

Ms. Mila Kofman
Executive Director
DC Health Benefit Exchange Authority
1225 Eye Street, NW, 4th floor
Washington, DC 20005

February 6, 2018

Impact of the Repeal of the Individual Mandate

Dear Mila:

In this letter, we provide an estimate regarding the impact to the District of Columbia's (the District's) individual ACA market as a result of the repeal of the individual mandate penalty. Please note that the estimates that follow are not based on robust actuarial micro-simulation modeling specific to the District. However, the unique characteristics of the District's market has been taken into consideration, including but not limited to its Medicaid eligibility requirements and distribution of its individual market membership by age and income. Therefore, in our opinion the estimates we have developed do provide the District with a reasonable starting point for discussions related to the potential impact on rates in the individual ACA market.

Results

Overall, we are estimating that the repeal of the individual mandate penalty is expected to result in a decrease in the District's 2019 individual ACA market enrollment equal to approximately -15.1%, or about 2,500 covered lives. Further, we are estimating that it will result in an increase in average claim costs in the individual ACA market equal to approximately +7.2% (on a per member per month basis, excluding the portion which can be rated for through the ACA age curve). This estimate does not include any increase in costs resulting from loss of coverage in the employer market or on the Medicaid side.

A description of the methodology which was utilized to develop these estimates is provided in the following section of this letter.

Methodology

In conducting our analysis, we began with a dataset provided by the District of Columbia Health Benefit Exchange Authority (DCHBX), which includes the following detail for each member who was active in the ACA individual market in January 2018: Policy ID, Member ID, Date of Birth, Gender, Federal Poverty Level (FPL), APTC Indicator, Issuer Name. To assess the impact of the repeal of the individual mandate penalty, we first organized the DC individual market data by the age (e.g., 0-20, 21-30) and FPL (e.g., 250-300, 300-400) of the policy subscriber. For the purpose of this analysis, because the District does not collect FPL information for enrollees who do not receive APTCs, it was assumed that any of those individuals are in the 400+ FPL segment. The distribution of January 2018 members in the District's individual market by subscriber age band and FPL are summarized in Tables 1 and 2 below:

Table 1 – Age Distribution

Age Band	Distribution
0-20	2%
21-30	24%
31-40	30%
41-50	21%
51-60	17%
61+	7%

Table 2 – FPL Distribution

FPL	Distribution
< 200	1%
200-300	3%
300-400	1%
400+	95%

Next, we applied projected changes in membership. We note that the District’s individual ACA market distribution of membership by age band and FPL is significantly different than nationwide ACA membership. Specifically, when compared to nationwide membership, a very low percentage of the District’s membership receives advance premium tax credits. Additionally, the District’s membership generally skews younger than nationwide membership. Recognizing that age and FPL are expected to be key drivers of how individuals will react to the repeal of the individual mandate penalty, we note that it was important that the District specific distributions be taken into account. We applied membership adjustments to each of the member segments (i.e., age band and FPL) based on micro-simulation modeling which we had previously performed, but which was performed on a nationwide basis, making the assumption that individuals in the District would behave similarly to individuals of the same age and FPL nationally, with regard to the individual mandate. In total, and all else equal, we are estimating that enrollment in the District’s individual ACA market is expected to decrease by approximately -15.1%, or about 2,500 covered lives. Tables 3 and 4 below provide the distribution of covered lives that we are projecting will drop coverage, by subscriber age band and FPL:

Table 3 – Distribution¹ of Coverage Losses by Age

Age Band	Distribution
0-20	2%
21-30	31%
31-40	31%
41-50	19%
51-60	13%
61+	5%

¹ Distribution does not sum to 100% due to rounding

Table 4 – Distribution of Coverage Losses* by FPL

FPL	Distribution
< 200	0%
200-300	4%
300-400	1%
400+	95%

*For the individual ACA market only; estimates do not include potential coverage losses in the employer or Medicaid markets

Based on the projected changes in District membership from the prior step, we again utilized past nationwide modeling results to calculate how the claim costs of the District’s individual ACA market would be expected to change for each age band and FPL. Using this approach, we have estimated that average claim costs in the individual ACA market are expected to increase by approximately +7.2% (on a per member per month basis, excluding the portion of the change in claim costs that can be rated for through the ACA age curve).

Alternative Scenarios and Estimates

There is a significant amount of uncertainty associated with projecting future ACA membership, including as it relates to the impact of the repeal of the individual mandate. In addition to the analysis we have completed, there are two additional data points we wanted to discuss.

First, the Congressional Budget Office (CBO) produced analysis² in November 2017 in which it estimated that the nationwide effect of repealing the individual mandate would decrease non-group enrollment by approximately 18% in 2019, 22% in 2020, and 28% in 2021+, and would lead to an increase in average premiums equal to about 10%. However, on January 10, 2018, the CBO indicated in a presentation³ that it has “undertaken considerable work to revise and update their methods of estimating” the effect of the mandate’s repeal and that “preliminary results of analysis using revised methods indicates the estimated effects on health insurance coverage will be smaller than the numbers reported” earlier. It is not clear yet how significantly the CBO’s revisions will impact its prior estimates.

Second, the Kaiser Family Foundation (KFF) summarized results from one of its health tracking polls⁴ in October 2017 and, in that tracking poll, one of the questions asked was as follows: “If the government stopped enforcing the fine for people who don’t have health insurance, would you continue to buy your own insurance, or would you choose to go without coverage?” In response to this question, approximately 92% of all non-group enrollees between the ages 18-64 indicated they would continue to buy coverage, with 7% of non-group enrollees indicating they would go without coverage, and the other 1% replying that they don’t know what they would do. When narrowed to Marketplace enrollees, approximately 90% of all non-group enrollees between the ages 18-64 indicated they would continue to buy coverage, with 8% of non-group enrollees indicating they would go without coverage, and 2% replying that they don’t know what they would do. There is a stated margin of sampling error around these responses of

² <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53300-individualmandate.pdf>

³ <https://www.cbo.gov/system/files/115th-congress-2017-2018/presentation/53448-presentation.pdf>

⁴ <https://www.kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-october-2017-experiences-of-the-non-group-marketplace-enrollees/>

approximately +-7%. Additionally, the survey was conducted on a nationwide basis so it is not clear how these responses may differ for District residents. However, to the extent the responses provided accurately reflect the actions non-group enrollees in the District will take in 2019 the effect of the individual mandate being repealed on both membership and premium rates would be lower than those which we are currently estimating.

Limitations and Considerations

Key limitations and considerations associated with our analysis include the following:

- Estimates rely on information provided by DCHBX. If the information used is inaccurate or has been misinterpreted incorrectly, the underlying findings and conclusions may need to be revised.
- The estimates are not based on robust microsimulation modeling and therefore may not fully recognize all interactions specific to the District's individual market that might exist.
- Values are based on estimates of future events; therefore, actual results will vary
- Actual results are expected to vary on a carrier specific basis
- Estimates are based on the isolated impact of the repeal of the individual mandate penalty and do not consider the impact of other changes in legislation or regulation at either the District or Federal level

Please let me know if you have any questions related to this letter.

Thank you.

Sincerely,



Ryan Schultz, FSA, MAAA

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