

# Updated Gruber and Gorman Analysis of ACA and Exchange Impact on Minnesota

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# Methodology



# Modeling Background

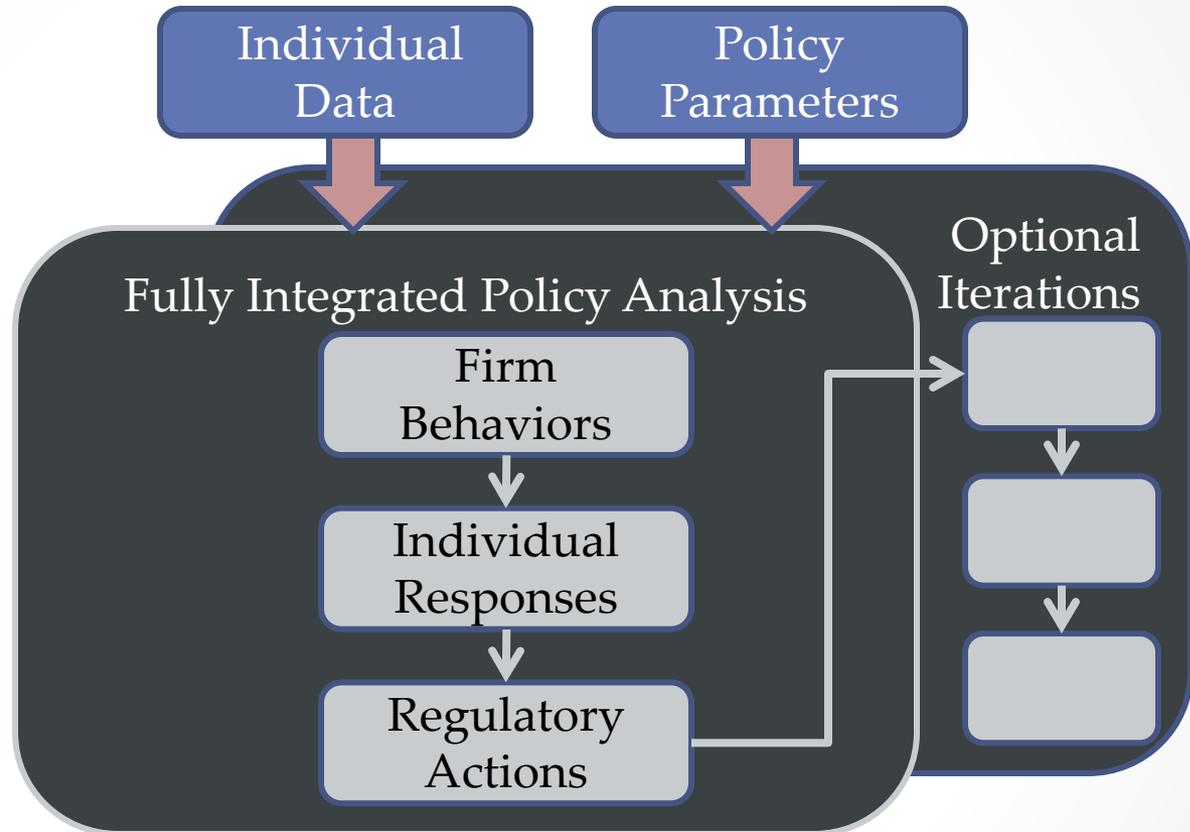
- Model impact of the ACA
- Economic modeling: population flows
- Actuarial modeling: insurance pricing
- Integrate the two to provide comprehensive analysis of population movements & costs

# Microsimulation Modeling

- Modeling how policies impact the economy
- Key aspect is accounting for how individuals and firms react to policy interventions
- Translating the results of basic health economics research into policy outcomes

# Schematic of the Model

INPUTS



OUTPUTS

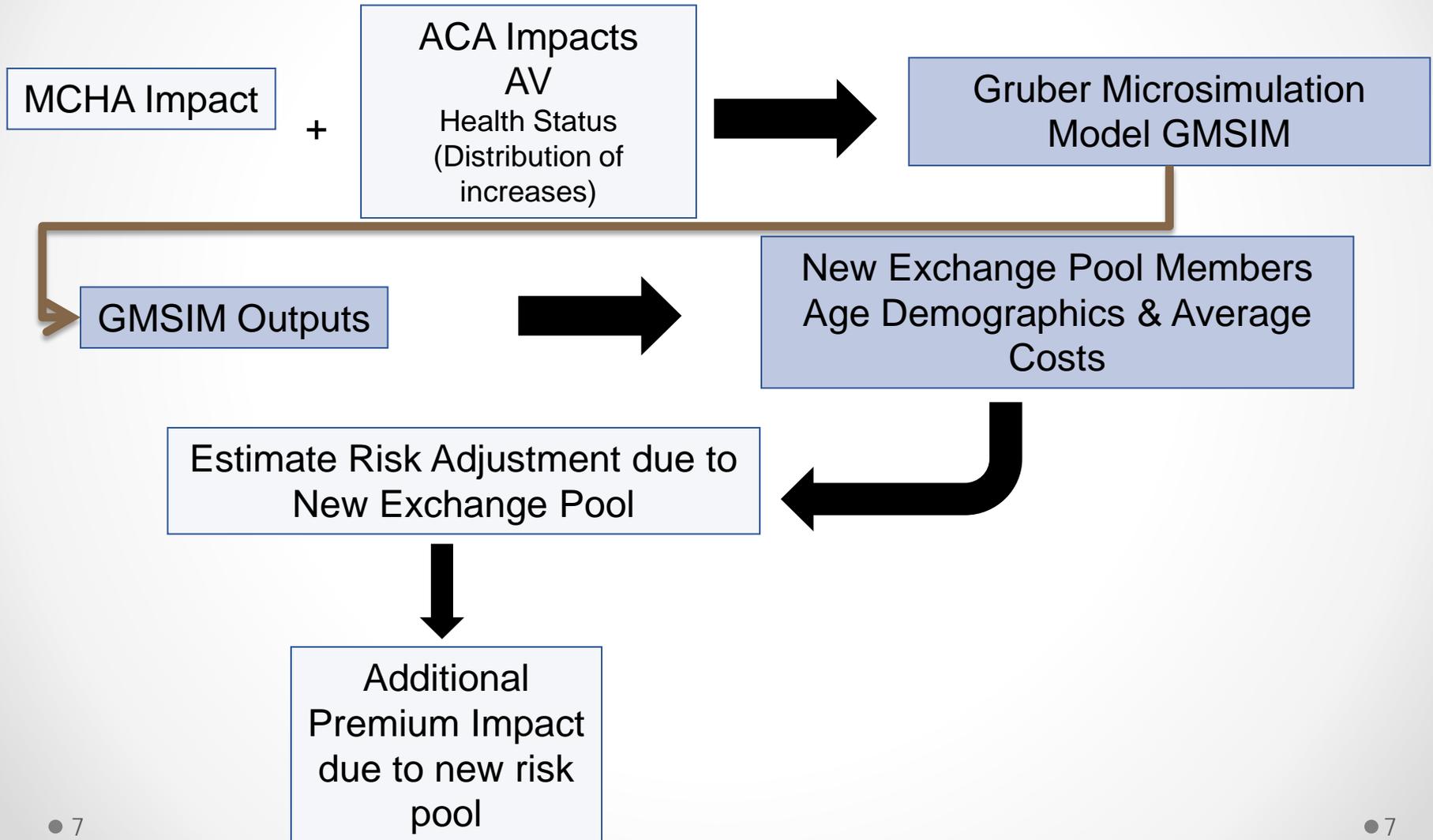
Population and Cost Flows

# Data

- Base data is Minnesota Health Access Survey – updated to 2011
- Augmented with survey data from individual, high risk pool, small group, 51 to 100 insurers – updated to 2011
  - Data on enrollment, premiums, risk mix, and benefits
- Public insurance eligibility, enrollment, benefits, risk mix & costs from state – updated to 2011
- Data on large group premiums from MEPS-IC – updated with most recent data

# Minnesota

## Actuarial/Economic Interface



# Model Key Elements of ACA

- Medicaid expansion to 138% FPL
- Tax credits for 138% FPL to 400% FPL
  - Adults in MNCare above 133% FPL to exchange
  - Consider BHP/Wrap alternatives for 138 – 200% FPL adults
  - Kids above 275% FPL to exchange
- Individual responsibility requirement
- Insurance market reforms
  - Community rating, guaranteed issue, no pre-ex
  - Minimum actuarial value
  - High Risk Pool Impact
- Employer responsibility payments
- Small firm tax credits
- Exchange

# Impacts On Coverage

# Estimate of ACA Effect: 2016 (no BHP/Wrap)

|                                  | No Reform | With ACA  | ACA Impact |
|----------------------------------|-----------|-----------|------------|
| ESI                              | 3,038,000 | 3,035,000 | -3,000     |
| >Small Firm ESI (1-50 employees) | 420,000   | 426,000   | 6,000      |
| >51 – 100 employees              | 108,000   | 99,000    | -9,000     |
| Unreformed Individual Market     | 291,000   | 7,000     | -284,000   |
| Reformed Individual Market       | 0         | 530,000   | 530,000    |
| Public Insurance                 | 756,000   | 811,000   | 55,000     |
| Uninsured                        | 499,000   | 201,000   | -298,000   |
| Total                            | 4,584,000 | 4,584,000 |            |

# Estimate of ACA Effect: 2016 (BHP/Wrap)

|                                  | No Reform | With ACA                | ACA Impact              |
|----------------------------------|-----------|-------------------------|-------------------------|
| ESI                              | 3,038,000 | 3,035,000               | -3,000                  |
| >Small Firm ESI (1-50 employees) | 420,000   | 426,000                 | 6,000                   |
| >51 – 100 employees              | 108,000   | 99,000                  | -9,000                  |
| Unreformed Individual Market     | 291,000   | 7,000                   | -284,000                |
| Reformed Individual Market       | 0         | 377,000                 | 377,000                 |
| Public Insurance                 | 756,000   | 964,000 to<br>1,006,000 | 208,000 to<br>250,000   |
| Uninsured                        | 499,000   | 159,000 to<br>201,000   | -298,000 to<br>-340,000 |
| Total                            | 4,584,000 | 4,584,000               |                         |

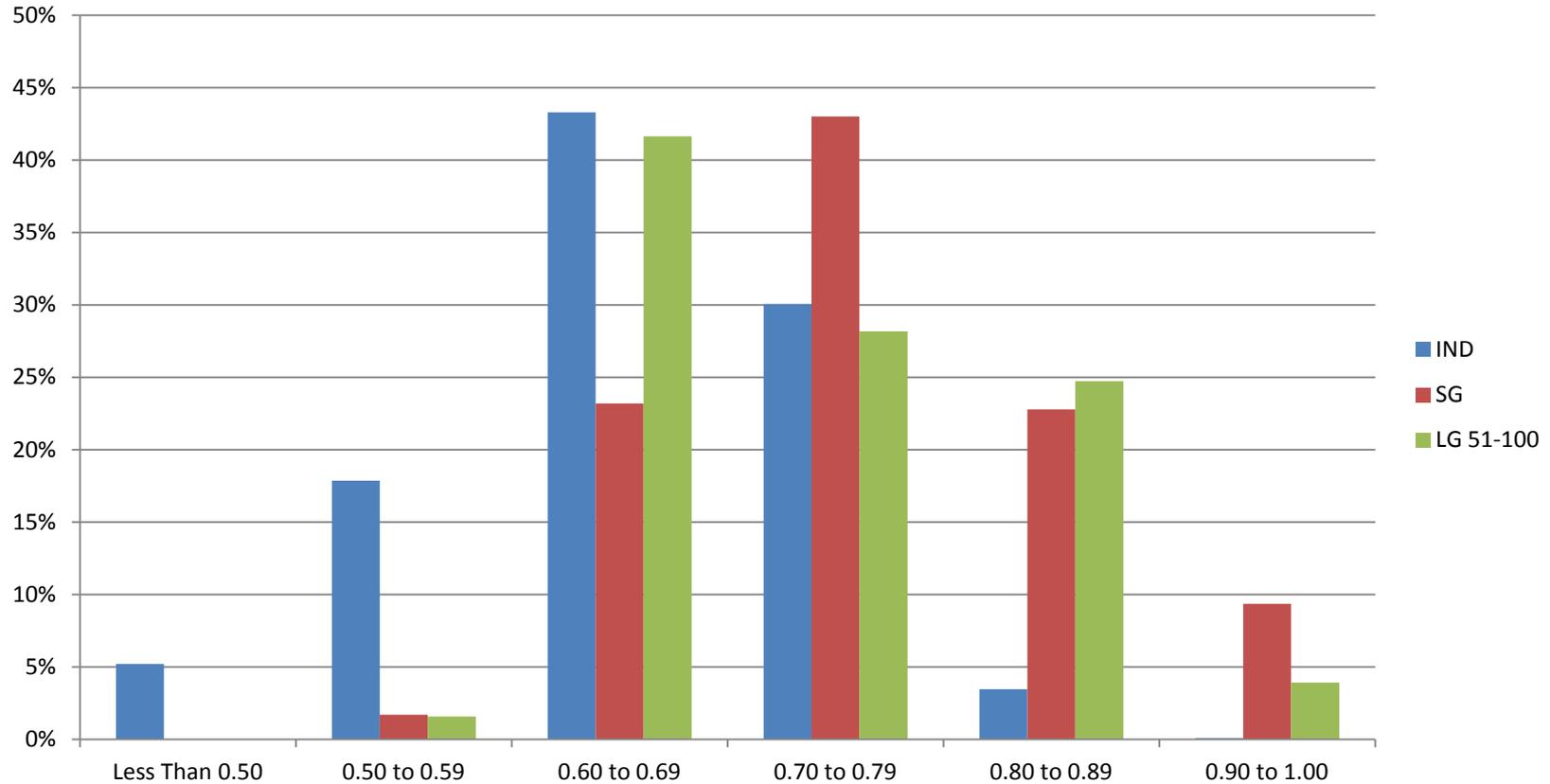
# Predicting the Size of the Exchange, 2016

|   | No BHP           |                            | With BHP         |                            |
|---|------------------|----------------------------|------------------|----------------------------|
|   | # of individuals | Enrollment in the Exchange | # of individuals | Enrollment in the Exchange |
| Tax credit Recipients                           | 370,000          | 370,000                    | 217,000          | 217,000                    |
| Enrollees in Firms <50 Receiving Tax Credit     | 33,000           | 33,000                     | 33,000           | 33,000                     |
| Non-tax Credit Recipients in Reformed Market    | Up to 160,000    | 80,000                     | Up to 160,000    | 80,000                     |
| Enrollees in Firms <50 Not Receiving Tax Credit | Up to 393,000    | 98,000                     | Up to 393,000    | 98,000                     |
| Enrollees in firms 50-99                        | Up to 99,000     | 24,000                     | Up to 99,000     | 24,000                     |
| Public Insurance Enrollees                      | 690,000          | 690,000                    | 843,000          | 843,000                    |
| Total Exchange Enrollment                       |                  | 1,295,000                  |                  | 1,295,000                  |

# Premium Impact

# Current Market Actuarial Values

## 2011 AV Distribution by Market



# 2016 Premium Impact

- Individual Market:
  - 2016 average premium without ACA reforms: \$3,900
  - 2016 premium impact with ACA reforms not including tax credits: increase of 15% to 29%
  - After application of tax credits, average premiums for consumers in the individual market fall by over 30%
  - approximately 70% of the individual market will experience either no change or premium decreases
- Small Group Market:
  - No increase in premiums from ACA reforms
  - Reduction in premiums due to managed competition effect

# Individual Market 2016 Premium Impact

|   | No BHP     | BHP        |
|---|------------|------------|
| Actuarial Value Requirement                       | 4%         | 3%         |
| MCHA - All move to the Exchange                   | 21%        | 19%        |
| MCHA - 3 year phase out                           | 16%        | 15%        |
| New Risk Mix of Individual Market Pool            | 11%        | 6%         |
| Managed competition effect                        | -7.5%      | -7.5%      |
| <b>Premium Change - MCHA All move to Exchange</b> | <b>29%</b> | <b>19%</b> |
| <b>Premium Change - MCHA 3 year phase out</b>     | <b>23%</b> | <b>15%</b> |

# BHP/Wrap Impact

# BHP Factors

| Premiums                                   | Cost Sharing  | Benefit Set       | Provider Rates         | Risk Adjust |
|--|---|-------------------|------------------------|-------------|
| Exchange 2 <sup>nd</sup> Level Silver Plan | Exchange 2 <sup>nd</sup> Level Silver Plan with ACA Cost-Sharing Reductions | EHB               | MA Provider Rates      | Yes         |
| MNCare+ Premiums                           | No Cost Sharing   | MNCare++ Benefits | Private Provider Rates | No          |

**MNCare+ Premiums** = No Premiums 138-150% and Current MinnesotaCare Premiums 150-200% FPG

**MNCare++ Benefits** = Current MinnesotaCare Benefits

- without a \$10,000 hospital cap and 10% copay
- with an Average \$38 PMPM of Additional Benefits

# BHP

- Base case:
  - Exchange Silver Level Premiums
  - Exchange Silver Level Cost Sharing with ACA Cost-Sharing Reductions
  - EHB Benefit Set
  - MA Provider Rates
- Assume mid range risk adjustment

| Scenario compared to Base Case  | Enrollment | Cost           |
|---|------------|----------------|
| Base Case   | 153,000    | (\$93,000,000) |
| MNCare+ Premiums  | 184,000    | (\$21,000,000) |
| No Cost Sharing   | 161,000    | \$3,000,000    |
| MNCare++ Benefits   | 153,000    | (\$36,000,000) |
| MNCare+ Premiums & No Cost Sharing  | 195,000    | \$104,000,000  |
| MNCare+ Premiums & No Cost Sharing & MNCare++ Benefits                          | 195,000    | \$188,000,000  |
| MNCare+ Premiums & No Cost Sharing & MNCare++ Benefits & Private Provider Rates | 195,000    | \$349,000,000  |

# QHP - Wraps

- QHP wraps assume private provider rates
- Costs do not include any potential federal match

| Wrap Type  | Enrollment | Cost          |
|--|------------|---------------|
| MNCare+ Premiums                                       | 184,000    | \$89,000,000  |
| No Cost Sharing  | 161,000    | \$110,000,000 |
| MNCare++ Benefits                                      | 153,000    | \$63,000,000  |
| MNCare+ Premiums & No Cost Sharing                     | 195,000    | \$229,000,000 |
| MNCare+ Premiums & No Cost Sharing & MNCare++ Benefits | 195,000    | \$322,000,000 |