



Colorado Premium Impact Analysis

Connect for Health Colorado Individual Market Premium Changes from 2014 to 2015 Before and After Federal Subsidies

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EXECUTIVE SUMMARY

At the request of the Colorado Department of Regulatory Agencies' Division of Insurance (DOI) and Connect for Health Colorado (C4HCO), and with support from the Robert Wood Johnson Foundation's State Health Reform Assistance Network, Wakely Consulting Group (Wakely) performed a detailed analysis of the change in health insurance premiums before and after federal premium tax credits ("subsidies") from 2014 to 2015. The scope of this analysis was limited to those individual market plans available through Connect for Health Colorado (the Colorado Health Insurance Exchange, established as part of the Affordable Care Act).

This report summarizes Wakely's analysis of C4HCO's enrollment distribution, changes in plan offerings, and changes in customer premiums before and after subsidies. These analyses were based on 2014 and 2015 Qualified Health Plan (QHP) templates, including rate tables and service area files, provided by the DOI and 2014 enrollment data provided by C4HCO. These data sources and their limitations are described in the Disclosures section of the report.

Premium subsidies are available to individuals and families with incomes under 400% of the federal poverty level (currently \$46,680 for a single individual and \$95,400 for a family of four) who are not eligible for other forms of affordable coverage (such as Medicaid, Medicare, or employer-sponsored health insurance). Approximately, 63% of C4HCO enrollees are receiving federal premium subsidies.

For purposes of this analysis, unless otherwise noted, Wakely included the impact of aging one year from 2014 to 2015 and assumed that household incomes remained constant as a percentage of the federal poverty level from 2014 to 2015. Note that the federal poverty level increased by roughly 1.6% for the first family member and 1% for additional family members from 2014 to 2015. Wakely is assuming that household incomes also increase by a similar percentage from 2014 to 2015.

Key takeaways from the analysis include:

- Roughly 58% of C4HCO enrollees receiving federal premium subsidies are enrolled in Silver level plans, and 26% of those selected the lowest cost Silver plan.
- The number of plans that will be available through C4HCO is increasing from 149 to 176. For any given area, only a subset of these plans is available.
- As a result of increased competition, the benchmark (second lowest cost silver) plan and carrier are changing in nearly all areas of the state.
- Approximately 96% of enrollees reside in an area of the state where the benchmark premium is decreasing, and 81% reside in areas where the benchmark premium is decreasing by more than 15%. On average, premium subsidies are decreasing by 16%.
- Subsidized enrollees who do not shop for a new plan, but are auto-renewed into the same or similar plan with their current carrier, will see an average increase in subsidized premiums of 77% due to the combination of increasing premiums and decreasing federal premium subsidies.

- Subsidized enrollees have the opportunity to lower their premiums by 18% compared to 2014 premiums if they switch to the lowest cost plan in their current metal level in 2015.

C4HCO ENROLLMENT ANALYSIS

Based on enrollment data provided by C4HCO, Wakely found that 63% of enrollees are receiving federal premium subsidies. Of these, 58% are enrolled in Silver level plans, compared to 29% of unsubsidized enrollees. This is likely a result of the fact that households with incomes less than 250% of the federal poverty level are also eligible for cost sharing reduction subsidies (subsidies which reduce the payments required when medical services are accessed) if they enroll in Silver level plans.

Table 1 illustrates the distribution of subsidized and unsubsidized C4HCO enrollees by metal level. Enrollees that do not receive subsidies chose Bronze plans almost 48% of the time. For those receiving subsidies, Silver plans were the most popular. Table 1 also shows the percentage of enrollees in each metal level who selected the lowest cost plan available for that metal level. Enrollees were most price sensitive at the Bronze level, with nearly 42% of total Bronze enrollees selecting the lowest cost Bronze plan. At the Silver level, 24% of enrollees selected the lowest cost plan available and at the Gold level, only 12% of enrollees selected the lowest cost plan available. There was only one Platinum option available in any given county in the state, which is why Table 1 indicates that 100% of Platinum level enrollees selected the lowest cost plan available.

Table 1 – C4HCO Distribution by Metal Level for Subsidized and Unsubsidized Enrollees

Metal Tier	Total Enrollment		Unsubsidized Enrollment		Subsidized Enrollment	
	Distribution	% in Lowest	Distribution	% in Lowest	Distribution	% in Lowest
Platinum	0.7%	100.0%	1.2%	100.0%	0.4%	100.0%
Gold	9.9%	11.9%	15.9%	9.0%	6.4%	16.3%
Silver	47.0%	24.1%	28.9%	19.3%	57.7%	25.5%
Bronze	39.6%	41.8%	47.8%	44.3%	34.7%	39.8%
Catastrophic	2.8%	55.4%	6.2%	54.9%	0.8%	57.4%
Total	100.0%	31.3%	100.0%	32.8%	100.0%	30.5%

Table 2 illustrates differences in enrollment distribution of subsidized enrollees across metal levels by rating area. See Appendix A for a mapping of counties to rating areas. While most areas of the state have similar distributions of enrollments across metal levels, Rating Area 5 (Mesa county) has a much higher proportion of enrollees at the Silver level and Rating Area 8 (SouthEast) has the lowest proportion of enrollees at the Silver level. These variations may be a result of differences in plan offerings, relative premiums, or income distribution (areas with a higher proportion of lower income enrollees may have a disproportionate number of enrollees in Silver plans, in order to maximize the availability of cost sharing reduction subsidies).

Table 2 – C4HCO Distribution of Subsidized Enrollment

2014 Rating Area	Platinum	Gold	Silver	Bronze	Catastrophic	Enrollment Mix by Rating Area
1	0%	8%	56%	35%	1%	8%
2	1%	7%	54%	37%	1%	7%
3	1%	7%	59%	32%	1%	49%
4	0%	6%	56%	37%	1%	7%
5	0%	4%	66%	29%	1%	3%
6	0%	9%	55%	35%	1%	4%
7	0%	6%	57%	36%	0%	2%
8	0%	6%	49%	44%	0%	4%
9	0%	3%	52%	45%	0%	1%
10	0%	3%	61%	35%	0%	10%
11	0%	2%	56%	41%	0%	6%
Total	0%	6%	58%	35%	1%	

CHANGE IN PLAN OFFERINGS

The number of plans that will be available through C4HCO in 2015 will be higher than the number available in 2014 for most areas of the state, with the exception of Mesa County and the Mountain counties. Overall, the number of plans available through C4HCO is increasing from 149 in 2014 to 176 in 2015. As indicated in Table 3, the biggest increase in the number of plans is at the silver level. Note that not all plans are offered in all regions of the state.

Table 3 indicates that of the 149 plans offered through C4HCO in 2014, 141 are continuing into 2015. In some cases, the enrollees in these plans are being mapped to a different, but similar plan for 2015; these crosswalked plans are considered continuing for this analysis. Reductions in the number of continuing plans are caused by some carriers that are consolidating their plan offerings. For example, in 2014 they offered separate plans where one included pediatric dental and the other did not. In 2015 they only offer plans with pediatric dental and are crosswalking the 2014 plans without pediatric dental to this plan. Increases in the continuing plan counts include the result of a few carriers refining the service area and offering separate plans to different service areas in 2015 where only one plan was available in 2014. In total, 8 plans are being discontinued in 2015 without replacement, so any enrollees in these plans will need to shop for a new plan for 2015 (they will not be auto-enrolled). There are an additional 42 new plans being offered in 2015.

Table 3 – Total Number of Plans Offered Through C4HCO

Metal Tier	Status	2014	2015	Change
Platinum	Cont.	1	1	0
	Discont.	1	0	-1
	New	0	1	1
	Total	2	2	0
Gold	Cont.	25	27	2
	Discont.	2	0	-2
	New	0	7	7
	Total	27	34	7
Silver	Cont.	56	52	-4
	Discont.	2	0	-2
	New	0	19	19
	Total	58	71	13
Bronze	Cont.	47	42	-5
	Discont.	2	0	-2
	New	0	12	12
	Total	49	54	5
Catastrophic	Cont.	12	12	0
	Discont.	1	0	-1
	New	0	3	3
	Total	13	15	2
Total	Cont.	141	134	-7
	Discont.	8	0	-8
	New	0	42	42
	Total	149	176	27

CHANGE IN BENCHMARK PREMIUMS

Individuals and families who are eligible for federal premium subsidies pay a defined percentage of their household incomes towards a benchmark plan. The benchmark plan is the second lowest cost plan available to the enrolling individual or family at the Silver level of benefits. The identity of the benchmark plan is subject to change year over year as carriers propose (and/or DOI approves) varying levels of rate changes, existing carriers offer new plans, or new carriers enter the market. While premiums for specific plans generally increase from year to year as medical expenses increase, the benchmark premium is subject to decrease as carriers become more competitive and potentially introduce lower cost plans to the market.

Based on Wakely’s analysis, 96% of C4HCO subsidy-eligible enrollees reside in areas of the state where the benchmark premium is decreasing from 2014 to 2015. Additionally, 81% of subsidy-eligible enrollees reside in areas of the state where the benchmark premium is decreasing by more than 15%. This is a result of increased competition among carriers which is leading to a change in the benchmark plan in every area of the state and a change in the carrier in nearly all areas of the state. Table 4 provides the percentage of counties and subsidized enrollees for various ranges of the change in benchmark premium from 2014 to 2015.

Table 4 – Distribution of Counties and Subsidized C4HCO Enrollees by Change in Benchmark Premium from 2014 to 2015

Range of Change	% of Total Counties	% of Subsidized Enrollees
Under -25%	15.5%	1.7%
-25% to -20%	10.9%	1.5%
-20% to -15%	20.3%	78.0%
-15% to -10%	0.2%	0.0%
-10% to -5%	29.7%	14.6%
-5% to 0%	0.0%	0.0%
0% to 5%	23.4%	4.1%
5% to 10%	0.0%	0.0%
Over 10%	0.0%	0.0%

Decreases in the benchmark premiums generally translate into decreases in the federal subsidies available from year to year (note that there are other variables impacting year over year subsidy changes, such as changes in the federal poverty level, indexing in the percentage of household income consumers are expected to contribute towards the benchmark plan, and aging).

CHANGE IN PREMIUMS FOR UNSUBSIDIZED ENROLLEES

Before application of subsidies, rates for individual market plans available through C4HCO are increasing by 11% on average (weighted by C4HCO enrollment and including both subsidized and unsubsidized enrollees). This increase accounts for those plans that were offered in 2014 and are continuing into 2015 (or are being replaced by a new plan). Plans that are being discontinued without replacement and new plans are not included in the calculation.

The 37% of C4HCO enrollees that are not currently receiving premium subsidies will experience an average rate increase of \$24 per month, or 9% from 2014 to 2015 if they auto-renew, as indicated in Table 5. These changes vary by metal level, with Gold premiums increasing by only 6% and Bronze and Silver premiums increasing by 10% on average.

Table 5 – Average Change in Enrollee Premium from 2014 to 2015 for Unsubsidized Enrollees Assuming Auto-Renewal

Metal Tier	2014 Premium	2015 Premium	% Change	Enrollees
Platinum	\$322	\$349	9%	521
Gold	\$357	\$380	6%	7,667
Silver	\$322	\$353	10%	13,917
Bronze	\$262	\$288	10%	23,106
Catastrophic	\$148	\$137	-7%	3,000
Total	\$288	\$312	9%	48,211

CHANGE IN PREMIUMS AFTER SUBSIDIES

Table 6 shows that the 63% of C4HCO enrollees who are currently receiving federal premium subsidies will experience an average increase in their rates of \$45 per month, or 12% before subsidies and \$87 per month, or 77% after applying subsidies, assuming they are auto-enrolled into a plan for 2015 based on the mappings the carriers provided to the DOI. The average subsidy reduced by \$42 per month. The 77% is a result of the combination of increasing premiums (\$45 on average) and decreasing subsidies (which increase after subsidy premium by \$42 on average) as a percent of the original \$114 per month average premium.

Table 6 – Average Change in Enrollee Premium, Before and After Subsidies, from 2014 to 2015 for Subsidized Enrollees Assuming Auto-Renewal

Metal Tier	Before Subsidies			After Subsidies			Enrollees
	2014 Premium	2015 Premium	% Change	2014 Premium	2015 Premium	% Change	
Platinum	\$416	\$458	10%	\$224	\$310	38%	324
Gold	\$438	\$479	9%	\$234	\$314	34%	5,151
Silver	\$401	\$453	13%	\$116	\$211	82%	46,771
Bronze	\$327	\$363	11%	\$86	\$165	91%	28,151
Catastrophic	\$146	\$137	-6%	\$146	\$137	-6%	626
Total	\$376	\$421	12%	\$114	\$201	77%	81,023

Comparing premiums before subsidies for subsidized enrollees to premiums after subsidies for subsidized enrollees, the average subsidy per enrollee is roughly \$262 per month in 2014, or 70% of the average premium. The average subsidy per enrollee will decrease to \$220 in 2015, or about 52% of the average premium, as a result of the decrease in the benchmark premium.

Because there are new, lower cost plans available for most areas through C4HCO in 2015, consumers will have the opportunity to shop for lower cost options than what was available in 2014. Consumers that did not enroll in the lowest cost options in 2015 will also have this opportunity. Consumers will automatically be renewed into a plan based on the mappings the carriers provided to the DOI if they do not select a different option. If they shop for a new plan, C4HCO subsidized enrollees have the opportunity to lower their premiums from 2014 to 2015 by \$21 per month, or 18% on average if they all were to move into the lowest cost plan available in their current metal level. Table 7 illustrates the opportunity that subsidized enrollees have to reduce their after subsidy premiums if they shop and enroll in the lowest cost plan that is available at their current metal level in 2015.

Table 7 – Average Change in Enrollee Premium, After Subsidies, from 2014 to 2015 for Subsidized Enrollees Assuming Move to Lowest Cost Plan in Same Metal Level

Metal Tier	2014 Premium	2015 Premium	% Change	Enrollees
Platinum	\$224	\$310	38%	324
Gold	\$234	\$207	-11%	5,151
Silver	\$116	\$87	-25%	46,771
Bronze	\$86	\$80	-8%	28,151
Catastrophic	\$146	\$115	-21%	626
Total	\$114	\$93	-18%	81,023

OTHER CHANGES FOR ENROLLEES

In addition to the changes outlined above, some enrollees will experience other impacts.

There are 132 households (0.2% of total) currently enrolled in a plan that will no longer be available in 2014 and the carrier is not mapping these enrollees to a new plan. These households will be required to select a new plan for 2015. Approximately a third of these households are in Pueblo County. Another 45% are in the West and SouthEast rating areas.

There are approximately 2,825 households in 2014 enrolled in plans for which their subsidy was large enough to cover nearly their entire premium (less the cost for any benefits above those required by federal law and the cost of abortion services which cannot be covered by federal funds). Of these households, 376 are enrolled in a plan that will continue to be nearly fully subsidized. An additional 1,906 households have the opportunity to enroll in a different plan in 2015 that would be nearly fully subsidized. A total of 543 of the households with nearly fully subsidized plans in 2015, will not have the opportunity to enroll in a plan in which the premium would be subsidized as completely in 2015.

As noted above, the federal subsidies are defined to limit the amount that individuals and households pay towards the benchmark plan. If that amount exceeds the full premium of the benchmark plan, no federal subsidies are provided, because the premiums are deemed to be “affordable” based on the standards under the Affordable Care Act. Because benchmark premiums are decreasing in so many areas of the state in 2015, there are 1,152 households who had a subsidy in 2014, and will no longer receive subsidies in 2015 because the benchmark premiums are lower than what these households are expected to contribute towards the benchmark plan. Note that these are generally higher income and/or younger individuals. Their average subsidy for 2014 was \$30 per month per enrollee, significantly lower than the overall average subsidy of \$262 per month per enrollee.

DISCLOSURES

Wakely relied on the following data elements provided by DOI and C4HCO:

- The following Qualified Health Plan (QHP) Templates for each participating carrier as provided by DOI
- Rate table template
- Plan and benefits template
- Service area template
- Network template
- Plan crosswalk as provided by DOI. The crosswalk provides a mapping of which plans 2014 enrollees will be auto-renewed into for 2015.
- 2014 enrollment data provided by C4HCO. The enrollment file included some duplicate enrollees, so some enrollment counts included in this report may be overstated. Enrollees who were missing a plan ID were excluded from the analysis.

Wakely reviewed the data provided for reasonability but did not audit the data. Any errors in the data provided could impact the results provided in this report. Subsidy and premium calculations underlying Wakely’s analysis are meant to approximate rather than replicate those performed by C4HCO, so there may be variations between premiums included in Wakely’s analysis and those that are produced by C4HCO.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Aree Bly and Julia Lerche are both Fellows of the Society of Actuaries and members of the American Academy of Actuaries. Both meet the qualification standards for performing the actuarial analyses included in this report.

Appendix A

Mapping of County to Rating Area

2014 RATING AREA	2015 RATING AREA	COUNTY
1- Boulder	1- Boulder	Boulder
2- Co Springs	2- Co Springs	El Paso
		Teller
3- Denver	3- Denver	Adams
		Arapahoe
		Broomfield
		Clear Creek
		Denver
		Douglas
		Elbert
		Gilpin
		Jefferson
		Park
4- Ft Collins	4- Ft Collins	Larimer
5- Mesa	5- Mesa	Mesa
6- Greeley	6- Greeley	Weld
7- Pueblo	7- Pueblo	Pueblo
8- SouthEast	8- East	Alamosa
		Baca
		Bent
		Chaffee
		Cheyenne
		Conejos
		Costilla
		Crowley
		Custer
		Fremont
		Huerfano
		Kiowa
		Kit Carson
		Las Animas
		Lincoln
		Mineral
Otero		
Prowers		
Rio Grande		
Saguache		

2014 RATING AREA	2015 RATING AREA	COUNTY
9- NorthEast		Logan
		Morgan
		Phillips
		Sedgwick
		Washington
		Yuma
10 - West	9- West	Archuleta
		Delta
		Dolores
		Grand
		Gunnison
		Hinsdale
		Jackson
		La Plata
		Lake
		Moffat
		Montezuma
		Montrose
		Ouray
		Rio Blanco
Routt		
San Juan		
San Miguel		
11 - Resort		Eagle
		Garfield
		Pitkin
		Summit