NovaRest Report to the Oregon Department of Consumer and Business Services Division of Financial Regulation

Individual Market

Impact of 1331 Program on 1332 Reinsurance Waiver Program

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Introduction

The Oregon Health Authority (OHA) is applying for a Section 1331 Waiver to implement a Basic Health Plan, named the Bridge Health Care Program, primarily for individuals between 138% and 200% of the federal poverty level (FPL). Oregon also renewed their Section 1332 Reinsurance Waiver Program for plan years 2023 through 2027.

Oregon Division of Financial Regulation (DFR) engaged NovaRest Actuarial Consulting (NovaRest) to analyze the impact of the implementation of the Bridge Health Care Program on the previous projections made for the Section 1332 Reinsurance Waiver Program.

Executive Summary

1. We estimate 33,000 members in the Oregon Marketplace to be under 200% FPL currently and would be eligible for the Bridge Health Care Program.
    - We estimate an additional 7,000 members are currently in Medicaid and will join the Bridge Health Care Program after Medicaid Redetermination. We believe these members would join the Oregon Marketplace if the Bridge Health Care Program was not implemented.
2. In 2025, we expect 12,000 members (36% of eligible members) to move to the Bridge Health Care Program. We expect another 6,000 members (18% of eligible members) to move to the Bridge Health Care Program in 2026 and another 6,000 members (18% of eligible members) to move to the Bridge Health Care Program in 2027.
    - This represents 72% of the current 33,000 eligible members moving to the Bridge Health Care Program by 2027.
3. We estimate 127,000 members in the Oregon Marketplace currently, and 163,000 members total in the Oregon individual ACA market. We estimate 115,000 members in the Oregon Marketplace in 2025, 107,000 in 2026, and 100,000 in 2027.
    - This includes the impact of members leaving for the Bridge Health Care Program and members leaving the Oregon individual ACA market for other reasons (ie price sensitivity to rate increases).
4. We do not have sufficient information to estimate the relative risk of members eligible for the Bridge Health Care Program and assume Oregon individual ACA market average risk.
5. We estimate the Bridge Health Care Program will reduce the total 1332 Waiver Reinsurance Program budget by $14 million in 2025, $19 million in 2026, and $25 million in 2027.

6. We estimate the federal pass-through dollars will decrease by $13 million in 2025, $18 million in 2026, and $23 million in 2027.

7. We expect the state responsibility to decrease by $1.0 million in 2025, $1.3 million in 2026, and $1.7 million in 2027.

8. We estimate the market average CSR defunding load to decrease from 1.140 currently to 1.104 in 2025, 1.085 in 2026, and 1.055 in 2027. This directly reduces the premium tax credit available to eligible members in the Oregon Marketplace.

9. The lower CSR defunding load will also result in higher premium rates for members eligible for premium tax credits in the Oregon Marketplace, if they choose a plan other than the SLCSP. This is because the premium tax credit available is based on the level of the SLCSP, which would be lower due to the lower CSR defunding load.

Analysis

Table 1			
	2025	**2026**	**2027**
Oregon Marketplace Enrollment			
No Bridge Health Care Program	134,000	133,000	132,000
With Bridge Health Care Program	115,000	107,000	100,000
Difference	**(19,000)**	**(26,000)**	**(32,000)**
% Difference	**-14%**	**-20%**	**-24%**
Total Oregon Individual ACA Enrollment			
No Bridge Health Care Program	169,000	167,000	165,000
With Bridge Health Care Program	150,000	141,000	134,000
Difference	**(19,000)**	**(26,000)**	**(31,000)**
% Difference	**-11%**	**-16%**	**-19%**
CSR Defunding Load			
No Bridge Health Care Program	1.140	1.140	1.140
With Bridge Health Care Program	1.104	1.085	1.055
Difference	**(0.036)**	**(0.055)**	**(0.085)**
% Difference	**-3%**	**-5%**	**-7%**
Total 1332 Waiver Reinsurance Program Budget $ (in millions)			
No Bridge Health Care Program	$107	$112	$117
With Bridge Health Care Program	$93	$93	$92
Difference	**($14)**	**($19)**	**($25)**
% Difference	**-13%**	**-17%**	**-21%**
Federal Pass-Through $ (in millions)			
No Bridge Health Care Program	$72	$76	$79
With Bridge Health Care Program	$58	$57	$56
Difference	**($13)**	**($18)**	**($23)**
% Difference	**-18%**	**-24%**	**-29%**
State Responsibility $ (in millions)			
No Bridge Health Care Program	$36	$37	$37
With Bridge Health Care Program	$35	$35	$36
Difference	**($1.0)**	**($1.3)**	**($1.7)**
% Difference	**-3%**	**-4%**	**-5%**

2024 Impact

Our understanding is the Bridge Health Care Program will be implemented in mid-year 2024. We do not have sufficient information to estimate the impact of the Bridge Health Care Program on the Section 1332 Waiver Reinsurance Program for 2024. Specifically, we do not have sufficient information regarding the notification of members of eligibility for the Bridge Health Care Program, the process for these members to apply for the Bridge Health Care Program, or the timeline for members to be moved from the Oregon Marketplace to the Bridge Health Care Program during 2024.

Expected Change in Membership

Beginning in 2025, we assume members would be able to determine eligibility and apply for the Bridge Health Care Program consistent with applying for Oregon Marketplace coverage. We estimate 33,000 Oregon Marketplace members are currently under 200% of the FPL and will be eligible for the Bridge Health Care Program. Additionally, we estimate 7,000 members under 200% FPL currently in Medicaid that would join the Oregon Marketplace if the Bridge Health Care Program was not implemented, however, our understanding based on discussions with DFR is these members are expected to be held in Medicaid until the Bridge Health Care Program begins.

We assume eligible members currently enrolled in the Oregon Marketplace would move into the Bridge Health Care Program gradually over time, and not all eligible members would join at the first opportunity. This may be due to a variety of reasons, including members: not wanting to leave their current network of doctors during the course of treatment, being hesitant to join a new program, not knowing about the Bridge Health Care Program or if they are eligible. Additionally, we estimate 3,000 members in the Oregon Marketplace are currently under 138% of the FPL, and therefore are eligible for Medicaid but choose to stay in the Oregon Marketplace, therefore we do not believe they will join the Bridge Health Care Program.

We therefore assume 36% of eligible members would move from the Oregon Marketplace to the Bridge Health Care Program in 2025, up to 55% of eligible members by 2026, and up to 73% of eligible members by 2027.

Expected Change in Reinsurance Budget

We estimate the lower Oregon individual ACA enrollment due to the Bridge Health Care Program will decrease the total cost of the 1332 Waiver Reinsurance Program Budget. We do not have information on the relative morbidity of the members eligible to join the Bridge Health Care Program and assume average Oregon individual ACA morbidity for these members.

The 1332 Waiver Reinsurance Program budget is set annually to target a premium reduction. After discussions with the DFR, the 1332 Waiver Reinsurance Program was set to target 8% of total Oregon individual ACA premium.

We estimate the Bridge Health Care Program will reduce the total 1332 Waiver Reinsurance Program budget by $14 million in 2025, $19 million in 2026, and $25 million in 2027.

Expected Change in Oregon Funding

Oregon receives federal pass-through dollars for the 1332 Waiver, provided via net premium tax credit savings. The premium tax credit savings are tied to the premium of the Oregon Marketplace second-lowest cost silver plan (SLCSP) in an area. As the 1332 Waiver reinsurance reduces the SLCSP in an area, the difference between the premium tax credit and the premium tax credit that would have been if the 1332 Waiver was not in place (less lower Marketplace fees), is passed from the federal government to the state to help fund the program, ie federal pass through savings.

The implementation of the Bridge Health Care Program will reduce the number of people eligible for premium tax credit in the Marketplace, lowering the federal pass-through savings, even if the 1332 Waiver reinsurance still reduces the SLCSP by the same amount.

We estimate the federal pass-through dollars will decrease by $13 million in 2025, $18 million in 2026, and $23 million in 2027. We expect the state responsibility to decrease by $1.0 million in 2025, $1.3 million in 2026, and $1.7 million in 2027.

Expected Change in Premiums for Premium Tax Credit Eligible Consumers Over 200% FPL

As discussed above, the premium tax credit is tied to the premium of the Oregon Marketplace SLCSP in an area. The SLCSP includes a load for the defunding of the cost sharing reduction (CSR) plans. The CSR load is based on the projected distribution of members in each of the CSR tiers, so more expected members in the 94% and 87% CSR tiers result in a higher CSR load, which results in a higher SLCSP, and higher premium tax credit available to eligible members. Members eligible for the Bridge Health Care Program are primarily members between 138% to 200% FPL, which are members that would likely be eligible for 87% and 94% CSR plans. Therefore, as these members leave the Oregon Marketplace, we expect the CSR load will decrease, which would reduce the SLCSP and the premium tax credit available to consumers, should they choose a plan that is not the SCLSP.

Please note, the actual CSR load applied by an issuer is based on their expected distribution of CSR members. Therefore, it varies by issuers and even by plan. We do not have the information to estimate the CSR load at that level. We have performed an analysis on market-wide basis to illustrate the potential impact to consumers.

Additionally, the premium tax credit is based on various factors including FPL, income, area, plan selection and family size. Table 2 includes simplified examples to illustrate the impact, but please note the actual premium impact will be different.

Table 2			
	2025	**2026**	**2027**
Estimated Monthly SLCSP Premium Rating Area 1, Age 21 (No Bridge Health Care Program)	$375	$394	$408
Estimated Monthly SLCSP Premium Rating Area 1, Age 21 (With Bridge Health Care Program)	$364	$375	$378
Additional monthly premium for a 21 year old, in Rating Area 1, at 250% FPL	$12	$19	$30
Additional monthly premium for a 40 year old couple, in Rating Area 1, at 250% FPL	$31	$49	$77
Additional monthly premium for a 40 year old couple with two children under 18, in Rating Area 1, at 250% FPL	$46	$73	$115

Conclusion

We estimate the Bridge Health Care Program will result in lower Oregon funding responsibility for the 1332 Waiver Reinsurance Program. The reduction in Oregon Marketplace members due to the introduction of the Bridge Health Care Program will result in a significantly lower 1332 Waiver Reinsurance Program budget. While we expect much of this will be offset by a reduction in the federal pass-through dollars, we estimate Oregon will also see reduced funding.

Additionally, it is important to note that the premium tax credit available to eligible consumers is based on the level of the SLCSP. By removing those under 200% FPL from the Oregon Marketplace, we expect the level of the SLCSP will be reduced, providing a lower premium tax credit to eligible consumers. Therefore, by removing the 200% FPL from the Oregon Marketplace, premiums for consumers over 200% FPL that are eligible for premium tax credits will become more expensive.

Reliances

NovaRest relied upon data and information detailed in the Data, Methodology and Assumptions Appendix, provided by the Oregon individual ACA-compliant market carriers, DFR, and public sources. As noted, we evaluated the data and information for reasonableness, but did not perform any audits of the data and information.

Limitations

NovaRest has been helping state insurance regulators meet their regulatory responsibilities since 2002. NovaRest employs some of the most senior actuaries in the industry. Our actuaries are experts in the Affordable Care Act (ACA), modeling and project management. In addition, NovaRest has experience working on Section 1332 Waiver and reinsurance projects.

Opinions in this report should not be construed as providing legal advice.

This report is provided to DFR for the purpose of estimating the preliminary impact of the Bridge Health Care Program on the 1332 Waiver. It may not be appropriate for any other purpose and should not be used for any other purpose.

NovaRest was required to make assumptions as to 2024, 2025, 2026, and 2027 claims, premiums, enrollment, and FPL. It is important to realize that actual enrollment and claims may be different from these projections.

This report should only be communicated in its entirety and not in parts or out of context.

Appendix A: Data, Methodology and Assumptions

The methodology was generally consistent with prior analysis provided to the Oregon DFR regarding the 2024 Reinsurance Parameters with differences in assumptions discussed below.

We received individual ACA market premiums and membership as of January 2023 for a carrier data call. Individuals that were eligible for 100% cost-sharing reduction (CSR), 94% CSR, 87% CSR, 73% CSR and APTC non-CSR were determined to be the ones most likely to retain coverage, although many circumstances can arise that result in turnover in this market segment, such as becoming employed by an employer that offers health insurance or moving out of state. Since NovaRest cannot predict employment or what percentage of the population might move out of state, we treated these members as a stable block, except for Medicaid Redetermination and the impact of the Bridge Health Care Program as discussed below. For trending premiums forward, 100% CSR members were equally divided among the other CSR tiers.

For all other individuals NovaRest used the elasticity by metal level presented at a Society of Actuaries (SOA) training session. The elasticity estimates the percentage of membership that will reduce coverage (buy-down) based on the percentage rate increase. The rate increase percentage from 2023 to 2024 was set to the 5.0% NHE trend.[1] We assume individuals who buy-down will only reduce by one metal level at a time, i.e. Gold to Silver, Silver to Bronze, Bronze and Catastrophic to uninsured. We assume individuals will maintain their exchange status, so that those who purchase coverage on exchange, when buying-down, would continue to purchase on exchange, except the Silver level where on-exchange premiums are loaded for the federal defunding of CSRs. In this case, a non-subsidized member enrolled at the Gold coverage level on exchange is assumed to buy-down to the Silver level but purchase off-exchange where the premiums are not loaded.

Individuals with Catastrophic coverage may age out or, based on the rate increase, decide to drop coverage and become uninsured. For the loss of membership due to aging, NovaRest used a steady state and decided that new entrants would replace individuals aging out. For the portion of the individuals deciding to drop coverage NovaRest used a Catastrophic specific elasticity.

We estimated an 8% increase in Oregon Marketplace membership due to the unwinding of the Medicaid Continuous Enrollment Provision. We considered a recent American Academy of Actuaries presentation "The Great Unwinding: What's Next for the Medicaid Population?" and reviewed membership reported by carriers in January 2023 compared to past years, as well as had discussions with representatives from Oregon Health Plan to determine our assumptions. We do not have information on the income of the members that would enter the Oregon Marketplace as CSR members and assume they follow the current CSR distribution. After discussions with

[1] NHE Projection Tables through 2030 Table 17 Health Insurance Enrollment and Enrollment Growth Rates, Spending per Enrollee Private Health Insurance Direct Purchase. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html?redirect=/NationalHealthExpendData/. Last updated 4.27.2022

DFR, our understanding is members eligible for the Bridge Health Care Program would be held in Medicaid until the Bridge Health Care Program begins, and therefore estimated approximately 7,000 members would not enter the Oregon Marketplace. Therefore, we have only estimated approximately 3,000 members above 200% FPL would enter the Oregon Marketplace.

We estimate 3,000 members in the Oregon Marketplace are currently under 138% of the FPL based on the 2023 OEP State, Metal Level, and Enrollment Status Public Use File, and therefore are eligible for Medicaid but choose to stay in the Oregon Marketplace, therefore we do not believe they will join the Bridge Health Care Program.

We assume 40% of the remaining eligible members will leave the Oregon Marketplace for the Bridge Health Care Program in 2025. This assumption was informed by discussions with DFR and OHA as well as analyzing the membership changes due to states expanding Medicaid.

We assume 60% of the remaining eligible members will leave the Oregon Marketplace for the Bridge Health Care Program by 2027. This was based on assuming a uniform rate between the eligible members leaving by 2025 and leaving by 2027 as discussed below.

We assume 80% of the remaining eligible members will leave the Oregon Marketplace for the Bridge Health Care Program by 2027. This was informed by a 2018 study[2] on participation rates for Medicaid eligible people. We assume a higher participation rate for eligible members with children. However, this was offset by an estimate of Medicaid participation for members in rural areas.[3]

We do not have information on the relative morbidity of the members eligible to join the Bridge Health Care Program and assume average Oregon individual ACA morbidity for these members. The 1332 Waiver Reinsurance Program budget is set annually to target a premium reduction. After discussions with the DFR, the 1332 Waiver Reinsurance Program was set to target 8% of total Oregon individual ACA premium.

The CSR load relativity was estimated using the base AVC metal values, which will be different than issuer estimates of pricing relativity. Additionally, it was calculated using our estimate of marketwide CSR distribution. We calibrated the base CSR load to a 14% load consistent with discussions with CFR. The SLCSP premium was estimated using the PY2023 SLCSP for rating area 1 trended by NHE trend. The FPL was estimated using the 2023 Federal Poverty Guideline trended by 2.42%, which was based on a historical analysis of FPL increases. The SLCSP with the Bridge Health Care Program was estimated by reducing the SLCSP for the lower CSR load.

[2] https://www.urban.org/sites/default/files/publication/99058/uninsurance_and_medicaidchip_participation_among_children_and_parents_updated_1.pdf

[3] https://www.kff.org/medicaid/issue-brief/the-role-of-medicaid-in-rural-america/