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DISB Public Hearing PROPOSED HEALTH INSURANCE RATES FOR 2021

September 1, 2020

DC Health Benefit Exchange Authority

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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, 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.



ACA and DC Health Link Background

- DC: nearly 97% of District residents insured (Census 2019 data). Uninsured rate cut in half since DC Health Link opened
- Last state to start IT build, 1 of 4 state marketplaces opened for business on time (& stayed open) Oct 1, 2013
- Small group & individual market through DC Health Link:
 - **100,000 covered lives** (private health insurance): 80,000 people in SHOP (5,100+ District small businesses covered; 11,000 Congress -- Members and designated staff in district offices and on the Hill); 17,000 residents (individual);
 - 800+ brokers

Health plans (2020):

- **156 health plans** (3 United Healthcare Companies; 2 Aetna; Kaiser Permanente, and CareFirst BlueCross BlueShield) – small group
- **25 health plans** (Kaiser and CareFirst) – individual



HBX Recent 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 State-Based Marketplaces and Federal Exchange 2018 and 2017) (no report in 2019)**
- ✓ **Five PR News Awards in 2019 and 2018**
- ✓ **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)



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

- Feds: exempted AHPs and expanded short-term policies; estimated impact in DC: premium increases by more than \$1000/year/person
 - ✓ By passing new law, DC avoided negative impact

Enacted an individual responsibility requirement

- Feds: no requirement; estimated to increase premiums nationwide
 - ✓ By passing new law, DC avoided negative impact

Extended Open Enrollment Period: Nov 1 to Jan 31

- Feds: shortened to Nov 1 to Dec 15

Increased investment in outreach, marketing, and enrollment

- Feds: cut budget by 90% for marketing and decreased enrollment grants



Update on Activities Related to COVID-19

- ✓ Removing financial barriers for COVID-19 and non-COVID-19 medical care (worked with health plans to voluntarily remove barriers to care and Commissioner Woods Emergency Order), and
- ✓ Helping residents and businesses get insured and stay insured.

Individual coverage: All residents can enroll on-line through Sep 15 (just like open enrollment) & early start dates

Small group:

- ✓ COVID-19 qualifying event for employees & dependents through Sep 15
- ✓ **No late fees or interest for late payment of premium**
- ✓ 60 days deferment of premium from date public health emergency ends
- ✓ 1 year repayment and no terminations of coverage (Commissioner Woods' Emergency Order)



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



Insurer Proposed Premium Changes 2021 & HBX Recommendations: Individual Marketplace

INSURER	Insurer Proposed Changes Range	Insurer Proposed Changes Average	OW Actuarial Analysis	HBX Recommendations
CareFirst HMO	6.9% to 49.9%	14.7%	12.8%	➤ Freeze premiums at 2020 rates for products with proposed increases
CareFirst PPO (GHMSI)	-5.3% to 11.9%	-0.6%	-1.4%	➤ Approve decreases ➤ Freeze premiums at 2020 rates for products with proposed increases
Kaiser	-11.5% to 0.5%	-2.0%	-2.0%	➤ Approve decreases ➤ Freeze premiums at 2020 rates for products with proposed increases



Insurer Proposed Premium Changes 2021 & HBX Recommendations: Small Group Marketplace

Insurer	Insurer Proposed Changes Range	Insurer Proposed Changes Average	OW Actuarial Analysis	HBX Recommendations
CareFirst HMO	-2.0% to 23.6%	1.1%	-0.5%	<ul style="list-style-type: none"> ➤ Approve decreases ➤ Freeze premiums at 2020 rates for products with proposed increases
CareFirst PPO (GHMSI)	-3.2% to 2.6%	-1.6%	-2.4%	<ul style="list-style-type: none"> ➤ Approve decreases ➤ Freeze premiums at 2020 rates for products with proposed increases
Kaiser	-12.7% to 2.1%	0%	0%	<ul style="list-style-type: none"> ➤ Approve decreases ➤ Freeze premiums at 2020 rates for products with proposed increases
Aetna HMO	0.81% to 11.8%	7.4%	-1.0%	<ul style="list-style-type: none"> ➤ Approve decreases ➤ Freeze premiums at 2020 rates for products with proposed increases
Aetna PPO	36.3% to 43.5%	38.0%	11.4%	<ul style="list-style-type: none"> ➤ Freeze premiums at 2020 rates for products with proposed increases
United Optimum HMO	6.0% to 21.7%	10.3%	5.6%	<ul style="list-style-type: none"> ➤ Freeze premiums at 2020 rates for products with proposed increases
United PPO	6.2% to 27.6%	11.4%	6.7%	<ul style="list-style-type: none"> ➤ Freeze premiums at 2020 rates for products with proposed increases
United Mid-Atlantic HMO	15.8% to 22.7%	17.4%	12.4%	<ul style="list-style-type: none"> ➤ Freeze premiums at 2020 rates for products with proposed increases



Risk Based Capital Ratio

	2019	2018
Aetna Life Insurance Co.	359%	439%
Aetna Health Insurance Co.	533%	577%
UnitedHealthcare Insurance Co.	539%	536%
United Healthcare Mid Atlantic	343%	519%
Optimum Choice Inc.	760%	925%
CareFirst PPO (GHMSI)	1088%	923%
CareFirst HMO (BlueChoice)	845%	635%
Kaiser	371%	529%

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



HBX Recommendation

HBX Recommendation:

- **Approve decreases**
- **Freeze premiums at 2020 rates for products with proposed increases**

Public Policy: COVID-19 and its unprecedented economic & human toll



Negative Economic Impact of COVID-19 on District Residents & Employers

- **Unemployment rate more than doubled***
 - FY19: 5.5% unemployed
 - FY20: 11.6% unemployed (that is **more than 1 in every 10** residents without a job)
 - Projection for FY21: 11.8% unemployed
- **District employers shut down temporarily or permanently**
 - Unemployment claims increased from approximately 28,000 for 2019 to 145,000 new claims filed from January 1, 2020 to August 18, 2020 (Source: DC Dept. of Employment Services and US Dept. of Labor).
- **\$1.5 Billion in revenue loss to City through FY21***
 - FY20: \$721.8 million loss
 - Projection for FY21: \$773.6 million loss

*Source: DC Chief Financial Officer, Letter to Mayor Bowser and Chairman Mendelson, April 2020 Revenue Estimates, April 24, 2020.



Negative Economic Impact of COVID-19 on District Residents & Employers

Wages decreased*

- In FY19 wages grew: 3.5%
- In FY20 wages **decreased: -1.6%**
- Projected FY21 wage growth 0.7%

*Source: DC Chief Financial Officer, Letter to Mayor Bowser and Chairman Mendelson, April 2020 Revenue Estimates, April 24, 2020.



COVID-19 Economic Impact on Insured Small Businesses: Past Due Premiums

Of **5,165** employers covered on DC Health Link Small Group Marketplace, **841 are behind in payments** as of August 2020. Pre COVID-19, there were **50 to 70** groups each month in arrears. (No data on individual marketplace because policyholders are billed by and pay directly to insurers)

HBX is working with health plans to identify additional ways to provide relief to employers and workers.

- Recent federal actions unfortunately made it harder for health plans to provide premium relief.



Black and Brown Communities Hit Hardest from COVID-19: Rate Increases Will Further Add to an Already Disproportionate and Inequitable Impact

Deaths in DC:

- **74%** of COVID-19 deaths in DC are Black/African American residents, but are only 46% of the population.
- **13%** of COVID-19 deaths in DC are Hispanic residents, but are only 11% of the population.

Economic impact nationally:

- **40%** of Black/African American-owned businesses closed
- **32%** of Hispanic-owned businesses closed
- **25%** of women-owned businesses closed
- **17%** of white-owned businesses closed



COVID-19: An Unprecedented Economic & Human Toll

People are struggling to afford food and rent. Many have lost their jobs. The \$600 COVID-19 addition to unemployment insurance expired and the Senate has not acted. Many District residents are making huge sacrifices so they can keep their health insurance.

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.

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.



Health Plans' Leadership During COVID-19

In a time of crisis, all health plans have acted in unprecedented ways to help. They removed financial barriers to care and made certain medical and mental health care free to people, gave premium credits to employers, and helped medical providers to keep providing care. Here are a few examples of our health plans' leadership and just some of the voluntary actions the health plans took:

- All health plans waived financial obligations for diagnosis and testing for COVID-19.
- Health plans made telehealth services free for a period of time for all services to ensure people received needed care. Kaiser has always provided telehealth free for their members and will continue to do so.
- CareFirst and United Healthcare provided premium credits totaling \$4.2 million in savings for employers on DC Health Link.
- CareFirst accelerated over \$170 million in provider payments and United Healthcare nearly \$2 billion nationwide to ensure that providers had some revenue to stay afloat to continue to provide medical care.



COVID-19: unprecedented economic & human toll. Recommendation: **no premium increases for 2021**

I am asking Aetna, CareFirst, Kaiser and United to reconsider your proposed rates. Help DC employers and residents by:

- **Decreasing premiums where possible (CareFirst and Kaiser did this for some products)**
- **Continue 2020 premiums for 2021 where it's not possible to decrease rates.**

Freeze your rates as part of your COVID-19 response. Your financials are solid. Your COVID-19 response has helped our DC community, businesses, and residents. You have shown that you will do above and beyond what's expected and we appreciate your voluntary actions to-date investing hundreds of millions to help your members and the DC community to deal with COVID-19. **And during COVID-19 public health and economic crisis, continue to help DC employers and residents by not raising health insurance rates for 2021.**



DISB Protecting Insurance Consumers During COVID-19

Commissioner Woods has made DC a leader in protecting insurance consumers during this public health emergency.

Commissioner Woods issued the most consumer protective emergency orders in the country. Emergency Orders highlights (not a comprehensive summary):

- Prohibited terminations of coverage due to non-payment of premium during the public emergency and saved tens of thousands of District residents and businesses from losing their health insurance.
- Required that insurers give people at least one year to repay past due premiums.
- Required insurers to cover treatment for COVID-19 as well as diagnosis and testing without co-pays, deductibles, or co-insurance. Also required free telehealth for COVID-19 and related conditions.



Recommendation: No Premium Increases for 2021 Due to Unprecedented Economic & Human Toll of COVID-19

The economic and human toll of COVID-19 is projected to continue into 2021.

- This is NOT the time to increase premiums as people and employers are barely hanging on to stay insured.

RECOMMENDATION:

- ✓ approve only premium decreases
- ✓ freeze premiums to 2020 levels for products with proposed increases



Freezing Rates During Public Emergencies

Insurance regulators freeze rates during disasters to protect insurance consumers. For example, Louisiana's Insurance Commissioner suspended premium increases during Katrina. Florida's Insurance Commissioner suspended premium increases on property & casualty insurance during hurricanes.*

While similar to natural disasters, COVID-19 is much worse and the economic and human toll of COVID-19 will continue in 2021:

- To-date 180,000+ people died and 6+ million people infected in the U.S. Deaths and infections projected to grow until there is a vaccine, the population is vaccinated or there is an effective treatment.
- DC's unemployment rate estimated to rise to 11.8% in 2021 and DC estimates higher loss of revenue than in 2020 (revenue an important economic indicator of how people and businesses are doing). FY2020 DC revenue loss \$721.8 M and projection for FY21 is \$773.6 M.
- Residents can not afford premium increases when they have no or lower income. Businesses can not afford premium increases when they have no or lower revenues.
- Economy will bounce back but will take time.

If insurers don't voluntarily keep premiums at 2020 levels, we urge Commissioner Woods to approve reductions in premiums and where reductions in premiums is not possible, freeze premiums to keep current rates for 2021.

*Sources: Florida Office of Insurance Regulation Emergency Order Oct. 15, 2018, Emergency Order Sept. 13, 2017; Louisiana Dept. of Insurance, Rule 15C, Oct. 20, 2005;



Conclusion

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