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DISB Public Hearing PROPOSED HEALTH INSURANCE RATES FOR 2022

September 9, 2021

DC Health Benefit Exchange Authority

Mila Kofman, JD
Executive Director



Proposed Rates Plan Year 2021 Public Hearing

We appreciate Commissioner Woods' support for the Health Benefit Exchange Authority (HBX), your contributions as a Board Member, your recent service on the Board's Health Disparities Working Group, and your consideration of our recommendations.



ACA and DC Health Link Background

- **DC Health Link**, a public-private partnership, is the on-line health insurance marketplace for residents and small businesses in the District of Columbia.
- Established to get people covered and provide transparency, encourage market competition, and simplify the purchase of insurance, DC Health Link provides residents and small businesses the type of market power only large employers had in the past.
- DC Health Link advocates for the lowest possible rates for District residents and small businesses.



DC Health Link: ACA State-Based Online Health Insurance Marketplace

- DCHBX: Private-public partnership (private Executive Board) responsible for DC Health Link – DC’s Affordable Care Act online health insurance marketplace
- Last state to start IT build, **1 of 4 state marketplaces opened for business on time** (& stayed open) Oct 1, 2013
- **100,000 people** (private health insurance): 80,000+ people with job-based coverage (5,200+ District small businesses covered; 11,000 Congress -- Members and designated staff in district offices and on the Hill) paying over \$520 million annually in premiums (invoiced and collected by DCHBX and paid to 3 United Healthcare insurers, 2 Aetna insurers, Kaiser Permanente, and CareFirst Blue Cross Blue Shield); 15,000 to 20,000 residents with individual coverage paying over \$100 million annually in premiums
- **Cut uninsured rate in half** since DC Health Link opened for business. Near universal coverage with more than 96% of DC residents covered
 - ✓ DC ranks **#2** in U.S. for lowest uninsured
- **163 small group health plans and 25 individual and family health plans in 2021**



DC Health Link Awards and Recognition

- ✓ **Won 2019 Sustainability and Equity Award:** Amazon Web Services (AWS) City on a Cloud international competition
- ✓ **Featured in the Fall 2019 AWS City on a Cloud International Announcement For Applications:** <https://aws.amazon.com/stateandlocal/cityonacloud/>
- ✓ **Won 2018 & 2016 Best Practices in Innovation:** Amazon Web Services (AWS) City on a Cloud international competition
- ✓ **Ranked #1 for consumer decision support tools (ranking of SBMs and FFM) in 2018 and 2017 (no report in 2019 and 2020)**
- ✓ **Five PR News Awards in 2018 and 2019**
- ✓ **2017 AWS IT case study on cloud solutions:** <https://aws.amazon.com/solutions/case-studies/DC-HBX/>
- ✓ **First in the nation SBM partnership:** Selected by the Massachusetts Health Connector to provide IT solution and on-going operations support for the MA SHOP (Feb 2017)



Immediately Implemented the American Rescue Plan Health Insurance Benefits for District Residents

- ✓ **Launched a new Open Enrollment for the American Rescue Plan** that's open to all DC residents. Enroll just like during annual open enrollment.
- ✓ **Quickly Updated DCHealthLink.com for all new benefits (March 29, 2021):**
 - Expanded eligibility for lower premiums and lowered premiums qualified residents pay; and
 - Implemented \$2/month premiums for residents who had unemployment compensation in 2021.
- ✓ **Automatically lowered premiums for customers with income information in DC Health Link accounts**

Example: A 57-year-old resident was paying \$357.10 per month and now pays \$3.76 per month and doesn't have a deductible for the same coverage.



Other actions: COVID-19 Actions, Bad Federal Policies, etc.

DCHBX & DISB Immediate Action Related to COVID-19:

- ✓ Removed financial barriers for COVID-19 and non-COVID-19 medical care (worked with health plans to voluntarily remove barriers to care and Commissioner Woods issued an Emergency Order), and
- ✓ Helped residents and businesses get insured and stay insured: open enrollment and COVID-19 special enrollment to get insured. Commissioner Woods' Emergency Order prohibiting termination of coverage for non-payment helped people stay insured.

District Addressed Several Federal Actions That Cause Premiums to Increase (a few examples): Enacted the Health Insurance Marketplace Improvement Act of 2018 to protect residents and businesses against junk insurance & higher premiums, federal exemption of AHPs and expansion of short-term policies would have increased premiums by more than \$1,000/year/person.



HBX's Role in Rate Review

- HBX advocates for the **lowest possible rates** for our small business and individual customers.
- HBX provides actuarial analysis and policy reasons for the lowest possible rates for DISB's consideration.
- HBX outside actuaries (Oliver Wyman) analyze proposed rate filings:
 - Identify unsupported assumptions and errors
 - Work with DISB actuaries



Policy recommendations:

1. Disallow the COVID factor proposed in rates that assumes 2022 utilization will be “normal” (pre-COVID type utilization); and
2. Disallow the risk and profit factor (also called contribution to excess reserves/surplus) proposed in rates due to the known and unknown on-going economic impact of COVID on employers and residents.



Insurer Proposed Premium Changes 2022 & HBX Recommendations: Individual Marketplace

INSURER	Insurer Proposed Changes (Average)	HBX Recommendations	HBX Recommendations Explained
CareFirst HMO	11.3%	-1.3%	<ul style="list-style-type: none"> ➤ actuarial adjustment: -1.1% ➤ policy adjustment: -10.7% ➤ HBX recommendation: decrease rate by 1.3%
CareFirst PPO (GHMSI)	7.9%	-4.7%	<ul style="list-style-type: none"> ➤ actuarial adjustment: -2.3% ➤ policy adjustment: -10.1% ➤ HBX recommendation: decrease rate by 4.7%
Kaiser	0.3%	Approve as proposed	<ul style="list-style-type: none"> ➤ priced to a 29.6% loss and projected MLR of 155.7% ➤ HBX recommendation: approve as proposed

Policy adjustment: disallow COVID factor proposed in rates. COVID factor assumes 2022 utilization will be “normal” (pre-COVID type utilization). This assumption is unsupported. Also disallow risk and profit factor due to economic impact of COVID on residents.



Individual Marketplace

INSURER	Insurer Proposed Changes (Average)	Insurer Proposed MLR	HBX Recommendations	HBX Recommended MLR
CareFirst HMO	11.3%	93.5%	-1.3%	104.4%
CareFirst PPO (GHMSI)	7.9%	84.5%	-4.7%	93.7%
Kaiser	0.3%	155.7%	Approve as proposed	155.7%

Small Group Marketplace

Insurer	Insurer Proposed Changes (Average)	HBX Recommendations	HBX Recommendations Explained
CareFirst HMO	2.5%	-3.3%	<ul style="list-style-type: none"> ➤ actuarial adjustment: -9% ➤ policy adjustment: -4.8% ➤ HBX recommendation: decrease rate by 3.3%
CareFirst PPO (GHMSI)	8.8%	not to exceed 1.6%	<ul style="list-style-type: none"> ➤ actuarial adjustment: -1.5% ➤ policy adjustment: -5.3% ➤ HBX recommendation: not to exceed 1.6%
Kaiser	0%	approve as proposed	<ul style="list-style-type: none"> ➤ Pricing to a loss: pricing to a 52.5% loss and projected MLR of 118.6% ➤ HBX recommendation: approve as proposed
Aetna HMO	-2.1%	-13.2%	<ul style="list-style-type: none"> ➤ actuarial adjustment: -4.6% ➤ policy adjustment: -6.5% ➤ HBX recommendation: decrease rate by 13.2%
Aetna PPO	23.4%	not to exceed 7.7%	<ul style="list-style-type: none"> ➤ actuarial adjustment: -7.2% ➤ policy adjustment: -8.5% ➤ HBX recommendation: not to exceed 7.7%
United Optimum HMO	11.7%	not to exceed 2.1%	<ul style="list-style-type: none"> ➤ actuarial adjustment: -3.1% ➤ policy adjustment: -6.5% ➤ HBX recommendation: not to exceed 2.1%
United PPO	16.1%	not to exceed 6.2%	<ul style="list-style-type: none"> ➤ actuarial adjustment: -3.2% ➤ policy adjustment: -6.7% ➤ HBX recommendation: not to exceed 6.2%
United Mid-Atlantic HMO	24.7%	not to exceed 6.2%	<ul style="list-style-type: none"> ➤ actuarial adjustment: -3.5% ➤ policy adjustment: disallow COVID factor and proposed profit; lack of credibility ➤ HBX recommendation: not to exceed 6.2%

Policy adjustment: disallow COVID factor proposed in rates. COVID factor assumes 2022 utilization will be “normal” (pre-COVID type utilization). This assumption is unsupported. Also disallow risk and profit factor due to economic impact of COVID on employers.

Small Group Marketplace

Insurer	Insurer Proposed Changes (Average)	Insurer Proposed MLR	HBX Recommended Rate Changes	HBX Recommended MLR
CareFirst HMO	2.5%	82.4%	-3.3%	86.5%
CareFirst PPO (GHMSI)	8.8%	90.4%	not to exceed 1.6%	95.4%
Kaiser	0%	118.6%	approve as proposed	118.6%
Aetna HMO	-2.1%	85.6%	-13.2%	87.4%
Aetna PPO	23.4%	91.9%	not to exceed 7.7%	94.2%
United Optimum HMO	11.7%	82.8%	not to exceed 2.1%	88.0%
United PPO	16.1%	82.8%	not to exceed 6.2%	88.0%
United Mid-Atlantic HMO	24.7%	82.8%	not to exceed 6.2%	94.5%



Policy: disallow the COVID factor proposed in rates that assumes 2022 utilization will be “normal” (pre-COVID type utilization):

Carriers’ proposed rates assumed use of care in 2022 would be “normal,” similar to pre-COVID medical care. This COVID factor range is 4.7% - 6%. Without this factor, proposed rates would be lower. DISB should disallow this and approve lower rates.

When carriers filed their rates, they used assumptions based on the facts known in the Spring 2021 and there was a lot of good news then:

- **Vaccines became widely available in the U.S. and in many parts of the world;**
- **Virus did not mutate broadly in the U.S.;**
- **Pace of getting shots in arms was high generally;**
- **Lock-downs, mask mandates and other restrictions were being lifted;**
- **Infection rates were going down, deaths going down, hospitalization rates going down;**
- **People were getting non-COVID medical care and procedures; and**
- **Looked like the pandemic was ending.**

New, more current, information after carriers filed proposed rates shows that above is no longer accurate.



Policy: disallow the COVID factor proposed in rates that assumes 2022 utilization will be “normal” cont.:

New information after carriers filed proposed rates:

- **Delta variant spread rapidly in the U.S.;**
- **vaccinated people need a booster after 6-8 months because vaccine becomes less effective over time;**
- **vaccinated people can spread the virus and get COVID (breakthrough cases);**
- **75% of adults in the U.S. are partially or fully vaccinated, while 64.3% are fully vaccinated. For Delta variant, to reach herd immunity protection, 80% or 90% of the population needs to be fully vaccinated;**
- **only 27.9% of world population is vaccinated. Virus mutates and spreads in unvaccinated environments and crosses state and international borders;**
- **mask and other COVID restrictions reinstated; and**
- **hospital systems reinstating restrictions on care.**



New information after carriers filed proposed rates (Cont'd):

- Nationally one in five I.C.U.s have reached or exceeded 95% of beds occupied.
- Stories emerging that non-COVID hospital surgeries are now impacted. E.g., a breast cancer patient has to wait weeks for surgery that is necessary now. A child being air lifted 150 miles because local hospitals are at capacity with COVID cases.
- Things have gotten so bad in Orlando, FL that the city of Orlando and its water utility made an urgent appeal on Aug 20, 2021 for residents to cut back sharply on water usage for weeks because of a pandemic-triggered shortage of liquid oxygen used to purify water, as COVID patients need the oxygen.
- Hospitals are restricting visitors allowed to see patients. Medstar Health now only allows one weekly visit if a patient is expected to stay at least 3 weeks.

Sources: <https://www.cdc.gov/coronavirus/2019-ncov/variants/variant.html>; *American Hospitals Buckle Under Delta, With I.C.U.s Filling Up*, NY Times, Aug. 17, 2021; *Orlando urges reduced water usage as liquid oxygen used to purify water goes to COVID patients*, Orlando Sentinel, Aug. 20, 2021, <https://www.medstarhealth.org/mhs/about-medstar/covid-19-info/visitor-policies-and-guidance-during-covid-19/>; <https://www.orlandosentinel.com/coronavirus/os-ne-orlando-water-shortage-oxygen-use-20210820-f522oks5dvfwbozl5w7gcxg4oy-story.html>; <https://www.hawaiinewsnow.com/2021/08/21/covid-surge-leads-delayed-surgeries/>; <https://www.washingtonpost.com/health/2021/08/07/baby-girl-with-covid-19-airlifted-150-miles-amid-hospital-bed-shortage-houston/>; <https://www.webmd.com/vaccines/covid-19-vaccine/news/20210825/cdc-covid-19-vaccines-66-percent-effective-against-delta-variant>; <https://www.webmd.com/lung/news/20210803/delta-variant-could-drive-herd-immunity-threshold-over-80#:~:text=Aug.,%25%20or%20more%2C%20experts%20say>; <https://ourworldindata.org/covid-vaccinations>; <https://www.nbc.com/today/video/today-in-30-august-24-dr-anthony-fauci-coronavirus-and-the-classroom/345221659>.



DC specific information:

- DC vaccination rate: 57.84% fully vaccinated, 67.4% partially or fully vaccinated, and 32.6% unvaccinated. DC has one of the highest vaccination rates in the nation. DC ranks 13 out of 51, by percentage of population vaccinated.
- **Delta variant has no borders and has spread quickly.**
- The District's new daily case rate has risen from **1.0 to 29** according to the Mayo Clinic state tracker. On July 8, the daily average was 1.0 and on Sep 7 daily average was 29 per 100,000 people.
- DC has reinstated a mask requirement for indoors for all, regardless of vaccination status.

Sources: coronavirus.dc.gov (as of 8-30-21); <https://www.mayoclinic.org/coronavirus-covid-19/map/washington-dc> (9-7-21); <https://www.beckershospitalreview.com/public-health/states-ranked-by-percentage-of-population-vaccinated-march-15.html> (9-7-21); Mayor's Order 2021-099, Aug. 10, 2021; Mayor's Order 2021-097, July 29, 2021.



- **Dr. Anthony Fauci**, August 24, 2021, on the Today Show, stated that 80 million to 90 million Americans still need to be vaccinated. And in response to a question when we'll be out of this (pandemic), Dr. Fauci said:

“You know it’s going to depend on us, it really is, it’s in our hands, our fate is in our own hands. It probably will be - you know I’ve said a couple of times if we do it right and get through the winter I hope as we get to the **spring of 2022** we’ll be there I hope so. It’s up to us.”
- The Nation’s foremost expert is not predicting that starting January 2022, we will get back to normal. ***If we do all the right things***, he is predicting spring of 2022.
- I hope that 80 million to 90 million people get vaccinated so in the spring of next year, things are back to normal. However, current evidence shows that to date collectively we are not successful at doing the right things.
- Current data does not support the assumption carriers made when they filed their proposed rates in May that 2022 utilization will be “normal” (pre-COVID type utilization). **DISB should disallow the COVID factor ranging from 4.7% - 6% in proposed rates.**



- DISB should also disallow the risk and profit factor (also called contribution to excess reserves/surplus) proposed in rates. Residents and employers continue to experience the severe negative economic impact of COVID.



Risk Based Capital Ratio

	2020	2019	2018	2017	2016	2015	2014
Aetna PPO	469%	359%	439%	408%	471%	565%	606%
Aetna HMO	611%	533%	577%	565%	424%	585%	498%
UnitedHealthcare PPO	644%	539%	536%	472%	480%	557%	560%
United Healthcare HMO	685%	343%	519%	372%	498%	403%	369%
Optimum Choice Inc. HMO	592%	760%	925%	550%	701%	741%	1213%
CareFirst PPO (GHMSI)	1194%	1088%	923%	1011%	851%	882%	878%
CareFirst HMO (BlueChoice)	766%	845%	635%	721%	807%	911%	1000%
Kaiser	434%	371%	529%	231%	320%	365%	274%

RBC of 200% requires corrective action. All companies report a strong financial condition.



Residents and employers continue to experience the severe negative economic impact of COVID

Unemployment rate is still high

While DC saw a decrease in unemployment over the past year, the July 2021 unemployment rate in DC was 6.7%.

Wage increases have slowed dramatically

- In FY19 wages grew: 4.6%
- In FY20 wages growth much smaller: 1.8%
- Projected FY21 wage growth 2.8%

Sources: DC Chief Financial Officer, Letter to Mayor Bowser and Chairman Mendelson, May 2021 Revenue Estimates, May 14, 2021;

DOES: <https://does.dc.gov/release/district-columbia-unemployment-rate-67-percent-July> (August 20, 2021); *see also* <https://does.dc.gov/release/district-columbia-unemployment-rate-84-percent-July> (for comparison to August 2020 release).



Employers continue to experience the negative economic effect of COVID-19

- **While some employers are doing better, recovery is uneven, and many continue to suffer the economic impact of COVID-19.** Looking at employers with past due premiums for DC Health Link coverage, of the **5,239** employers now covered, **442** are in arrears for **\$7 million** for health insurance premiums currently. In July, we had **768** employers in arrears that owed approximately **\$10.4 million**. Last October we had **844** employers in arrears in one month. Pre COVID-19, there were **50 to 70** groups each month in arrears. So current numbers are promising showing that some employers are recovering, but it is clear that many employers continue to experience the negative economic impact of COVID-19.

- According to the Urban Institute, State Economic Monitor, August 20, 2021, in DC:
 - Accommodation and Food Services GDP is up Q1 2021 at \$4B, from a low of \$3B Q2 2020, but still well below the pre-pandemic high of \$6B;
 - Leisure and Hospitality employment dropped sharply from 82,000 in February 2020 to 31,000 in April 2020. It has grown gradually since April 2020, but remains at 49,000 as of July 2021;
 - GDP end of Q1 2021 is negative 0.3%.



Black and Brown Communities Hit Hardest from COVID-19

Deaths in DC: 76% of COVID-19 deaths in DC are Black/African American residents, but Black/African American residents are only 46% of the population.

Source: <https://coronavirus.dc.gov/> as of Aug. 25, 2021;
<https://www.census.gov/quickfacts/fact/table/washingtoncitydistrictofcolumbia,US/PST045219>



Economic challenges likely to remain in 2022

- American Rescue Plan assumes a challenging road to economic recovery. That's why relief for states and cities is for 2021, 2022, 2023, and 2024.
- Local leaders recognize that residents and employers in the District have not fully recovered and many continue to experience economic hardships. The Mayor and DC Council put in place relief programs to help residents and employers in 2021 and 2022.* For example:
 - Rental Assistance
 - Free Financial Navigators Program
 - Use of Family Medical Leave for Quarantine

*Initiative expanded some existing programs to include needs due to COVID.

Sources: <https://legalaidresourcesdotorg.files.wordpress.com/2021/07/jgp-arp-funding-matrix.pdf>;
<https://coronavirus.dc.gov/recovery-individuals>;



COVID-19: An Unprecedented Economic & Human Toll

- **People are struggling to afford food and rent.**
- **Businesses are struggling.** Despite the fact that businesses are struggling to stay afloat, they are still prioritizing having health insurance. Some even furloughed workers but kept their health plans. Whether it's a non-profit that has seen its grants and donations decrease or a business that has had no or reduced revenue – employers are making sacrifices to stay insured.
- **In a time of crisis, all health plans have acted in unprecedented ways to help.** From free telemedicine, free COVID treatment, accelerated provider payments, to premium relief, health plans have taken concrete actions to help their members and the community.

The response by residents, businesses, policymakers, providers, health plans – our entire community to the unimaginable economic and human toll of COVID-19 shows that we really are all in this together and unfortunately it is not over.

Insurer	HBX Recommendations Individual Marketplace	HBX Recommendations Small Group Marketplace
CareFirst HMO	-1.3%	-3.3%
CareFirst PPO (GHMSI)	-4.7%	not to exceed 1.6%
Kaiser	approve as proposed 0.3%	approve as proposed 0%
Aetna HMO	—	-13.2%
Aetna PPO	—	not to exceed 7.7%
United Optimum HMO	—	not to exceed 2.1%
United PPO	—	not to exceed 6.2%
United Mid- Atlantic HMO	—	not to exceed 6.2%



Conclusion

Thank you Commissioner Woods for holding this hearing, for considering our recommendations, and for your leadership and work to protect insurance consumers.