

COST SHARING REDUCTIONS AND SILVER LOADS

PRESENTED TO THE GREEN MOUNTAIN CARE BOARD

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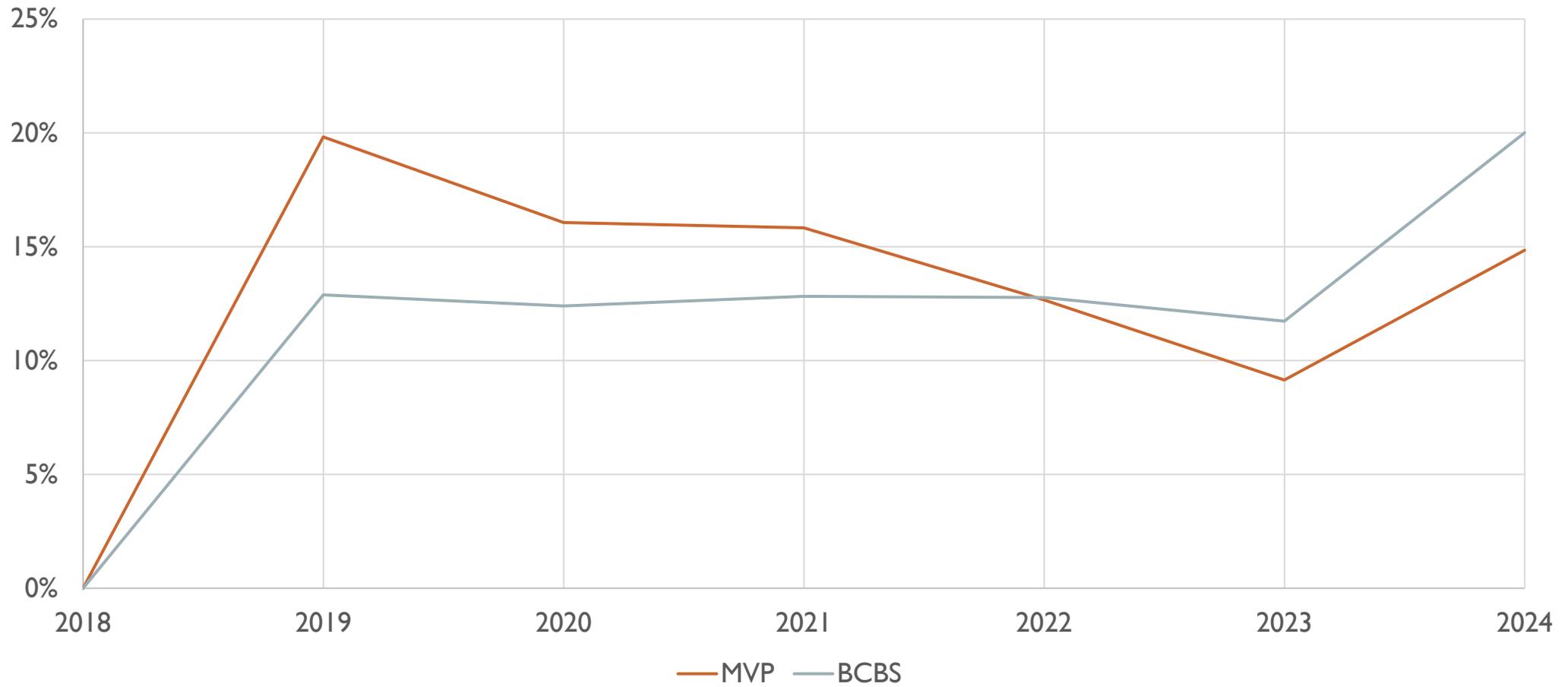
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HISTORICAL CONTEXT IN VERMONT

- In 2019, the federal government stopped funding enhanced “CSR” benefits for low-income members, but plans must still offer those enhanced benefits.
- Carriers were initially free to set “CSR Loads” to fund this gap.
- In this environment, the CSR Loads gradually fell between 2019 and 2023.
- The Board instituted guidance requiring certain methodological changes in 2024. Consequently, CSR Loads increased significantly in 2024.

Historical CSR Loads by Carrier and Plan Year



SIGNIFICANCE OF SILVER LOADS

Who is helped by increased Silver Loads?

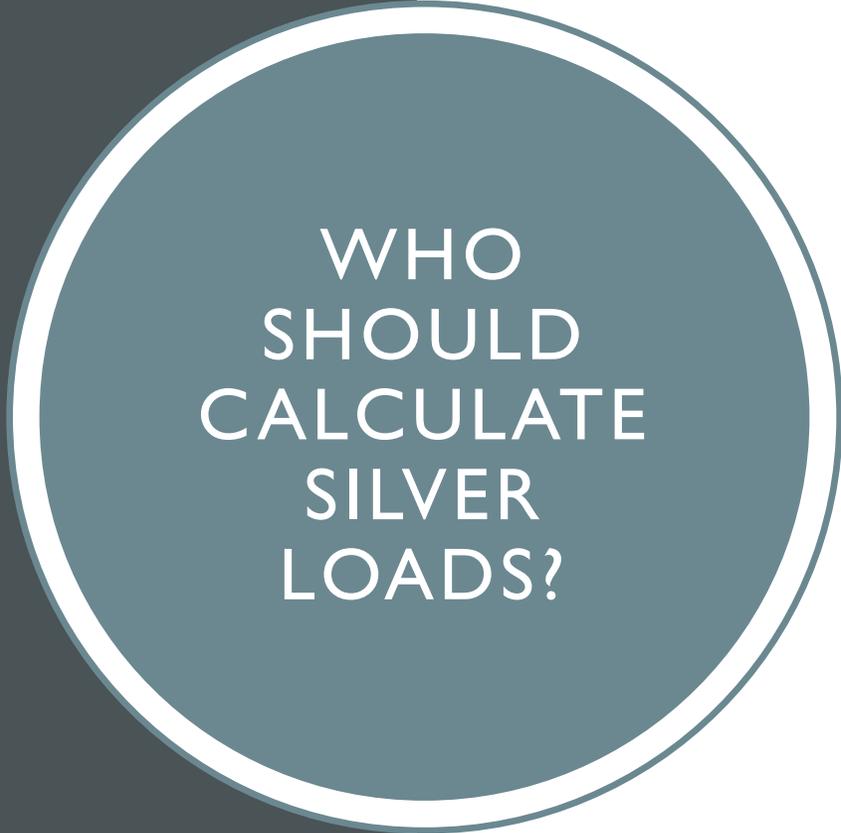
- Anyone receiving Advanced Premium Tax Credits (“APTC”)
- Anyone enrolled in a plan other than On-Exchange Silver

Who is hurt by increased Silver Loads?

- Anyone both ineligible for subsidies *and* enrolled in an On-Exchange Silver plan.
- To be ineligible for subsidies in Vermont, annual incomes must be greater than approximately \$375,000 for families and \$135,000 for individuals.

Who is indifferent to increased Silver Loads?

- People enrolled in an On-Exchange Silver plan who are eligible for APTC.



WHO
SHOULD
CALCULATE
SILVER
LOADS?

- Currently, each carrier calculates CSR Load for their plans.
- This permits very granular modeling of each CSR level's benefit package, including the custom plan designs which vary between carriers.
- Because this depends on their internal benefit pricing models, the loads cannot be fully “audited” for compliance during rate review.
- Any differences in calculation methodologies could contribute to anti-competitive outcomes, where one carrier unfairly charges lower premiums on the most-profitable On-Exchange Silver plans.



SHOULD
SILVER
LOADS
VARY BY
CARRIER?

- Carriers may not have the same mix of CSR levels, so may incur different amounts of CSR cost.
- A fixed load helps to prevent competition between carriers on reducing Silver premiums (and thus subsidies).
- Two states (New Mexico and Texas) have mandated uniform state-wide CSR Loads.

WHAT
INDUCED
DEMAND
SHOULD BE
ASSUMED IN
SILVER
LOADS?

- Currently, the members are not assumed to seek out additional care as a response to their enhanced CSR benefits.
- Proposed guidance requires that the Induced Demand in the Silver Loads increase to reflect the level assumed in the Risk Adjustment Model promulgated by CMS.

Plan	Induced Demand Factor
Base Silver	1.03
73% CSR	1.03
77% CSR	1.03
87% CSR	1.15
94% CSR	1.15

WHAT
ENROLLMENT
SHOULD BE
ASSUMED IN
SILVER
LOADS?

- Currently, carriers base CSR Loads based on their own enrollment projections.
- This permits a high degree of discretion in the carriers' rating practices.
- Current enrollment reflects some members choosing On-Exchange Silver plans despite having lower-cost options with better benefits.
- New Mexico and Texas have calculated loads assuming that these members transition to other plans, which increases average Silver benefit level and thus CSR loads.

REVISED PROPOSED CSR GUIDANCE



After CY2024 Open Enrollment, the Board would request from all issuers the count of enrolled members in Silver plans by CSR variant. The count should include AI/AN members enrolled in 100% CSR plans as Silver members.



The Board would calculate the distribution of Individual On-Exchange Silver membership across the CSR levels.



To calculate the CSR load, “the numerator” would be defined as the weighted average, using only the 87% and 94% CSR plans’ distribution, of the actuarial value times the induced demand factor.



Finally, the numerator would be divided by the Base Silver actuarial value and induced demand factor to calculate the CSR Load.

PROPOSED CSR LOAD CALCULATION

Cohort	Actuarial Value	Induced Demand Factor	Total Factor	Marketwide Distribution
Base Silver	0.700	1.030	0.721	15%
73% CSR	0.730	1.030	0.752	10%
77% CSR	0.770	1.030	0.793	20%
87% CSR	0.870	1.150	1.001	40%
94% CSR	0.940	1.150	1.081	15%
Weighted Average - All Plans	0.821	1.096	0.904	
CSR Load – Initial Proposed Guidance			1.254	
Weighted Average - 87% and 94% Only	0.889	1.150	1.022	
CSR Load – Revised Proposed Guidance			1.418	

Total Factor = Actuarial Value * Induced Demand Factor

CSR Load = Weighted Average Total Factor / Base Silver Total Factor

The Distribution is subject to change depending on the most recent enrollment provided by the carriers.

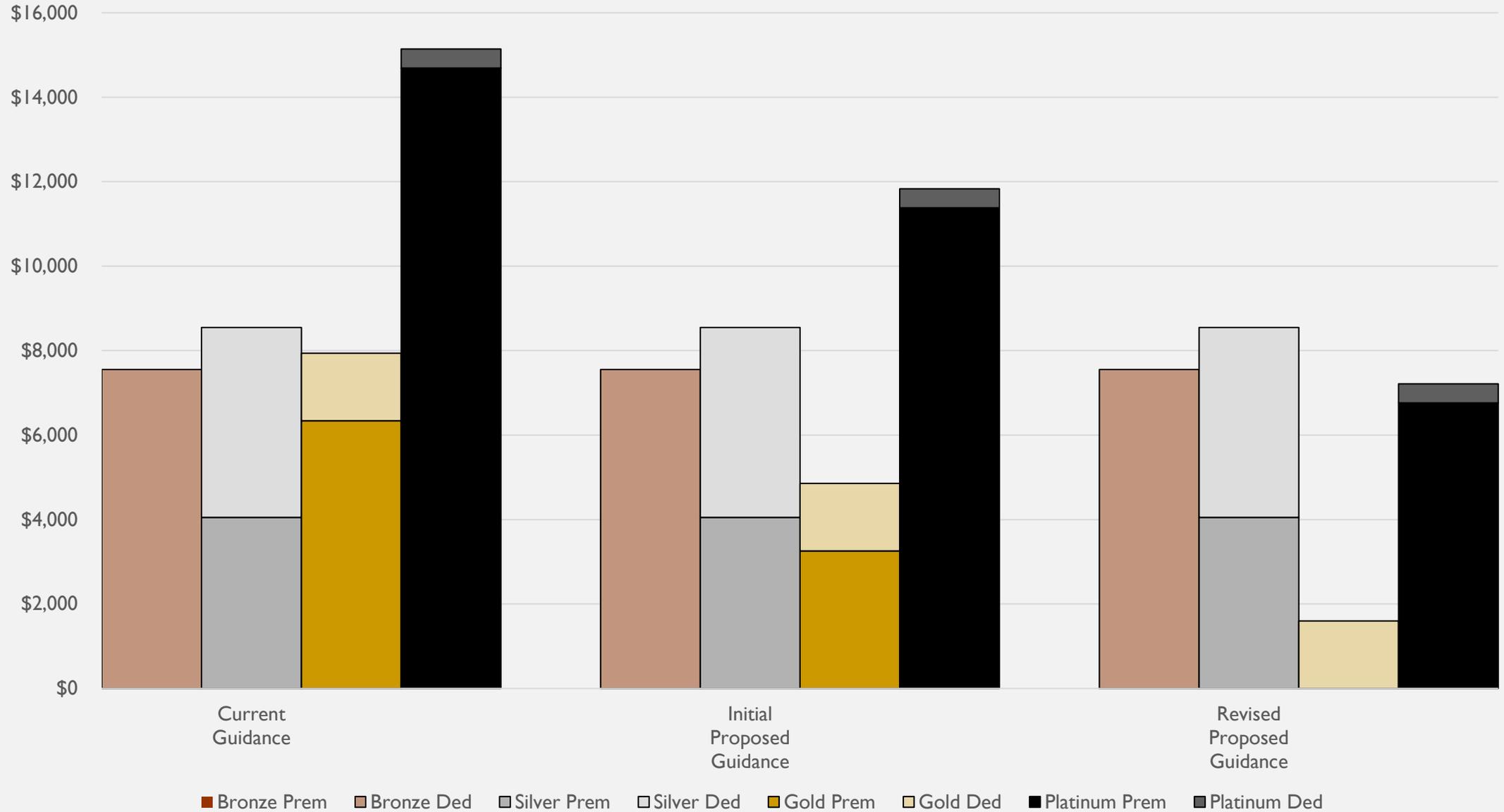
COMPARISON OF APPROACHES

Question	Current Guidance	Initial Proposed Guidance	Revised Proposed Guidance
Who should calculate Silver Loads?	Carriers	GMCB	GMCB
Should Silver Loads vary by carrier?	Yes	No	No
What Induced Demand should be assumed in Silver Loads?	Base Silver	CMS Risk Sharing Formula	CMS Risk Sharing Formula
What enrollment should be assumed in Silver Loads?	Carrier Projection	Most recent actual	Assume perfectly rational members
What is the Silver Load?	Approximately 8%-21%, varying by plan and carrier.	Approximately 25%	Approximately 42%

COMPARISON OF GUIDANCE OPTIONS

Silver Loads	Load	Change to Silver	Change to Others
Current Guidance	1.174		
Induced Demand Change		+3.5%	-2.4%
Enrollment Change - recent actuals		+0.4%	-0.3%
Initial Proposed Guidance	1.254	+3.9%	-2.7%
Enrollment Change - 87% and 94% only		+7.3%	-5.1%
Revised Proposed Guidance	1.418	+11.3%	-7.8%

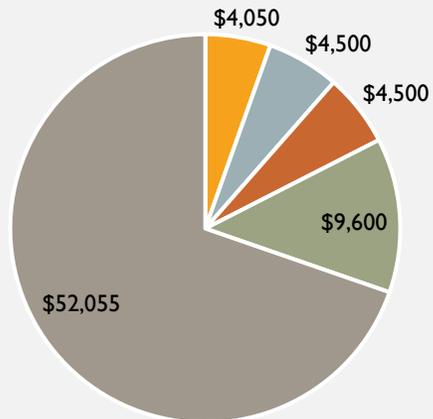
2024 Pre-Coverage Outlay - CSR Scenarios - Family 300% FPL



2024 SPENDING WITH HIGH MEDICAL COSTS FOR 300% FPL: \$83K PRE-TAX (\$75K POST-TAX)

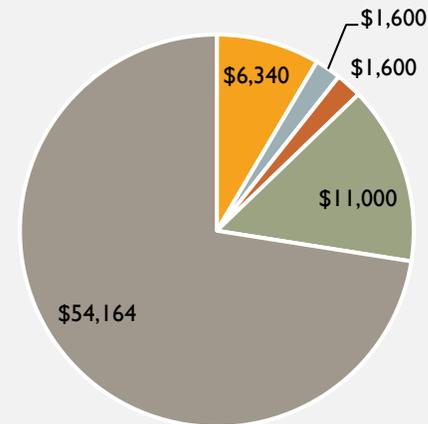
Current
Guidance

Silver Plan



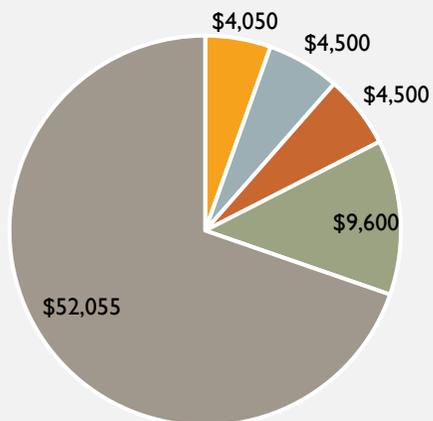
Premium Ind Ded Family Ded Max OOP Living Expenses

Gold Plan

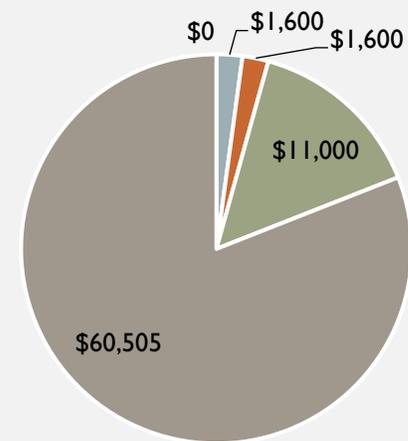


Premium Ind Ded Family Ded Max OOP Living Expenses

Revised
Proposed
Guidance

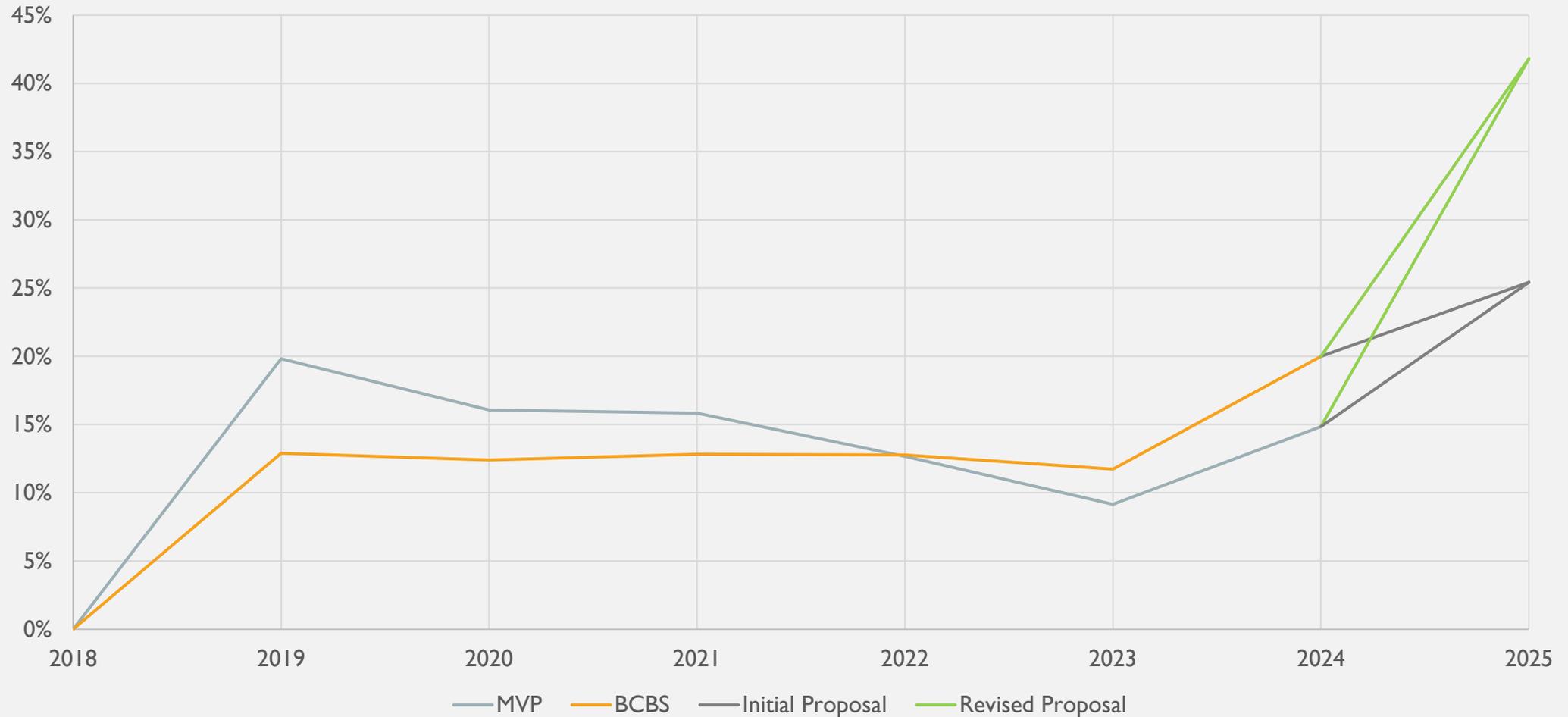


Premium Ind Ded Family Ded Max OOP Living Expenses



Premium Ind Ded Family Ded Max OOP Living Expenses

CSR Loads by Carrier and Plan Year



2018-2024 represent historical CSR loads
2025 represents proposed CSR loads

MARKET DISRUPTION – 2022 LOSS RATIOS

- Using 2022 data from the Unified Rate Review Template, we can see that carriers have generally experienced favorable loss ratios on Silver members using current methods. Increasing Silver loading might result in lower loss ratios on Silver, with increasing loss ratios on the other plans.

- This increases the risk to carriers substantially. If one carrier gets all the Silver, the other will lose money aggressively from losing out on the high Silver loads.

Metal Tier	2022 Loss Ratio	With Revised Proposed Silver Load
Catastrophic	33%	35%
Bronze	85%	97%
Silver On-Exchange	93%	84%
Silver Reflective	95%	105%
Gold	102%	110%
Platinum	101%	106%
Total	96%	96%