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DISB Public Hearing PROPOSED HEALTH INSURANCE RATES FOR 2023

September 1, 2022

DC Health Benefit Exchange Authority

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Proposed Rates Plan Year 2023 Public Hearing

We appreciate Commissioner Woods' support for the Health Benefit Exchange Authority (HBX), your contributions as a Board Member, your incredible work on health equity and the new Health Equity Fund in the City, your work at the NAIC on equity and support of NAIC advocacy for extending lower premiums under the Inflation Reduction Act signed into law August 16, 2022 and support for federal Administrative action to fix junk plans and address the family glitch issue under the ACA.

And we thank you for 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 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/2019winners/>
- ✓ **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**
- ✓ **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)



- DC Health Benefit Exchange Authority (DCHBX): 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
- All health insurance for small businesses and residents (individual market) through DC Health Link:
 - 100,000 people with private health insurance: 85,400+ people in SHOP (5,300+ District small businesses; 10,000 Congress -- Members and designated staff in district offices and on the Hill); 15,000 residents (individual market paid covered lives)
- Responsible for over \$620 million in annual premiums
- DCHBX is funded through assessment on health carriers
- **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 (behind MA ranking #1)



Inflation Reduction Act lower premiums through Dec 31, 2025

- HBX worked closely with insurers, brokers, consumer and patient advocates, and others to advocate successfully for Congress to extend lower premiums established under the American Rescue Plan, which were set to expire December 31, 2022.
- Inflation Reduction Act health insurance benefits to District residents:
 - ✓ Approximately \$36 million annually in lower premiums.
 - ✓ Premiums as low as \$11/month for quality health through DC Health Link.
 - ✓ On average \$5,600/year in lower premiums for families.



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

Small Group & Individual Marketplace Insurers' Proposed Premium Increases filed in May 2022 for 2023 Plan year

Insurer	Small Group Marketplace	Individual Marketplace
CareFirst HMO	18.3%	29.3%
CareFirst PPO (GHMSI)	13.3%	17.9%
Kaiser Permanente	11%	17.0%
Aetna HMO	-7%	n/a
Aetna PPO	5%	n/a
United Optimum HMO	10.1%	n/a
United PPO	10.4%	n/a
United Mid-Atlantic HMO	13.8%	n/a



Many District employers continue to experience the severe negative economic impact of COVID -- made worse by inflation. Economic recovery from the pandemic is uneven:

- **Leisure and Hospitality employment remains well below pre-pandemic levels**
 - Employment dropped sharply from 82,000 to 31,000 between February and April 2020. It has grown gradually but remains far below pre-pandemic levels at 67,000 in July 2022.

- In a June 2022 survey of DC's small businesses:
 - **8 in 10** District small business owners reported they are negatively affected by inflation,
 - **Nearly 7 in 10 (69%)** are still suffering from supply chain disruptions,
 - **Nearly 6 in 10 (57%)** are working longer hours and **more than half (55%)** are struggling to fill open positions.

For many, this means raising prices, dealing with sales losses and a shrinking customer base.



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 from the economic impact of COVID-19.**
 - Looking at employers with past due premiums for DC Health Link coverage, of the **5,349** employers now covered, **421** are in arrears for **\$3.53 million** for health insurance premiums for coverage for July (data as of August 18).
 - 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.



Many residents continue to experience the severe negative economic impact of COVID -- made worse by inflation:

- **Inflation hits District families hard with many struggling to pay for the rising costs of food, rent, gas and other necessities.**
- **Wage growth is not back to pre-pandemic level. In FY19 wage growth was 4.6%. In FY22 wage growth was 3.8%. (FY refers to July to June Fiscal Year)**
- **As inflation has eroded wage gains, many workers are worse off today than they were a year ago.** For DC workers, inflation-adjusted average weekly earnings **declined by 9.84%** over the past year.
- **Uneven economic recovery and disproportionate impact on communities of color:**

Race/Ethnicity	D.C. Unemployment Rate (July 2022)
Black	12.5%
Hispanic/Latino	7.5%
White	1.7%



In May 2022, the Consumer Price Index for all urban consumers rose 8.6% over the last year, the largest 12-month increase since 1981. The largest contributors to increases in the indexes are gasoline, food, and shelter. DC is **not** immune to inflation. In DC:



**Average gas price per gallon:
\$5.06 (June 2022) compared to \$3.15 (June 2021)**



**Average monthly grocery bill:
\$486 (June 2022) compared to \$424 (June 2021)**



**Average monthly rent:
\$2,427 (June 2022) compared to \$2,247 (June 2021)**



A few examples of the Mayor’s initiatives focused on Economic Recovery (FY23):

DOES’ training programs	\$20.0 million to increase wages for participants of DC Infrastructure Academy, Project Empowerment, DC Career Connections, youth training programs, and others
Reimagine DC Tourism	\$5 million for a multi-year sustained collaborative marketing campaign directed to attract leisure and business tourists
District’s Earned Income Tax Credit (EITC)	\$3.8 million to expand credit for District residents that file their taxes with an ITIN in Tax Year 2023+
Hospitality Sector Relief (Bridge 3.0)	\$8 million continuing the Bridge Fund for art/entertainment venues
Special Events Relief Fund	\$1.5 million to continue government fee relief for community driven special events
Small Medium Business Growth Fund	\$3.4 million for retail, local manufacturing, small business investments, and technology
Inclusive Innovation Equity Impact Fund	\$2 million for training and investment in the form of revenue or equity-based financing
Equity Impact Enterprise Grants	\$1.5 million for resident-owned small and economically disadvantaged certified business enterprises
Health Insurance Premium Arrears	\$18.874 million for residents and employers with DC Health Link health insurance premiums in arrears due to the pandemic to help with relief and recovery (FY21 and FY22)



Economic challenges likely to remain in 2023

The American Rescue Plan assumed a challenging road to economic recovery. That's why relief for states and cities extends through 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 2023, the Mayor requested and DC Council approved economic recovery investments including:

- investments in rental assistance and housing affordability
- initiatives to support small and local businesses
- efforts to spur downtown recovery and tourism
- enhancements to worker training programs and wages



Policy recommendation: do not approve proposed small group rates

1. Given Insurers' financials and given the suffering caused by the economic impact of COVID and inflation, limit small business premium increases (5% and less).
2. Disallow the risk and profit factor (also called contribution to excess reserves/surplus) proposed in rates due to on-going economic impact of COVID and inflation.
3. Given the economic environment approve rates that result in more of every premium dollar paying for medical care (higher projected MLR).
4. Disallow carrier trend when carrier failed to provide reliable data to support their trend and instead use 5% trend.



Risk Based Capital Ratio

	2021	2020	2019	2018	2017	2016	2015	2014
Aetna PPO	521%	469%	359%	439%	408%	471%	565%	606%
Aetna HMO	654%	611%	533%	577%	565%	424%	585%	498%
UnitedHealthcare PPO	666%	644%	539%	536%	472%	480%	557%	560%
United Healthcare HMO	2780%	685%	343%	519%	372%	498%	403%	369%
Optimum Choice Inc. HMO	554%	592%	760%	925%	550%	701%	741%	1213%
CareFirst PPO (GHMSI)	984%	1194%	1088%	923%	1011%	851%	882%	878%
CareFirst HMO (BlueChoice)	483%	766%	845%	635%	721%	807%	911%	1000%
Kaiser	507%	434%	371%	529%	231%	320%	365%	274%

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



Risk & Profit In Insurer Proposed 2023 Premiums and Projected Medical Loss Ratio (how much of the premium pays for care)

	Individual		Small Group	
	Risk & Profit	Projected MLR	Risk & Profit	Projected MLR
CareFirst HMO	1.6%	86.5%	2.4%	82.5%
CareFirst PPO (GHMSI)	1.7%	88.9%	2.6%	87.4%
Kaiser Permanente	-10%	124.6%	-32.4%	<u>105.6%</u>
Aetna HMO	--	--	4.7%	83.6%
Aetna PPO	--	--	4.7%	84.1%
United PPO	--	--	2.1%	84.5%
United Optimum HMO	--	--	2.1%	84.5%
United Mid-Atlantic HMO	--	--	2.1%	84.5%

Small Group Marketplace

Insurer	Insurer Proposed Changes (Average)	Insurer Proposed Projected MLR	OW Actuarial Factors Analysis	HBX Recommendations	HBX Recommended MLR
CareFirst HMO*	18.3%	82.5%	14.7%	5% cap	89.7%
CareFirst PPO (GHMSI)*	13.3%	87.4%	12.3%	5% cap	89.1%
Kaiser	11.0%	<u>105.6%</u>	11.0%	5% cap Note: Insurer pricing to a loss -- 32.4%	
Aetna HMO*	-7.0%	83.6%	-6.8%	-15.9%	88.6%
Aetna PPO*	5.0%	84.1%	-4.0%	-13.2%	89.1%
United Optimum HMO*	10.1%	84.5%	7.7%	0.4%	86.5%
United PPO*	10.4%	84.5%	8.0%	0.5%	86.5%
United Mid-Atlantic HMO*	13.8%	84.5%	11.3%	3.6%	86.5%

More of every premium dollar should pay for medical care. Disallow risk & profit factor due to on-going economic impact of COVID and inflation. *Consider data-based trend.

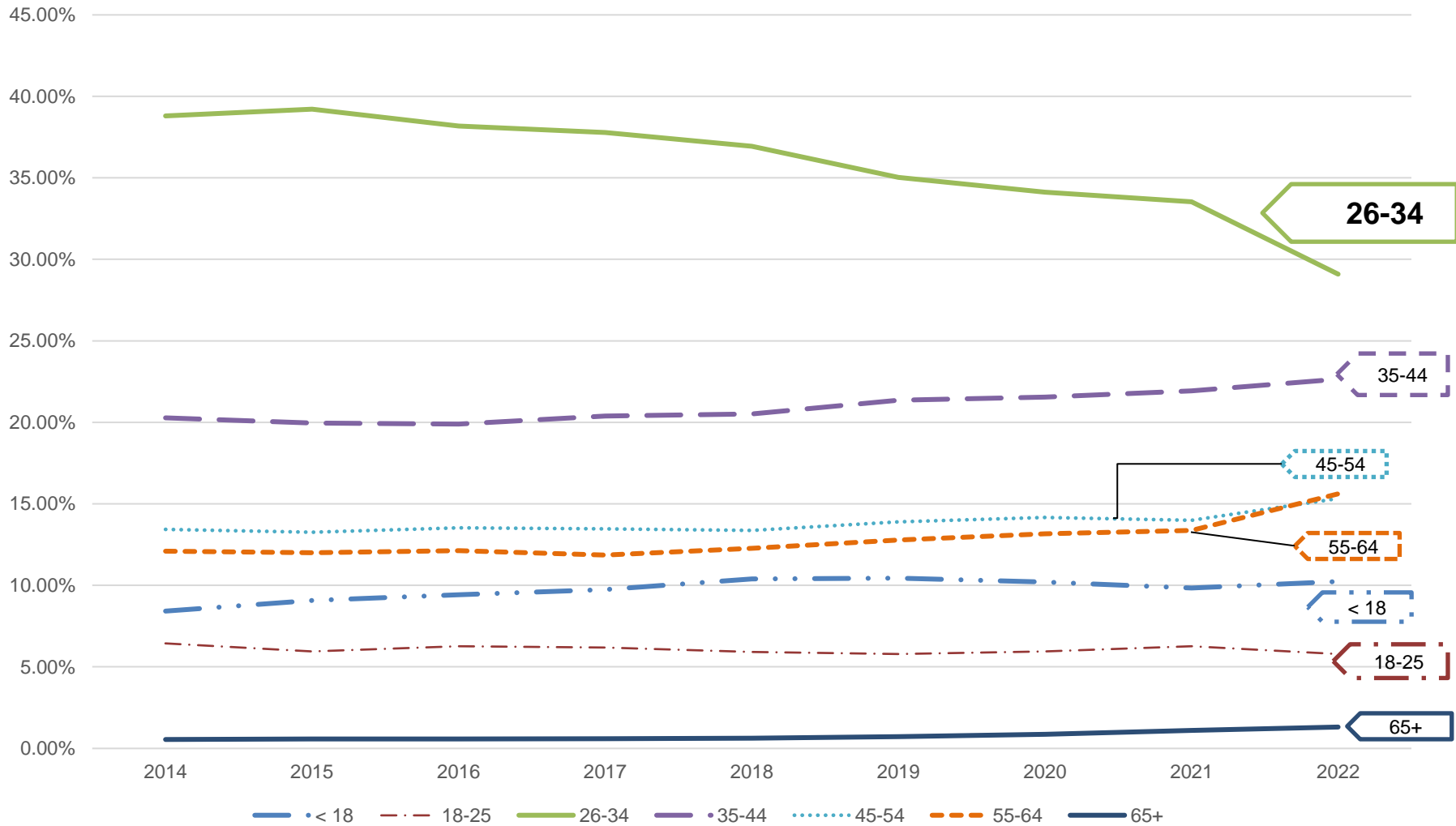


In addition to economic impact of COVID and inflation on residents, consider impact of premium increases on the individual market stability (size, age and risk mix):

- **The largest premium increases occurred 2017 to 2019**
- **The largest enrollment declines occurred from 2017 to 2018 and from 2018 to 2019**
- **Looking at net enrollment (residents who dropped coverage minus those who enrolled) between 2017 and 2019, **26-34 year-olds is the biggest group that declined in enrollment****
- **Individual market size declined with enrollment at lowest level since 2015**
- **Concern: market stability**
- **Recommendation: regulatory and/or legislative intervention**

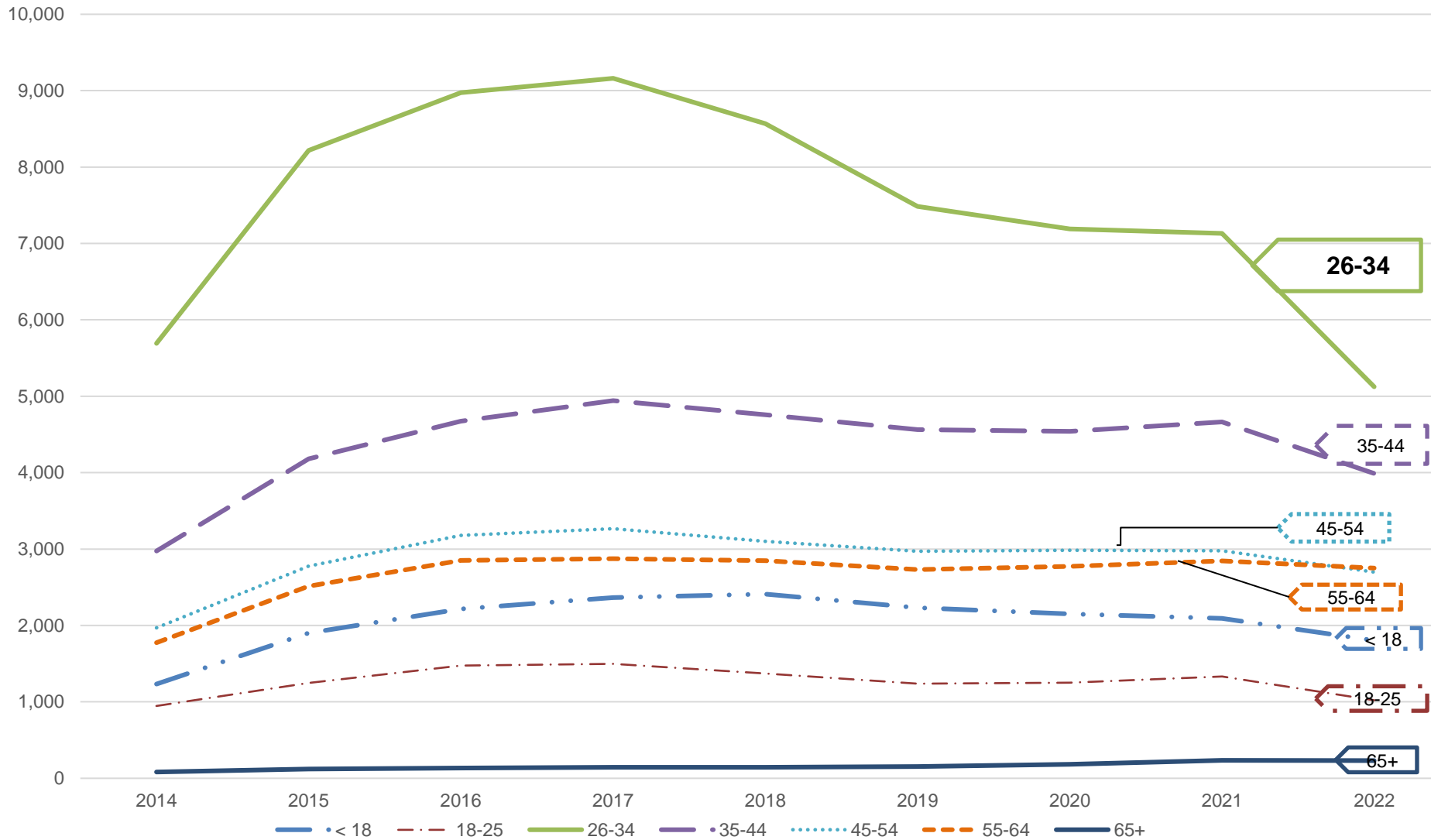
Individual Market Risk Pool Stability

Risk Pool Change
as a percent of total enrollment



Individual Market Risk Pool Stability

Risk Pool Change
by enrollment





Comparing individual market premiums across the country

- While in 2018 DC had the **4th lowest cost** (tied with NM) average premiums for bronze coverage in the nation, **in 2022 DC ranks 16th highest** cost for bronze coverage among all states.
- Despite significant scrutiny on rates, DC's individual market is becoming one of the most unaffordable in the nation.
 - For example, despite a maximum rate increase of 1% for one carrier and a decrease of 2% for another carrier for 2021, DC went from **4th** lowest cost average premiums for bronze coverage to **26th**.



- **Identify regulatory and/or legislative interventions as necessary to make individual and family health insurance more affordable.**
- **Recommendation:**
 - **Do not approve any rate changes for 2023 individual market.**
 - **Use 2023 to assess market stability concerns and take appropriate regulatory and/or legislative interventions.**
- **HBX will assist as necessary.**



Insurer Proposed Premium Changes 2023 & HBX Recommendations: Individual Marketplace

Insurer	Insurer Proposed Changes (Average)	OW Actuarial Factors Analysis	HBX Recommendations
CareFirst HMO	29.3%	15.9%	Do not allow a rate change
CareFirst PPO (GHMSI)	17.9%	9.0%	Do not allow a rate change
Kaiser Permanente	17.0%	priced to a 10% loss and projected MLR of 124.6%	Do not allow a rate change

Insurer	Insurer Proposed Individual Market	HBX Recommendations Individual Marketplace	Insurer Proposed Small Group Market	HBX Recommendations Small Group Marketplace
CareFirst HMO	29.3%	Do not allow a rate change	18.3%	5% cap
CareFirst PPO (GHMSI)	17.9%	Do not allow a rate change	13.3%	5% cap
Kaiser Permanente	17.0%	Do not allow a rate change	11%	5% cap
Aetna HMO		n/a	-7%	-15.9% (decrease)
Aetna PPO			5%	-13.2% (decrease)
United Optimum HMO			11.2%	0.4%
United PPO			10.9%	0.5%
United Mid-Atlantic HMO			13.7%	3.6%



Conclusion

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