both subsidized and unsubsidized enrollees.
    - Increasing Enrollment Scenario: The silver plan policy change results in positive enrollment growth, specifically among the subsidized enrollees.

- For each enrollment scenario, an additional scenario was included that assumed less APTC enrollment. This scenario tests the sensitivity of the results if the Federal APTC enrollment assumption is less than expected by Connecticut.

- Total Premium Reduction[1] for the Program
    - 5% Premium Reduction
    - 10% Premium Reduction
    - 20% Premium Reduction
- No Assessment
    - Wakely assumed state funding would not rely on a premium assessment that would impact individual market premiums.

Table 1 shows a summary of funding for a 1332 based reinsurance program. The ranges illustrate that the estimates will vary depending on the level of premium reduction sought, and the enrollment assumptions.

Table 1: 2020 Range of Results[2]

Funding Level	5% Premium Reduction	10% Premium Reduction	20% Premium Reduction
Total Funding Level	\$45.4 to \$49.6 M	\$90.9 to \$99.3 M	\$182.4 to \$199.0 M
Federal Pass-through	\$25.6 to \$28.4 M	\$51.1 to \$56.8 M	\$102.1 to \$113.5 M
Needed State Funding	\$19.2 to \$21.2 M	\$38.6 to \$42.5 M	\$77.7 to \$85.5 M
Federal Pass-through %	51.5% to 57.9%	51.5% to 57.8%	51.3% to 57.7%

The following three sections provide additional information on the detailed results and methodology for the premium impacts, pass-through amounts, and reinsurance parameters for the various scenarios.

[1] Premium Reductions refer to the change in premiums compared to what they would have been without the reinsurance program. They are not the expected premium change from 2019 to 2020.

[2] Note due to rounding not all numbers may sum. Dollar values are in millions.

Premium Impacts

Reinsurance is a program that protects issuers against high claim costs for enrollees. A state-based reinsurance program is operated by the state and provides reinsurance to the issuers in the individual ACA market with the primary goal of lowering premiums. The first part of the analysis estimated the impact to premiums of a claims-based reinsurance program based on various levels of funding. The reinsurance program assumed in the analysis is a claims-based program as opposed to a condition-based program.

Wakely discussed estimated enrollment levels with both Connecticut carriers as well as with the state of Connecticut. Respondents indicated that new state guidance would provide sufficient protection to limit the future impact of selection from association health plans and short-term duration plans. Furthermore, the respondents did not expect future enrollment declines due to the effective repeal of the mandate. Consequently, we developed three scenarios of enrollment, in which the primary driver of changes in enrollment is because of the policy change affecting silver plan offerings.

Wakely did not assume any carrier assessment in the funding for the program. Wakely further assumed all reinsurance funds would be allocated to paying claims (that is, none would be allocated to administering the program).[3] If an assessment is needed to fund the program, the amount of total and state funding that is needed to achieve similar premium reductions would increase since the assessment would partially offset the reduction in premium as a result of the reinsurance program in the individual market.

Estimates of the 2020 benefit year rely heavily on the 2018 and 2019 experience. For example, small changes in net premiums for Advanced Premium Tax Credit (APTC) eligible members can have significant effects on the Federal pass-through. The table below shows the 2017 and 2018 historical experience as well as Wakely's estimates for 2019.

[3] Wakely did not analyze administrative costs for the program in this report.

Table 2: Historical Experience

	2017 Estimates[4]	2018 Estimates	2019 Estimates	Change '17 to '18	Change '18 to '19
Average Annual Enrollment					
Total Non-Group Enrollment	142,234	124,957	112,761	-12.1%	-9.8%
Exchange Enrollment	92,697	98,651	95,341	6.4%	-3.4%
APTC Enrollment	70,071	72,950	65,761	4.1%	-9.9%
Non-APTC Exchange Enrollment	22,626	25,700	29,580	13.6%	15.1%
Off-Exchange Enrollment	49,537	26,306	17,420	-46.9%	-33.8%
Per Member Per Month (PMPM) Amounts					
Total Non-Group Premium PMPM	$501.84	$676.66	$703.58	34.8%	4.0%
APTC PMPM	$438.99	$609.77	$517.52	38.9%	-15.1%
Total Annual Dollars					
Total Non-Group Premiums	$856,540,000	$1,014,630,000	$952,040,000	18.5%	-6.2%
Total APTCs	$369,130,000	$533,790,000	$408,390,000	44.6%	-23.5%

Appendix A includes the methodology and data sources for the 2017 and 2018 benefit years as well as further assumptions used to estimate the 2019 and 2020 experience.

Table 3 below shows the estimated 2020 funding levels relative to baseline by premium reduction. The funding levels show how much total funding is required to lower premiums (i.e., by 5%, 10%, and 20%). Premium reductions are displayed relative to what they otherwise would have been absent reinsurance. The table does not reflect 2020 premium changes relative to 2019.

Table 3: Total Funding Level of Reinsurance Needed by Enrollment Scenario (in millions)

Premium Reduction	5%	10%	20%
Low Enrollment Scenario	$45.4	$90.9	$182.4
Neutral Enrollment Scenario	$47.9	$96.0	$192.5
Increasing Enrollment Scenario	$49.6	$99.3	$199.0

As expected, larger reductions in premiums require larger funding for the reinsurance program. Smaller enrollment in the individual market increases the impact of reinsurance payments on

[4] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Marketplaces/Downloads/2018-07-02-Trends-Report-1.pdf and.

premiums relative to what they otherwise would have been. This is because the amount of claims reimbursed, or the funding level (the numerator), is constant while the total amount of premiums is less (the denominator). Appendix B includes more detail on the calculations supporting the premium impacts.

As a rough approximation, we estimate that for every additional 5% reduction in target premiums will require approximately $45 to $50 million dollars more in total funding. As part of a 1332 waiver, a state could be reimbursed for some of the total costs of the reinsurance program. The next section will analyze estimated Federal pass-through amounts that could reduce state funding needs if a 1332 waiver is approved.

Federal Pass-Through Estimates and 1332 Waiver Implications

The ACA permits states to waive certain provisions of the ACA in order to increase access to affordable coverage. However, in order for both the Secretaries of Health and Human Services (HHS) and Treasury to approve the waiver, the state must complete an application in which it demonstrates that it has met the regulatory requirements. States may receive funds from the Federal Government commensurate with the federal savings the state waiver achieves.

The state-based reinsurance program will lower premium amounts for the entire market. Since premium tax credits (PTCs) are tied to the second lowest cost silver plan (SLCSP) in each county, any reduction in SLCSP premiums will lead to a decrease in the amount of PTC for which the Federal Government is liable. Through a 1332 waiver, a state can request that the Federal Government return the amount of net federal savings, or "pass-through" savings, back to the state to help fund the reinsurance program.

The absolute amount of federal pass-through increases as the amount of reinsurance funds increases. This is because the greater the reinsurance funds spent on the ACA individual market, the greater the premium impact, and the larger the estimated reduction in PTC spent by the Federal government.

Tables 4 and 5 below show the estimated pass-through funding based on three enrollment scenarios. The difference between the total funding amount and the pass-through amount is the funding Connecticut would need to cover. <u>**We estimate that Connecticut could receive approximately 50 to 60 with a best estimate of 57 percent of total reinsurance funds in Federal pass-through amounts in 2020, holding constant key assumptions.**</u> It is possible the funding may be higher or lower than this range but this is the best estimate based on the information and assumptions used.

Table 4: Estimated Federal Pass-through Amounts (in millions)

Premium Reduction	5%	10%	20%
Low Enrollment Scenario	$24.9to$26.2	$49.9 to$52.3	$99.7to $104.7
Neutral Enrollment Scenario	$26.4to$27.7	$52.9 to$55.5	$105.7 to $111.0
Increasing Enrollment Scenario	$25.6 to$28.4	$51.1 to$56.8	$102.1 to $113.5

Table 5: Estimated Pass-through (as a percent of total funding)

Carrier Assessment	5%	10%	20%
Low Enrollment Scenario	54.9% to 57.6%	54.7% to 57.6%	54.7% to 57.4%
Neutral Enrollment Scenario	55.2% to 57.9%	55.1% to 57.8%	54.9% to 57.7%
Increasing Enrollment Scenario	51.5% to 57.3%	51.5% to 57.2%	51.3% to 57.0%

Ultimately, the Department of the Treasury's estimates on the number of APTC eligible enrollees is what is used to determine pass-through amounts. If the Department of Treasury's estimates differ from Wakely's estimates the estimated pass-through amounts and pass-through percentages could change. For example, for the neutral enrollment scenario, if Treasury's APTC enrollment is 5% lower than the Wakely estimated level, but nothing else is different, the pass-through percentage could decrease to 55%. Similarly, if carriers anticipate a larger market (i.e., aligned with the increasing enrollment scenario but the Treasury Department estimates that APTC enrollment is similar to the low enrollment scenario, the pass-through percentage could be 51.5%). Finally, it is possible that issuers who influence the second-lowest cost silver plan in an area could estimate a lower impact of reinsurance than estimated, which could also result in less pass-through.

Generally, the larger the proportion of enrollees with APTCs as a percentage of those eligible for reinsurance payments, the larger the pass-through amount. Larger attrition of unsubsidized enrollees will increase the percentage of total funds the Federal pass-through amount represents. That is, the exact pass-through amount is highly dependent on the exact configuration of the state's market. The current regulatory uncertainty increases the level of uncertainty in the pass-through estimates. For example, if a larger number of enrollees with APTCs drop coverage, it would decrease the pass-through amounts. Conversely, if a greater number of enrollees without APTCs drop coverage, the pass-through amounts could increase. Appendix B includes more detail on the calculations supporting the pass-through estimates.

Reinsurance Parameters

If Connecticut decides to pursue a state-based reinsurance program, reinsurance parameters can be developed to match the selected estimated total funding and enrollment and premium assumptions. For illustrative purposes, Wakely is including examples of what the parameters may look like. Wakely's reinsurance parameter scenarios assume a neutral enrollment scenario.

Wakely considered the following when determining reinsurance parameters for the two funding levels:

- A cap of no more than $1 million should be used to avoid overlap with the HHS risk adjustment methodology's high cost pooling reimbursement, which has an effective attachment point of $1 million in 2020.
- Based on discussions with the issuers, there is likely no private reinsurance that needs to be considered to avoid overlap of private and state-funded reinsurance, but these should be verified before Connecticut finalizes any parameters.
- Ideally, coinsurance would be between 50% and 80% to incentivize issuers to continue to manage the care of the high cost individuals.
- Where appropriate, higher coinsurance amounts were used to avoid having an unreasonably low attachment point or excessively high caps.

Table 6: Reinsurance Parameters Using the Mandate Neutral Enrollment Scenario

Target Premium Reduction	Attachment Point	Cap	Coinsurance
5%	$55,000	$ 100,000	50%
10%	$55,000	$ 230,000	50%
20%	$55,000	$ 480,000	80%

It is important to note that individual issuers may be affected differently by reinsurance. Issuers with relatively higher claims costs will receive relatively more reinsurance payments. While the reinsurance program will reduce total risk adjustments transfers, since the state average premium will be lower, some enrollees with Hierarchical Condition Categories (HCCs) will get compensated both for risk adjustment and reinsurance. The result could be very different profitability patterns within the market than currently exists. The ultimate impact of reinsurance by issuer will vary depending on the chosen funding level and reinsurance parameters.

If Connecticut decides to pursue a 1332 waiver, it is advisable to continue to revise and refine the assumptions within this analysis with the most recent data available. There have been significant market changes and further changes are expected, which makes estimating the 2020 market and impact of reinsurance less certain. For this reason, it is possible that the results of this analysis will vary from those included in a 1332 waiver, especially pertaining to 2020 estimates and the resulting impact to premiums, pass-through amounts, and reinsurance parameters.

Appendix A

Data and Methodology

To create the enrollment, premium estimates, and reinsurance parameters, Wakely completed the following steps:

1. Using publicly available data and data from the issuers (see Appendix C, Reliances and Caveats), estimates were made for 2019 average enrollment.

    a. The number of enrollees with PTCs in 2019 was measured based on the reported number of APTC enrollees provided by Connecticut issuers as of January 2019. This point estimate was then adjusted to a yearly average by an attrition factor. The attrition factor was based on the 2018 attrition experience, as measured by Connecticut issuer data for 2018.

    b. Unsubsidized enrollment (On and Off-Exchange) for 2019 was measured using Connecticut issuer data as of January 2019. We adjusted the results to estimate 2019 average enrollment using the 2018 attrition experience.

2. Given the uncertainty around the 2020 market, Wakely estimated three different scenarios for enrollment in 2020, all tied to the policy change whereby only one standard silver plan per issuer is permitted. The requirement would enforce standard plan designs. The expectation is that as a result of the standard plan design silver plan premiums would increase. Wakely assumes that the policy will have three effects: 1) an increase in average silver premiums, 2) an increase in APTC amounts, all things equal and 3) the difference in premium between the lowest cost silver plan and the second lowest cost silver plan will decrease. The overall impact of those three effects is uncertain. Consequently, Wakely used three enrollment scenarios, each with differing enrollment levels, to examine the effect of reinsurance on Connecticut's individual market. Projected premium increases and varying levels of disenrollment drive additional variation in enrollment relative to 2019.

    a. Low Enrollment Scenario: In this scenario, it is assumed that Connecticut's enrollment would be harmed by the policy change. This is due to silver premium increases for the unsubsidized and higher net premiums for enrollees in the lowest cost silver plan and bronze plans. Overall market enrollment is reduced by 8.5% with subsidized enrollment decreasing 6.9%. This overall disenrollment level is consistent with that observed in Connecticut over the past two years.

    b. Neutral Enrollment Scenario: In this scenario, we assume metal migration, as described previously, with overall market enrollment reducing 2.2% and subsided enrollment remaining relatively unchanged (an increase of 0.3%). The policy change should increase the subsidies available to APTC-eligible enrollees, bringing APTC amounts approximately to 2018 subsidy levels.

c. Increasing Enrollment Scenario: In this scenario, we continue to assume metal migration, as described previously, with overall market enrollment growing 2.4% and subsided enrollment growing by 4.1%, this growth is similar to that experienced from 2017 to 2018 with the defunding of cost-sharing reduction (CSR) plans.

3. State wide average premium: Wakely used the 2018 and 2019 state average premium as captured by Connecticut issuer data. The 2019 premium was measured using Connecticut issuer data as of January 2019. We adjusted the results to estimate 2019 average enrollment using the 2018 attrition experience. This amount was then increased by expected 2020 rate increases. This was done by a combination of estimated medical and prescription drug trend, increased morbidity due to reduction in enrollment (including loss of enrollment due to the mandate repeal), the assumed return of the provider insurer fee (there is a moratorium in 2019), and other factors. The estimated target 2020 rate increases ranged from 6% to 9%, and the reinsurance parameter analysis and funding modeling assumed a premium rate change of 8.4%.

4. APTC Enrollment: APTC Enrollment was assumed not to be impacted by the reinsurance program. The extent to which APTC enrollment is adversely affected by lower APTC amounts as a result of the reinsurance program, Connecticut could receive greater pass-through funds relative to what is estimated in the report.

5. APTC amounts per member per month for 2019 were calculated from the Connecticut issuer data from January 2019. APTC amounts are increasing by more than 20% in 2020 due to estimates of the impact of the approved silver plan offering policy change. To estimate 2020 APTC PMPMs, we used 2019 rate templates and 2019 open enrollment data and recalculated the 2019 SLCSP premium (net of Non-EHB) based on the 2020 policy change to allow only the standard silver copay plan option for each issuer. Enrollees were bucketed into one of four common types of enrollee groups: Single under 35, Single over 35, Adult Couple and Family with children. The premiums and SLCSP premiums were projected into 2020 assuming a range of rate increases of 6% to 9%. The required contribution (i.e., net premium) reflect 2019 plan enrollment with enrollees in plans to be terminated due to the policy change being mapped to the silver plan offered by the same issuer. If an enrollee is estimated to experience a premium increase greater than 10% or $20 PMPM, we have assumed migration to the lowest cost bronze option available in the rating area. We indexed the applicable percentage target 2% from 2019 to 2020. This will also reflect the change in the 2020 FPL% table. After application of migration by metal level, high and low attrition rates were applied to the overall enrollment. The attrition rates varied by subsidy level.

6. To calculate the effects of reinsurance payments on premiums, we used the estimated enrollment and premium amounts for the relevant scenarios. We reduced total premiums by the amount of the reinsurance payments or total funding available. We estimated the

increase in enrollment that would result from the lower premiums using a Council of Economic Advisors (CEA) take-up function that estimates enrollment reactions to premium changes.[5] These new enrollees, given their price sensitivity, are expected to improve the risk pool's morbidity level. The change in morbidity was developed based on statistics of the health status of those leaving the market compared to those staying and the estimated percentage of members assumed to be leaving. The health status statistics are cited from a study the CEA conducted (noted above).

7. Federal pass-through amounts were calculated in the following manner, consistent with the methodology outlined by the Office of Tax Analysis (OTA).[6] First, the aggregate amount of advanced-premium tax credits in the baseline scenario were compared to the aggregate amount of advanced premium tax credits in the waiver scenario. The difference in advanced premium tax credits is adjusted to calculate the total premium tax credit subsidy. To do that Wakely relied on publicly available IRS tax statistics from the 2016 benefit year.[7] The actual data used by OTA for the 2020 calculations will be from 2017 as well as from 1095-A data, which are currently not public at the time of Wakely completing this report. The ratio of total PTC subsidy after reconciliation to APTC based on tax data for benefit year 2016 (or 95.5%) was multiplied by the APTC savings. This new aggregate amount is the total net Federal savings.
8. For scenarios in which OTA estimates differ from Wakely estimates, Wakely estimated two sets of scenarios. One set in which APTC enrollment for OTA's estimates are 5% lower than the low, neutral, and increasing scenarios, respectively, and another set in which APTC enrollment for OTA's estimates are equal to the low enrollment scenario.

To estimate the reinsurance parameters, Wakely first had to estimate the 2020 individual market data. To do this, Wakely completed the following steps:

1. Wakely collected 2017, 2018, and 2019 summary data from each Connecticut carrier in the individual market. Using 2018 continuance data from all issuers, only 0.8% of enrollees have claims exceeding $100,000 and only 0.2% have claims exceeding $250,000.
2. The data was adjusted to 2020 using the following steps:
    a. The first adjustment was to adjust the 2018 data to account for the enrollment differences between 2018 and post-reinsurance estimate for 2020. Wakely determined the most appropriate methodology was to remove members from the

[5] https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf
[6] https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Treasury-Method-Calculation-1332-Pass-through-Amounts.pdf
[7] https://www.irs.gov/statistics/soi-tax-stats-historic-table-2

2018 data, aligning with the overall estimated enrollment decrease from 2018 to 2020 (post-reinsurance 2020 for each of the three scenarios). The neutral enrollment scenario results in an 8.5% to 11.0% reduction in enrollment over the three years, after the effects of reinsurance on enrollment.

b. Concurrent with the enrollment change, Wakely adjusted for changes in the health status, or morbidity of the enrollment, from 2018. Claims costs associated with enrollees were removed to account for the assumption that healthier and younger members would be more likely to drop coverage between 2018 and 2020. The removal of these claims cost resulted in a 2.4% to 3.1% morbidity adjustment over the two years for the neutral enrollment scenario. We estimated that those who left were 27% healthier than those who maintained enrollment.[8] To the extent the actual morbidity impact differs from what Wakely has included in this analysis, the resulting reinsurance parameters will be impacted.

c. An additional adjustment was made to account for medical trend. This adjustment was developed by targeting, in combination with the morbidity adjustment, a reasonable medical loss ratio was targeted for 2020. The medical loss ratio was calculated by comparing the estimated 2020 claims and estimated 2020 premiums prior to reinsurance being applied. The resulting trend is an 8.8% annual trend that accounts for all rating factors other than morbidity changes.

d. The combination of trend and morbidity increases, which was achieved via targeting a reasonable loss ratio based on the estimated 2020 premiums, increased the claims on a per member per month basis from 2018 to 2020 by 22%. The portion of this increase that is morbidity and the portion that is trend may impact the results of the reinsurance parameters, potentially significantly. If Connecticut pursues a 1332 waiver, Wakely recommends adding additional 2019 data, assuming it is available at the time.

The resulting 2020 data was used to determine the reinsurance parameters. In general, the methodology used to apply the reinsurance parameters parallels the methodology used for the Federal Transitional Reinsurance program under the ACA. For example, members are grouped by carrier, but are allowed to accumulate claims if they change plans or rating areas within a carrier. However, no adjustment was made for CSR plan variants enrollees since carriers now bear the cost of enrollees in these plans.

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[8]https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

Appendix B

Additional Detailed Results

The following table shows the 2020 estimated enrollment, premiums, and subsidies under the three enrollment scenarios.

Table 7: Enrollment and Premium Projections 2020 Baseline

	2018	2019	Low Enrollment	Neutral Enrollment	Increasing Enrollment
Average Annual Enrollment					
Total Non-Group Enrollment	124,957	112,761	103,157	110,293	115,507
Exchange Enrollment	98,651	95,341	87,611	93,871	98,063
APTC Enrollment	72,950	65,761	61,201	65,965	68,430
Non-APTC Exchange Enrollment	25,700	29,580	26,356	27,820	29,577
Off-Exchange Enrollment	26,306	17,420	15,521	16,384	17,418
Per Member Per Month (PMPM) Amounts					
Total Non-Group Premium	$676.66	$703.58	$765.46	$755.00	$746.48
APTC	$609.77	$517.52	$632.47	$626.53	$616.96
Total Annual Dollars					
Total Non-Group Premiums	$1,014,630,000	$952,040,000	$947,550,000	$999,260,000	$1,034,690,000
Total APTCs	$533,790,000	$408,390,000	$464,490,000	$495,950,000	$506,630,000

The following table shows the process to estimate the pass-through and premium impacts.

Table 8: 2020 Pass-through and Premium Impact Calculations
Neutral Enrollment Scenario

Scenario	5%	10%	20%
Baseline			
Total Non-Group Enrollment	110,293	110,293	110,293
Exchange Enrollment	93,871	93,871	93,871
APTC Enrollment	65,965	65,965	65,965
Total Non-Group Premium PMPM	$755.00	$755.00	$755.00
Gross Premiums PMPM for APTC Members	$734.16	$734.16	$734.16
Net Premiums PMPM for APTC Members	$107.63	$107.63	$107.63
APTC PMPM	$626.53	$626.53	$626.53
Total Non-Group Premiums	$999,260,000	$999,260,000	$999,260,000
Total APTCs	$495,950,000	$495,950,000	$495,950,000
After Reinsurance			
Reinsurance Funding	47,940,000	96,000,000	192,480,000
Reduction in Premiums (Rein Funding)	-4.8%	-9.6%	-19.3%
Reinsurance Assessment	0.0%	0.0%	0.0%
Reduction in Premiums (Improved Morbidity)	-0.2%	-0.4%	-0.9%
Total Premium Impact	-5.0%	-10.0%	-20.0%
Total Non-Group Premium PMPM	$717.25	$679.50	$604.00
APTC PMPM	$589.82	$553.12	$479.70
Percent Change in Total Enrollment	0.8%	1.7%	3.7%
Total Non-Group Enrollment	111,207	112,179	114,330
APTC Enrollment	65,965	65,965	65,965
Total Premiums	$957,160,000	$914,710,000	$828,670,000
Total APTCs	$466,890,000	$437,840,000	$379,720,000
APTC Savings			
Estimated APTC Savings			
PTC Adjustment	$29,060,000	$58,110,000	$116,230,000
Estimated Net Federal Savings	-$1,310,000	-$2,610,000	-$5,230,000
Estimated State Funds Needed	**$27,750,000**	**$55,500,000**	**$111,000,000**
Pass Through Amount	**$20,190,000**	**$40,500,000**	**$81,480,000**
Pass Through %	**57.9%**	**57.8%**	**57.7%**

Appendix C

Reliances and Caveats

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

- Wakely collected 2017, 2018, and 2019 data from each individual market carrier. The data collected includes:
  - 2017 and 2018 continuance tables
  - 2018 and 2019 enrollment and premium information, split by metal level, APTC status, and other breakouts.
  - Information provided as part of conference calls with each of the Connecticut issuers
- 2019 submitted rate increases and rate templates[9]
- Effectuated Enrollment Reports released by CMS[10]
- CBO Analysis on Impact of Repeal of the Mandate[11]
- IRS 2016 Tax Data[12]

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

- **Data Limitations.** As discussed above, Wakely collected 2017, 2018 and 2019 data from individual market carriers in order to complete this analysis. There were some variances in the data compared to other data sources that were used to check the reasonability of the data; however, the variances were reasonable and not expected to impact the results.
- **Political Uncertainty.** There is significant policy uncertainty. Future federal actions or requirements in regards to short-term duration plans, association health plans, reinsurance funds, income verification, and/or CSR payments could dramatically change premiums and enrollment in 2020. Changes in the allowable plan offerings by the Exchange may also significantly impact premiums and enrollment in 2020.
- **Enrollment Uncertainty**. At the time of producing this report, early 2019 enrollment data was available. To the extent 2019 attrition varies significant from historical rates, the

[9] https://www.catalog.state.ct.us/cid/portalApps/RateFilingComment.aspx
[10] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Marketplaces/Downloads/2018-07-02-Trends-Report-1.pdf
[11] https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53300-individualmandate.pdf
[12] https://www.irs.gov/statistics/soi-tax-stats-historic-table-2

estimates for 2020 will not be accurate. 2020 is additionally uncertain. Beyond changes to potential rates and policy, individual enrollee responses to these changes also has uncertainty. All of these factors result in uncertainty for estimates on reinsurance parameters and impacts of a 1332 waiver. Finally, it possible economic changes could influence enrollment. Wakely assumed economic conditions in 2020 to be relatively similar to what exists currently.

- **Premium Uncertainty**. Given the impact of several regulations (mandate repeal, association plans, etc.), there is uncertainty in how issuers may respond in their 2020 premium filings and the subsequent impact on enrollment and morbidity costs. These uncertainties result in limitations in providing point estimates.

- **APTC Uncertainty.** The impact of the new silver policy on APTC enrollees and total APTC amounts is uncertain. While Wakely modeled several scenarios, the uniqueness of the policy does produce uncertainty. Ultimately, the aggregate amount of APTC dollars in Connecticut's market will directly influence Federal estimates of the pass-through.

- **Pass-through Uncertainty.** Ultimately, the Department of Health and Human Services and the Department of Treasury model the pass-through amounts. The extent to which the exact assumptions and micro-simulation modeling differs from Wakely's models, differences in the pass-through amounts are possible.

- **State Funding.** The analysis assumed state funding of the program would not include an assessment affecting individual market premiums. Estimates will differ if an assessment is needed to fund the state portion of the program. For example, total funding would need to be higher than estimated if premium reduction targets were to be maintained.

- **Reinsurance Operations**. If actual operations of the reinsurance program differ from the data configurations used in this analysis, Wakely's analysis would need to be adjusted to match actual reinsurance data requirements. Changes to assumed data requirements, actual data requirements, and data submission quality for reinsurance operations may impact the results. Wakely is basing its estimates on summary data, which will not match issuer incurred claims for reasons including but not limited to: drug rebates are not incorporated, claim filters are applied. If actual operations of the reinsurance program differ from the analysis, Wakely's analysis would need to be adjusted to match actual reinsurance data requirements.

  The 1332 waiver is typically approved for a five-year time period. While Wakely did not analyze future years. Without a reinsurance program in 2021, premiums would be expected to rise commensurate with the impact of reinsurance payments on the 2020 benefit year.

Appendix D

Disclosures and Limitations

Responsible Actuaries. Julie Andrews 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.

Intended Users. This information has been prepared for the sole use of AHCT. 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 Connecticut 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. The responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying these analyses. In addition, Wakely is organizationally and financially independent of AHCT.

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 'Data and Methodology' and '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, including actions in regards to mandate enforcement by the state of Connecticut. Additionally, final federal regulations on short-term limited duration plans have not yet been released. Material changes as a result of Federal or state regulations change on short-term limited duration plans or association plans may also have a material impact on the results. In addition, any changes in issuer actions as well as emerging 2018 enrollment and experience could impact the results. Changes to current Connecticut practice of loading CSR amounts to silver plans only could also 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 (the report, including appendices) constitutes the entirety of actuarial report and supersede any previous communications on the project.

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