

# District of Columbia 2016 Individual and Small Group Filings

Independent Actuarial Review Performed for DC Health Benefit Exchange Authority

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# 1 | Review Process

## Review Process

- **Oliver Wyman hired by DC HBX to assist with review of proposed 2016 rates**
  - Serve as an additional resource to DISB during period of heavy filing volume to be reviewed during a short time period
  - Work collaboratively with DISB to identify areas where the assumptions lack support or are inconsistent with Federal or District regulations
  - Provide DC HBX with an independent opinion regarding 2016 rates proposed by the carriers
    - Focused on appropriateness of proposed rates rather than requested rate increase level
    - Independently developed actuarial assumptions based on information included in the filing rather than comparing carrier assumptions to reasonable ranges
- **Review Process Undertaken by Oliver Wyman**
  - Reviewed filings against 15 items which are required to be examined by states as part of an effective rate review program (HHS regulation 45 CFR 154.301)
  - Considered additional District specific requirements (e.g., merged risk pool, District specific age curve)
  - Provided DISB with questions to pose to carriers requesting additional support
  - Reviewed carrier responses to determine if additional support was needed and if so, provided DISB with additional follow-up questions
  - Held weekly calls with DC HBX to discuss outstanding issues with the filings throughout the process

## 2 | Rate Increase Requests

## Filed Increases vs. Oliver Wyman Independent Analysis

	Filed Rate Changes <sup>1</sup>		OW Analysis	
	Individual	Small Group	Individual	Small Group
<b>CareFirst BlueChoice</b>	5.4%	6.0%	(1.3%)	(0.1%)
<b>GHMSI</b>	8.3%	9.1%	4.6%	5.5%
<b>Aetna Health, Inc.</b>	N/A	2.7%	N/A	(6.4%)
<b>Aetna Life Insurance Co.</b>	N/A	3.8%	N/A	(4.0%)
<b>UnitedHealthcare Insurance Co.</b>	N/A	11.2%	N/A	11.2%
<b>Optimum Choice, Inc.</b>	N/A	11.2%	N/A	11.2%
<b>UnitedHealthcare of the Mid-Atlantic</b>	N/A	11.2%	N/A	11.2%
<b>Kaiser</b>	7.1%	0.6%	11.4%	1.6%

<sup>1</sup> Source: Filings as submitted in SERFF as of August 1, 2015. By this date certain carriers had submitted amended rate filings, so these figures do not reflect the originally filed rates.

## Recommended Adjustments to Filed Rate Changes - CareFirst

	BlueChoice Individual	BlueChoice Small Group	GHMSI Individual	GHMSI Small Group
<b>Carrier Filed Rate Change<sup>1</sup></b>	5.4%	6.0%	8.3%	9.1%
Population Change (Demographics)	(0.5%)	(0.5%)	(0.3%)	(0.3%)
Induced Utilization - Remove 2013 to 2014 Benefit Buydown Impact	(4.2%)	(4.2%)	(1.9%)	(1.9%)
Induced Utilization - Reflect Correct 2016 Average AV	(1.5%)	(1.5%)	(0.1%)	(0.1%)
Trend	(1.4%)	(1.4%)	0.0%	0.0%
Risk Adjustment - Unmerging Individual/Small Group Estimates	(2.6%)	0.3%	(5.9%)	0.5%
Risk Adjustment – Average Filed Estimates and Actual 2014 Experience	1.8%	2.3%	(2.1%)	(0.8%)
Age Calibration	3.2%	(0.7%)	7.2%	(0.7%)
Adult Vision	0.3%	0.0%	0.2%	0.0%
Administrative Expenses	(1.4%)	0.0%	(0.1%)	0.0%
<b>OW Recommended Rate Change<sup>2</sup></b>	<b>(1.3%)</b>	<b>(0.1%)</b>	<b>4.6%</b>	<b>5.5%</b>

<sup>1</sup> Source: Filings as submitted in SERFF as of August 1, 2015. By this date certain carriers had submitted amended rate filings, so these figures do not reflect the originally filed rates.

<sup>2</sup> Calculated by multiplicatively applying each of the proposed adjustments; results using adjustments in the table above may differ due to rounding

## Recommended Adjustments to Filed Rate Changes - Aetna

	Aetna Health, Inc. Small Group	Aetna Life Insurance Co. Small Group
<b>Carrier Filed Rate Change<sup>1</sup></b>	2.7%	3.8%
Allowed Claims Trend (Cost and Utilization)	(5.7%)	(5.7%)
Benefit Change Utilization Trend	(3.1%)	(1.5%)
Premium Taxes	(0.2%)	(0.4%)
<b>OW Recommended Rate Change<sup>2</sup></b>	(6.4%)	(4.0%)

<sup>1</sup> Source: Filings as submitted in SERFF as of August 1, 2015. By this date certain carriers had submitted amended rate filings, so these figures do not reflect the originally filed rates.

<sup>2</sup> Calculated by multiplicatively applying each of the proposed adjustments; results using adjustments in the table above may differ due to rounding



## Recommended Adjustments to Filed Rate Changes - United

	UnitedHealthcare Insurance Co. Small Group	Optimum Choice, Inc. Small Group	UnitedHealthcare of the Mid-Atlantic Small Group
<b>Carrier Filed Rate Change<sup>1</sup></b>	11.2%	11.2%	11.2%
No Adjustments Recommended	0.0%	0.0%	0.0%
<b>OW Recommended Rate Change<sup>2</sup></b>	11.2%	11.2%	11.2%

<sup>1</sup> Source: Filings as submitted in SERFF as of August 1, 2015. By this date certain carriers had submitted amended rate filings, so these figures do not reflect the originally filed rates.

<sup>2</sup> Calculated by multiplicatively applying each of the proposed adjustments; results using adjustments in the table above may differ due to rounding

## Recommended Adjustments to Filed Rate Changes - Kaiser

	Kaiser Individual	Kaiser Small Group
<b>Carrier Filed Rate Change<sup>1</sup></b>	7.1%	0.6%
Risk Adjustment	3.0%	0.0%
District Exchange Assessment	1.0%	1.0%
<b>OW Recommended Rate Change<sup>2</sup></b>	11.4%	1.6%

<sup>1</sup> Source: Filings as submitted in SERFF as of August 1, 2015. By this date certain carriers had submitted amended rate filings, so these figures do not reflect the originally filed rates.

<sup>2</sup> Calculated by multiplicatively applying each of the proposed adjustments; results using adjustments in the table above may differ due to rounding

## Sample 2016 Individual Market Rates - Single Coverage

### Lowest Cost Silver Plan Offered by Each Carrier

	Monthly Premium - 27 Year Old			Monthly Premium - 55 Year Old		
	Filed <sup>1</sup>	OW	Difference	Filed <sup>1</sup>	OW	Difference
CareFirst BlueChoice	\$179.56	\$168.15	(\$11.41)	\$428.03	\$400.82	(\$27.21)
CareFirst GHMSI	\$257.28	\$248.49	(\$8.79)	\$613.30	\$592.34	(\$20.95)
Kaiser	\$181.42	\$188.70	\$7.28	\$432.46	\$449.83	\$17.36

### Lowest Cost Platinum Plan Offered by Each Carrier

	Monthly Premium - 27 Year Old			Monthly Premium - 55 Year Old		
	Filed <sup>1</sup>	OW	Difference	Filed <sup>1</sup>	OW	Difference
CareFirst BlueChoice	\$343.33	\$321.51	(\$21.82)	\$818.42	\$766.39	(\$52.02)
CareFirst GHMSI	\$395.02	\$381.52	(\$13.50)	\$941.64	\$909.47	(\$32.17)
Kaiser	\$276.79	\$287.90	\$11.11	\$659.80	\$686.29	\$26.49

<sup>1</sup> Source: Rates Templates as provided by DC HBX as of 8/24/2015

## Sample 2016 Individual Market Rates – Coverage for Family of Four<sup>2</sup>

### Lowest Cost Silver Plan Offered by Each Carrier

	Monthly Premium			Annual Premium		
	Filed <sup>1</sup>	OW	Difference	Filed <sup>1</sup>	OW	Difference
<b>CareFirst Blue Choice</b>	\$840.75	\$787.30	(\$53.44)	\$10,088.95	\$9,447.62	(\$641.33)
<b>CareFirst GHMSI*</b>	\$1,204.65	\$1,163.49	(\$41.16)	\$14,455.81	\$13,961.94	(\$493.87)
<b>Kaiser</b>	\$849.45	\$883.56	\$34.11	\$10,193.46	\$10,602.72	\$409.26

### Lowest Cost Platinum Plan Offered by Each Carrier

	Monthly Premium			Annual Premium		
	Filed <sup>1</sup>	OW	Difference	Filed <sup>1</sup>	OW	Difference
<b>CareFirst Blue Choice</b>	\$1,607.56	\$1,505.37	(\$102.19)	\$19,290.71	\$18,064.45	(\$1,226.26)
<b>CareFirst GHMSI</b>	\$1,849.58	\$1,786.39	(\$63.19)	\$22,195.02	\$21,436.74	(\$758.28)
<b>Kaiser</b>	\$1,296.00	\$1,348.04	\$52.03	\$15,552.02	\$16,176.42	\$624.40

<sup>1</sup> Source: Rates Templates as provided by DC HBX as of 8/24/2015

<sup>2</sup> Assumes husband and wife both age 40 and 2 dependent children under the age of 21

## Sample 2016 Small Group Market Rates – Gold Rates

### Lowest Cost Gold Plan Offered by Each Carrier

Carrier	Monthly Premium - 27 Year Old			Monthly Premium - 55 Year Old		
	Filed <sup>1</sup>	OW	Difference	Filed <sup>1</sup>	OW	Difference
CareFirst BlueChoice	\$255.96	\$241.23	(\$14.73)	\$610.15	\$575.04	(\$35.11)
CareFirst GHMSI	\$348.60	\$337.10	(\$11.50)	\$830.98	\$803.56	(\$27.42)
Aetna Health, Inc.	\$270.53	\$246.56	(\$23.97)	\$644.88	\$587.74	(\$57.14)
Aetna Life Insurance Co.	\$310.57	\$287.23	(\$23.34)	\$740.33	\$684.70	(\$55.63)
UnitedHealthcare Insurance Co.	\$261.70	\$261.70	\$0.00	\$623.83	\$623.83	\$0.00
Optimum Choice, Inc.	\$244.57	\$244.57	\$0.00	\$583.00	\$583.00	\$0.00
UnitedHealthcare of the Mid-Atlantic	\$235.06	\$235.06	\$0.00	\$560.33	\$560.33	\$0.00
Kaiser	\$236.66	\$239.01	\$2.35	\$564.14	\$569.75	\$5.61

<sup>1</sup> Source: Rates Templates as provided by DC HBX as of 8/24/2015

## Sample 2016 Small Group Market Rates – Platinum Rates

### Lowest Cost Platinum Plan Offered by Each Carrier

Carrier	Monthly Premium - 27 Year Old			Monthly Premium - 55 Year Old		
	Filed <sup>1</sup>	OW	Difference	Filed <sup>1</sup>	OW	Difference
CareFirst BlueChoice	\$326.07	\$307.31	(\$18.76)	\$777.28	\$732.55	(\$44.73)
CareFirst GHMSI	\$427.30	\$413.20	(\$14.10)	\$1,018.58	\$984.97	(\$33.61)
Aetna Health, Inc.	N/A	N/A	N/A	N/A	N/A	N/A
Aetna Life Insurance Co.	N/A	N/A	N/A	N/A	N/A	N/A
UnitedHealthcare Insurance Co.	\$334.29	\$334.29	\$0.00	\$796.87	\$796.87	\$0.00
Optimum Choice, Inc.	\$314.77	\$314.77	\$0.00	\$750.34	\$750.34	\$0.00
UnitedHealthcare of the Mid-Atlantic	N/A	N/A	N/A	N/A	N/A	N/A
Kaiser	\$291.23	\$294.12	\$2.89	\$694.23	\$701.13	\$6.90

<sup>1</sup> Source: Rates Templates as provided by DC HBX as of 8/24/2015

## Sample Small Group

### **Assume a Small Group with the Following Four Employees and Covered Dependents**

- Employee 1:      40 year old employee  
                         38 year old spouse  
                         2 children
  
- Employee 2:      63 year old employee
  
- Employee 3:      27 year old employee  
                         25 year old spouse  
                         1 child
  
- Employee 4:      35 year old employee  
                         32 year old spouse

## 2016 Premium – Sample Small Group – Gold Coverage

### Lowest Cost Gold Plan Offered by Each Carrier

Carrier	Monthly Premium			Annual Premium		
	Filed <sup>1</sup>	OW	Difference	Filed <sup>1</sup>	OW	Difference
CareFirst BlueChoice	\$3,248.26	\$3,061.33	(\$186.93)	\$38,979.15	\$36,736.01	(\$2,243.14)
CareFirst GHMSI	\$4,423.91	\$4,277.93	(\$145.98)	\$53,086.94	\$51,335.21	(\$1,751.72)
Aetna Health, Inc.	\$3,433.16	\$3,128.96	(\$304.20)	\$41,197.96	\$37,547.51	(\$3,650.45)
Aetna Life Insurance Co.	\$3,941.29	\$3,645.12	(\$296.17)	\$47,295.50	\$43,741.50	(\$3,554.00)
UnitedHealthcare Insurance Co.	\$3,321.11	\$3,321.11	\$0.00	\$39,853.27	\$39,853.27	\$0.00
Optimum Choice, Inc.	\$3,103.72	\$3,103.72	\$0.00	\$37,244.61	\$37,244.61	\$0.00
UnitedHealthcare of the Mid-Atlantic	\$2,983.03	\$2,983.03	\$0.00	\$35,796.37	\$35,796.37	\$0.00
Kaiser	\$3,003.34	\$3,033.19	\$29.85	\$36,040.03	\$36,398.28	\$358.25

<sup>1</sup> Source: Rates Templates as provided by DC HBX as of 8/24/2015



## 2016 Premium – Sample Small Group – Platinum Coverage

### Lowest Cost Platinum Plan Offered by Each Carrier

Carrier	Monthly Premium			Annual Premium		
	Filed <sup>1</sup>	OW	Difference	Filed <sup>1</sup>	OW	Difference
CareFirst BlueChoice	\$4,137.99	\$3,899.86	(\$238.13)	\$49,655.93	\$46,798.37	(\$2,857.56)
CareFirst GHMSI	\$5,422.65	\$5,243.72	(\$178.93)	\$65,071.85	\$62,924.66	(\$2,147.19)
Aetna Health, Inc.	N/A	N/A	N/A	N/A	N/A	N/A
Aetna Life Insurance Co.	N/A	N/A	N/A	N/A	N/A	N/A
UnitedHealthcare Insurance Co.	\$4,242.31	\$4,242.31	\$0.00	\$50,907.72	\$50,907.72	\$0.00
Optimum Choice, Inc.	\$3,994.59	\$3,994.59	\$0.00	\$47,935.10	\$47,935.10	\$0.00
UnitedHealthcare of the Mid-Atlantic	N/A	N/A	N/A	N/A	N/A	N/A
Kaiser	\$3,695.86	\$3,732.60	\$36.74	\$44,350.28	\$44,791.14	\$440.86

<sup>1</sup> Source: Rates Templates as provided by DC HBX as of 8/24/2015

## 2 | Key Assumptions Driving Difference in Calculated Rates

# Key Assumptions Driving Differences in Calculated Rates

- **Induced Demand**

- It is generally assumed that individuals in plans with higher cost-sharing requirements will use fewer services, even after controlling for differences in health status
- This should be reflected in rate development due to average cost sharing underlying the 2014 base experience differing from the average cost sharing assumed in 2016
  - Two carriers incorrectly reflected the impact of this adjustment
  - CareFirst offset base period induced demand adjustment by benefit buy-downs from 2013 to 2014; average AV underlying index rate did not match average AV across all plan level rates
  - Aetna did not provide support for their induced demand factors

- **Trend**

- Adjustment to base period claims to reflect changes in provider charges and utilization of services over time
- CareFirst and Aetna utilized an annual trend rate roughly 1 - 2% higher than we calculated by applying various analytical methodologies to the information provided in the filing
  - Aetna did not provide details of their trend development to support using a higher trend rate going forward relative to what was historically observed

## Key Assumptions Driving Differences in Calculated Rates (Cont.)

- **District Health Insurer Tax / Premium Tax**

- Kaiser did not include the cost of the District Exchange Assessment in their rate development
- Aetna included an additional load to their 2% premium tax estimate to account for various state assessments to carriers, and indicated they pool these expenses across states
  - Results in consumers in the District subsidizing consumers in other states

- **Risk Adjustment**

- CareFirst calculated risk transfer payments by merging the individual and small group market estimates, resulting in the individual market subsidizing the small group market
- CareFirst utilized estimated 2016 risk transfers that are significantly different from observed 2014 transfers
- The risk transfer payment Kaiser included in their rate development is significantly lower than their actual 2014 experience

## Decomposition of Recommended Changes – Impact on Premium

### Individual Market

	Induced Demand	Age Calibration	Risk Adjustment	Trend	Other
<b>BlueChoice</b>	(5.6%)	3.2%	(0.9%)	(1.4%)	(1.6%)
<b>GHMSI</b>	(2.0%)	7.2%	(7.9%)	0.0%	(0.3%)
<b>Kaiser</b>	0.0%	0.0%	3.0%	0.0%	1.0%

### Small Group Market

	Induced Demand	Age Calibration	Risk Adjustment	Trend	Other
<b>BlueChoice</b>	(5.6%)	(0.7%)	2.6%	(1.4%)	(0.5%)
<b>GHMSI</b>	(2.0%)	(0.7%)	(0.3%)	0.0%	(0.3%)
<b>Aetna Health, Inc.</b>	(3.1%)	0.0%	0.0%	(5.7%)	(0.2%)
<b>Aetna Life Insurance Co.</b>	(1.5%)	0.0%	0.0%	(5.7%)	(0.4%)
<b>UnitedHealthcare Insurance Co.</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Optimum Choice, Inc.</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>UnitedHealthcare of the Mid-Atlantic</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Kaiser</b>	0.0%	0.0%	0.0%	0.0%	1.0%

## Other General Issues Encountered

- Similar to prior years, responses were not provided in a timely manner
  - Some responses were received close to one month after questions were posed
    - Resulted in a significant amount of review being done under a compressed time frame at the end of the review period
    - Responses to some questions were not provided at all
- Sufficient support was not provided for several assumptions
  - In many cases support was a simple narrative describing the assumptions rather than a quantitative demonstration of the development
  - In some cases the filing lacked the appropriate detail necessary to develop an independent calculation of the assumption (e.g., trend)

## 3 | Comparison of Key Assumptions

# 2016 Key Pricing Assumptions

## Individual Market

	Trend	Gain/Loss Margin	Administrative Expenses	All Other Non-Benefit Expenses <sup>1</sup>
<b>Blue Choice</b>	8.0%	1.9%	14.7%	13.8%
<b>GHMSI</b>	8.0%	1.6%	13.7%	0.8%
<b>Kaiser</b>	3.5%	1.3%	15.1%	4.8%

## Small Group Market

	Trend	Gain/Loss Margin	Administrative Expenses	All Other Non-Benefit Expenses <sup>1</sup>
<b>Blue Choice</b>	8.0%	2.3%	8.1%	20.0%
<b>GHMSI</b>	8.0%	3.2%	8.2%	7.4%
<b>Aetna Health</b>	8.0%	3.9%	8.9%	13.5%
<b>Aetna Life</b>	8.0%	3.9%	7.8%	13.6%
<b>United</b>	7.1%	2.2%	7.3%	9.6%
<b>Optimum</b>	7.1%	2.2%	7.3%	9.6%
<b>UHC of the Mid Atlantic</b>	7.1%	2.2%	7.3%	9.6%
<b>Kaiser</b>	3.5%	0.3%	12.4%	8.6%

<sup>1</sup> Reflects all components of premium other than claims, administrative expenses, and gain/loss margins (e.g., commissions, taxes/fees, etc.)



