

# Fifty States, Fifty Stories: A Decade of Health Care Reform Under the Affordable Care Act

Paul Houchens, FSA, MAAA

Lindsay Kotecki, FSA, MAAA

Hans Leida, PhD, FSA, MAAA

JUNE 8, 2020





## The Dallas Morning News

Dallas, Texas, Monday, March 23, 2020

### CORONAVIRUS

# Shelter in place ordered

Dallas County measure takes effect at 11:59 p.m. today to 'save as many lives as possible'



Downtown was foggy and still hours before Dallas County Judge Clay Jenkins announced the strictest limits in Texas on social gatherings, work and movement Sunday evening. Residents are being ordered to stay in their homes except for crucial work and errands.

### AT A GLANCE What sheltering in place will mean in Dallas County

- People must stay in their homes, except when on public roads.
- They can go to work at an essential job or to run an essential errand, such as going to the grocery store or doctor's office.
- Essential calls are locally defined, but health care visits, government jobs that involve the health, safety and welfare of the public, such as fire responders, police, public transportation, utilities, waste, power, gas, electric, sanitation, information, telecommunications, etc., and service providers, such as grocery stores and restaurants for delivery or carry-out only.
- All gatherings—public or private—outside a household are banned.
- Outside exercise is permitted, but walking only. People must walk, run or jog in their own neighborhoods.
- Residents are prohibited from all fundraising and parades. Services may be broadcast, but only if staff members are allowed to participate.
- The health department is prohibited from all public events.
- All religious, educational, and social gatherings are prohibited. These include religious services and other group events. People should consult their health care providers.

## Group: Hospital bed shortage seen

Dallas association wants Abbott to order Texans to stay at home now

By ALICE HODGINS and NE GARCIA

Dallas-area hospitals are preparing Gov. Greg Abbott to order residents to stay at home and warning that a surge of patients sick with the new coronavirus will double their bed capacity by late April, according to

## No deal in Senate on stimulus bill yet

Democrats, GOP split on loans, but magnitude of possible calamity keeps talks alive

By SEN. RAND PAUL, R-KY., U.S. SENATOR FROM KY.

AFTER WEEKS of missing the Senate deadline for a stimulus bill to keep the economy afloat during the coronavirus crisis, threatening a time to double the federal deficit, a deal on a stimulus bill is still far from certain.



## BONUS PUZZLE PAGE TO KEEP YOU BUSY WHILE AT HOME

# Chicago Tribune

MONDAY, MARCH 23, 2020

## Nearly 300 new cases in state

Illinois officials call for volunteers to step up

By MORRIS GREENE, JEREMY GOHNER, KAREN ANN CULLETTA, ZAK KIRSCH, FRANK VASIVLAS and KATHERINE ROSENBERG-DOUGLAS

Officials called for volunteers to step up and save their communities on Sunday as nearly 300 new cases of COVID-19 and three more deaths were announced in Illinois. With 296 more cases than Saturday, there are now at least 1,049 people who have tested positive for the coronavirus in Illinois, including an infant, said Dr. Ngai Erika, director of the Illinois Department of Public Health.

One week ago, there were 93 cases. "Unfortunately, the number of cases will continue to increase, as will the number of deaths," Erika said. "But we ask that you listen to our guidance and take all preventive measures to avoid becoming sick and to avoid infecting others. We are all in this together. And doing our individual and collective parts, we will see our way through this."

The three latest deaths include a Cook County man in his 80s, a Chicago man in his 60s and a McLean County woman in her 70s, according to Illinois health officials. Statewide, there have been nine deaths total related to the virus.



Gov. JB. Pritzker gives his daily briefing about the coronavirus pandemic Sunday at the Thomson Center in Chicago.



## Fighting to keep their dream alive

Olympic hopeful Jee Rau practices his wrestling moves in the woods near his home in Des Plaines as his girlfriend, Astrid De Leeuw, times his increments Sunday. "Everything I've done with my life over the past four years has been with the Olympics in mind," said Rau, the United States top Greco-Roman wrestler in the 87-kilogram weight class. "And all of a sudden, I have no idea what's going to happen." Chicago-area athletes are adjusting their training regimens because of the coronavirus pandemic. Chicago Sports

Many will now have trouble paying credit card bills. The outbreak may have you in a cash crunch, but you don't have to ruin your credit. In Money

# USA TODAY

THE NATION'S NEWS | MONDAY, MARCH 23, 2020 | 1A



Americans say they feel 'abandoned' abroad. Hundreds are stranded from home and are desperate to get back, but they say the U.S. government isn't helping them. usatoday.com

### USA TODAY INVESTIGATION



Jokimah Lancaster took her 3-year-old son to Dental Express for his first checkup, seeing a routine cleaning.

## Some dentists driven by dollars

Private investors profit from overtreatment

David Heath, USA TODAY; Mark Greenblatt and Aysha Bagchi, NBC News

Jokimah Lancaster took her 3-year-old son to Dental Express for his first checkup, seeing a routine cleaning. She never imagined the treatment plan the dentist in Niles, Ohio, would come up with after he probed into Gregory a month for what seemed like only two or three minutes.

Michael Griesmer said the procedure needed most surely — seven of them. Stunned, Lancaster asked why he had not even taken X-rays. Griesmer told her they weren't necessary. "I figured he is a professional, so I trusted him," she recalls. "I know when what I know now, I would have never gone through with any of it."

Two weeks later, in May 2018, the dentist put Gregory under and drilled his teeth. The Medicaid bill came to \$1,275, compared with the \$14 that Medicaid would have paid for a checkup and cleaning.

What Lancaster didn't know then: Dental Express was part of North American Dental Group, a chain backed by

### CORONAVIRUS PANDEMIC

# Labs, and Congress, racing for answers

Vaccine, treatments in works; lawmakers consider remote voting



Sen. Dick Durbin, D-Ill., speaks during a news conference on Capitol Hill led by Senate Majority Leader Mitch McConnell.

## Rules clash with virus guidelines

Nicholas Wu and Ledyard King, USA TODAY

WASHINGTON — Congress is in a race against the coronavirus — and not just to help Americans confront the global pandemic.

The virus is starting to prevent the world's greatest deliberative body from deliberating. On Wednesday, two House members, Reps. Mark Pocan, D-Wis., and Ben Ray Lujan, R-N.M., announced they had tested positive for COVID-19. More than a dozen members are self-quarantining in their homes. Many staffers are staying away from the Capitol. Offices have been shut down.

Suddenly the idea of changing procedural congressional rules to allow voting from remote locations rather than all together has become a serious proposition in a body that prides itself on following time-honored customs. "The Senate is a pretty tradition-bound place," said Sen. John Cornyn, R-Texas, the second most powerful Republican in the chamber. "But these are extraordinary circumstances."

Senate rules require a senator to be physically present to vote. Sen. Dick Durbin, D-Ill.

## Scientists in all-out effort to find vaccine

Elizabeth Wallace, USA TODAY

As illness and death linked to the new coronavirus accelerate across the U.S., federal officials are looking to existing and new treatments to battle the disease, while at the same time researchers worldwide race to develop a vaccine.

At a news conference Thursday, President Donald Trump said that the nation's drug manufacturers and the experimental antiviral drug remdesivir are being tested as possible COVID-19 therapies and could slow the epidemic.

"It could have a very positive effect, or a positive effect, maybe not very, but maybe positive," Trump said. "It's very, very exciting." Currently, doctors have no established treatments.

Sen. Dick Durbin, D-Ill.

# The Patient Protection and Affordable Care Act

## STAGES OF THE ACA IN ITS FIRST DECADE

### Preparation and Implementation (2010–2013)

These were the years leading up to the full implementation of the ACA's market and rating rules. States were preparing for coverage expansions through Medicaid and the insurance exchanges, and insurers were preparing to comply with new market rules.

### Rollout and Disruption (2014–2016)

These were the early years of the ACA's exchanges, when many markets experienced large shifts in insurer market share and many insurers endured financial losses.

### Repeal and Replace (2017–2018)

These years saw many insurers exit the exchange markets, followed by substantial premium rate volatility as insurers adjusted to emerging experience and regulatory changes led to greater uncertainty.

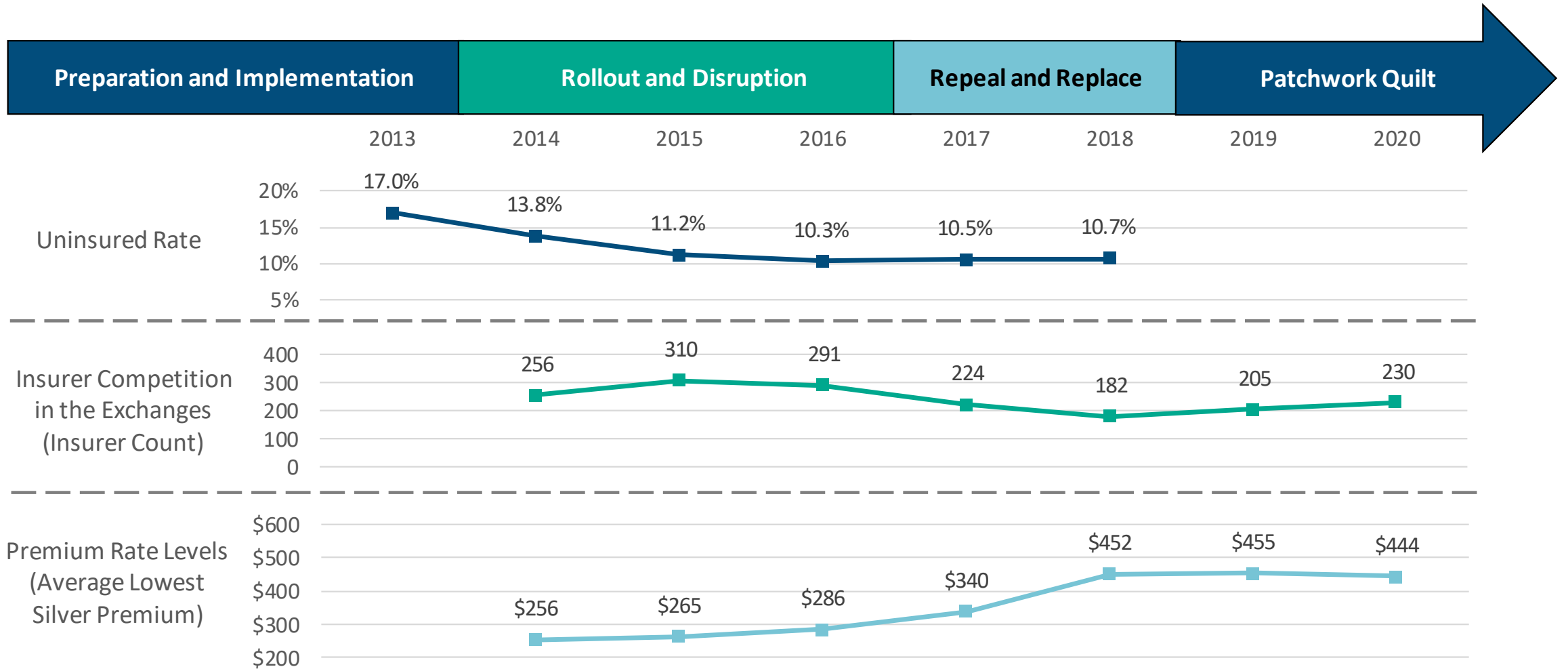
### Patchwork Quilt (2019–2020)

There were signs of increased stability as data matured, competition became more steady and more states used waivers to implement reinsurance programs.

# Outcome measures associated with the ACA's stated goals

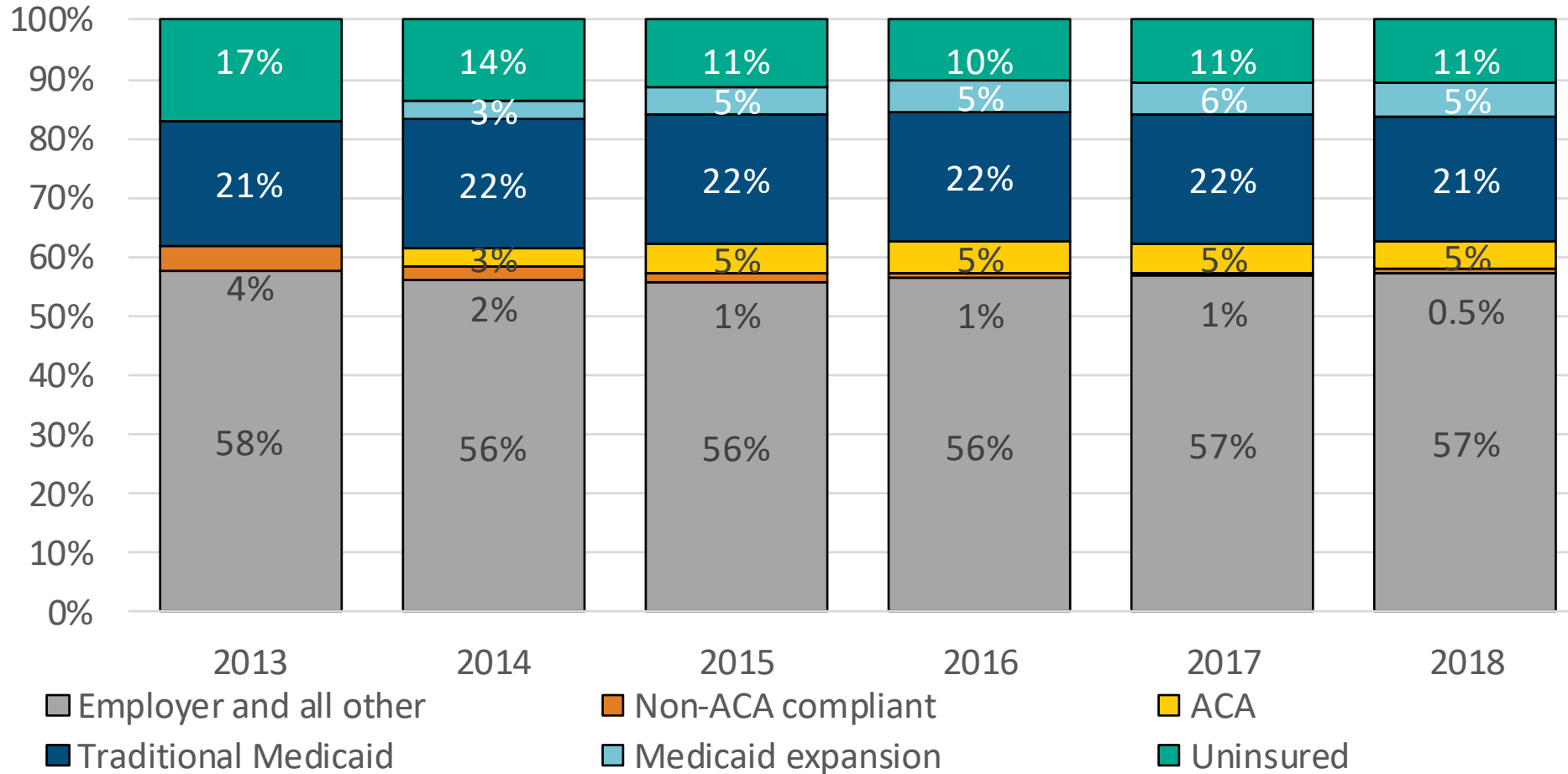
ACA Goal	Outcome Metrics	Assessment Criteria
<b>Reducing the uninsured rate</b>	<ul style="list-style-type: none"> <li>▪ Uninsured rate—percentage of the population that does not have comprehensive health insurance coverage</li> <li>▪ Enrollment in Medicaid and the individual market</li> </ul>	Reductions in the uninsured rate and increases in Medicaid and individual market enrollment would suggest improvements in access and/or the affordability of coverage.
<b>Competition in the exchanges</b>	<ul style="list-style-type: none"> <li>▪ Change in the number of insurers participating in the exchanges</li> </ul>	More insurers participating in the exchange fosters competition and more coverage options for consumers. Reductions in the number of insurers signals instability and fewer choices for consumers.
<b>Premium rate level and volatility</b>	<ul style="list-style-type: none"> <li>▪ Individual market premium rate levels</li> <li>▪ Changes in individual market premium rates over time</li> </ul>	Substantial increases or variability in premium rates indicate growth in health care spending, lack of market stability, or both. Low or moderate premium changes (reflecting changes in health care costs more than changes in the risk profile of consumers or the competitive landscape) are indicative of more stable markets.

# ACA outcomes associated with stated goals



Notes: Premium rate levels reflect the nationwide average monthly premium for the lowest premium on-exchange silver plan for a person age 40. Insurer counts reflect the count of parent insurance companies, where each company is counted once for each state exchange it participates in. The uninsured rate is for individuals under age 65.

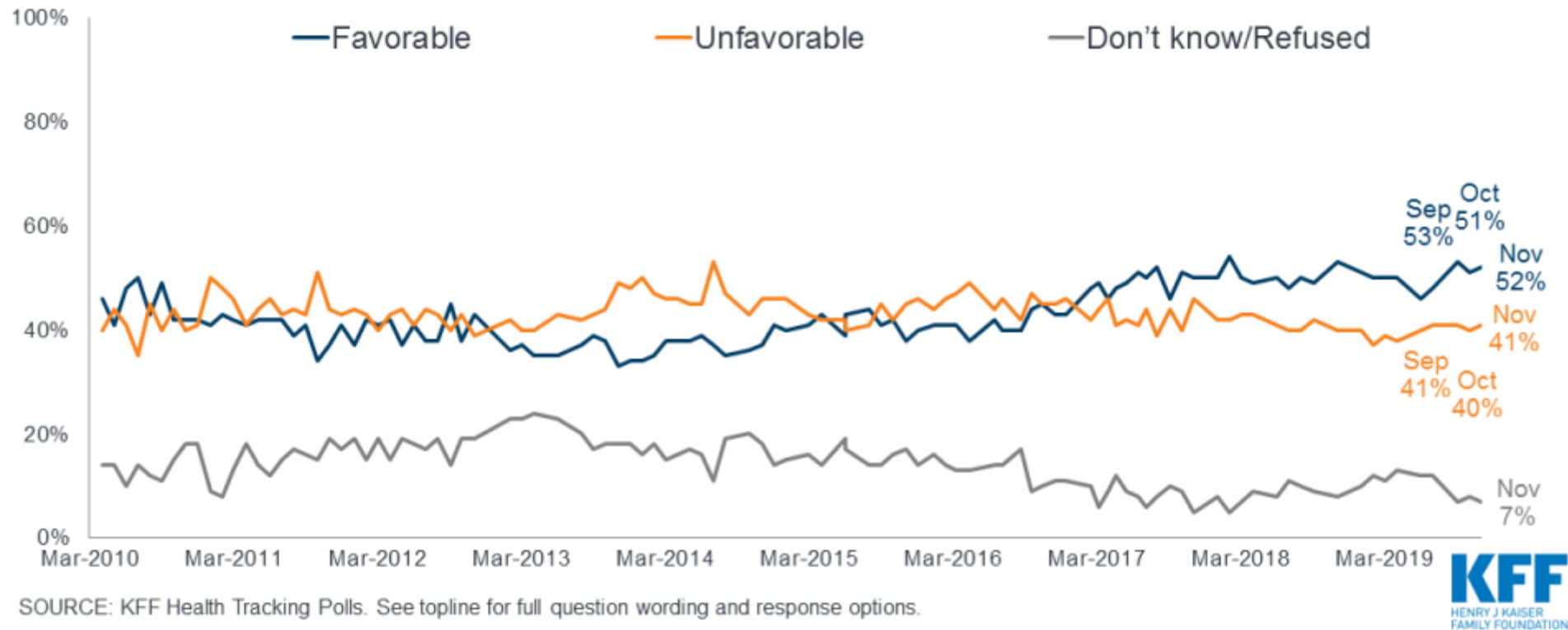
# Distribution of under age 65 population: 2013 - 2018



# Public opinion of the ACA

## Larger Share Of Public View ACA Favorably Than Unfavorably

Do you have a generally favorable or generally unfavorable opinion of the 2010 health reform law?

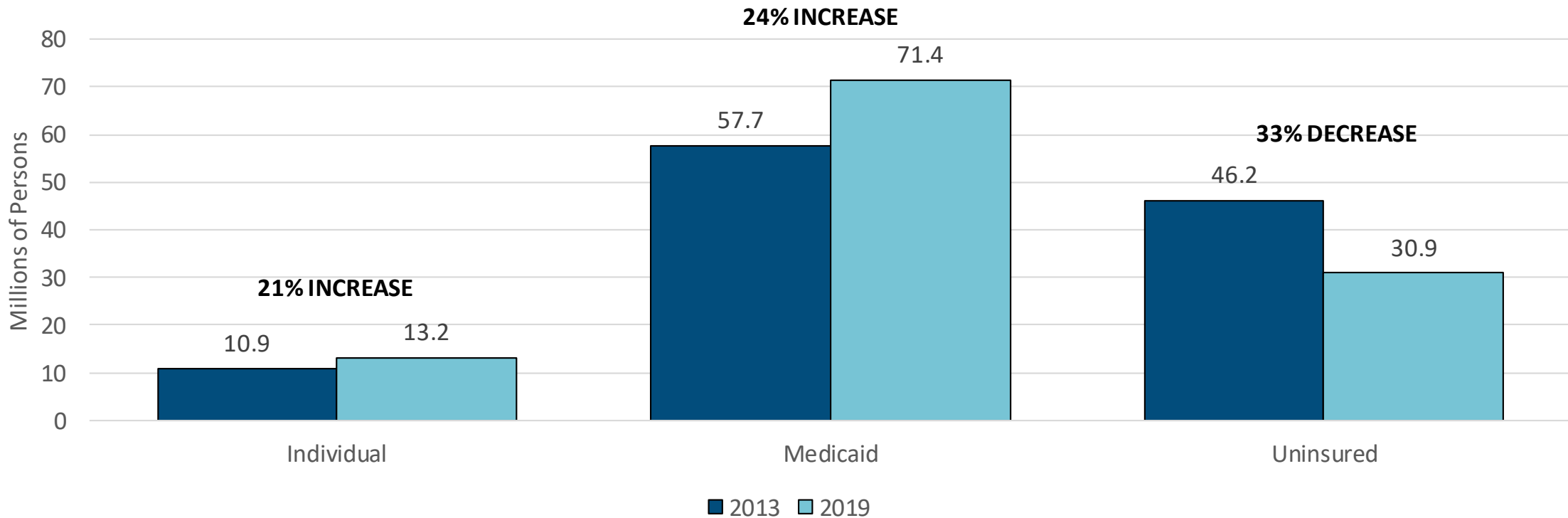




# Observation #1

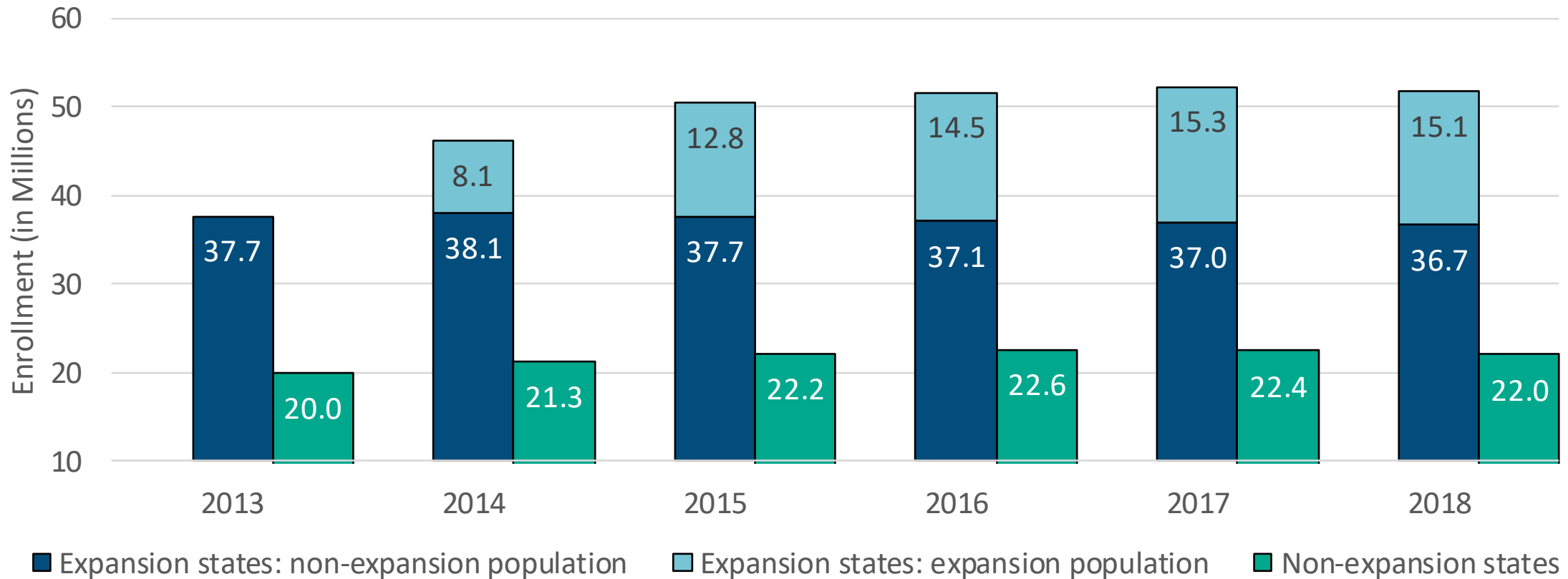
Medicaid expansion played a bigger role than expected in reducing the uninsured rate

- CBO estimated non-elderly uninsured rate would be 10% in 2018
- While estimated actual uninsured rate was 11%, Medicaid has played a significantly greater role in reducing the uninsured rate relative to the exchanges



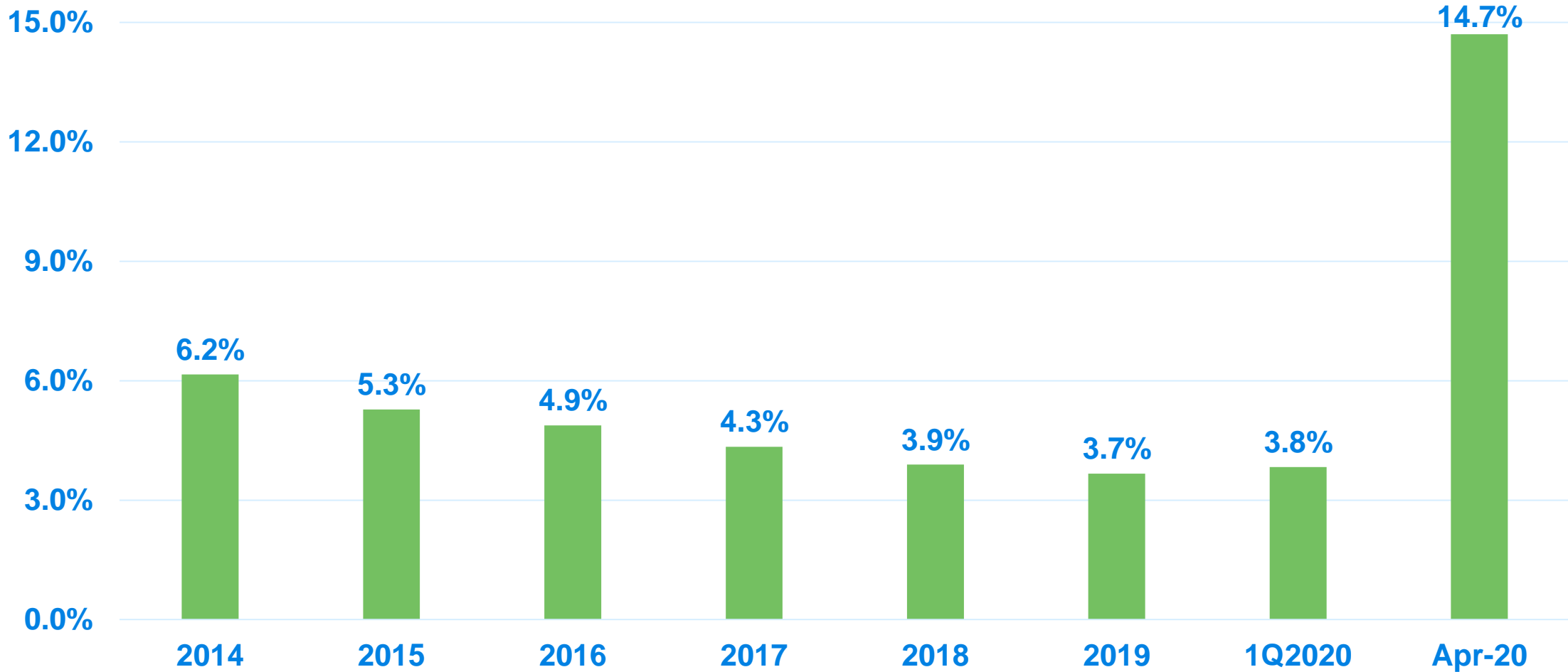
# Observation #1

Medicaid expansion played a bigger role than expected in reducing the uninsured rate



# Medicaid and exchanges role during COVID pandemic

U.S. unemployment rate



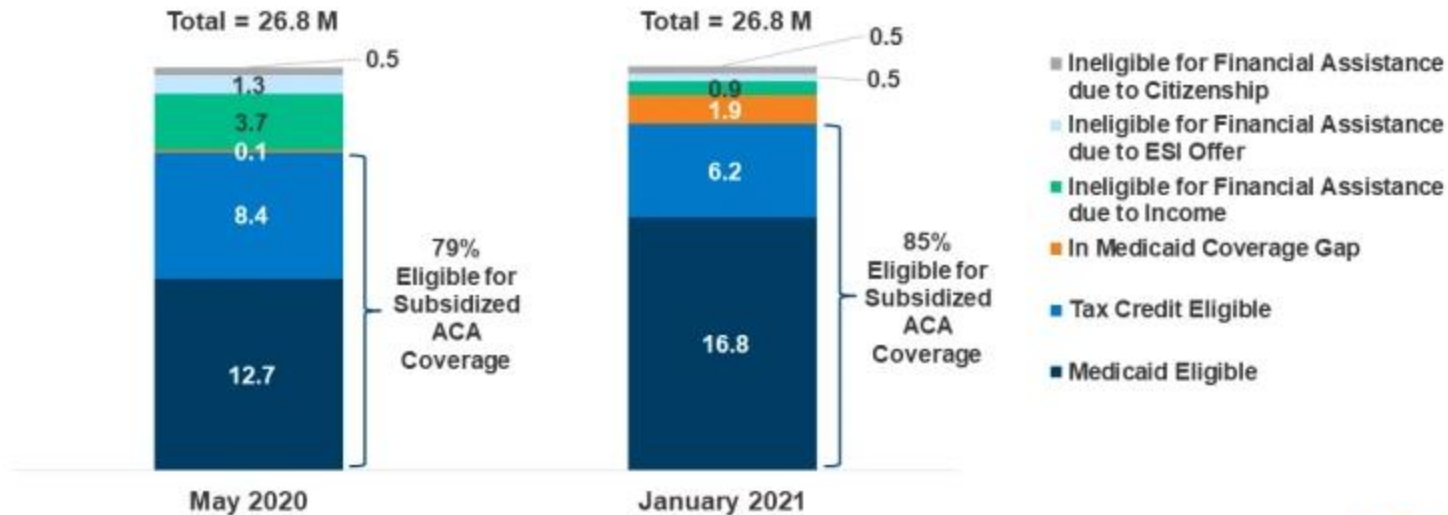
Source: <https://data.bls.gov/timeseries/LNS14000000>

# Medicaid and exchanges role during COVID pandemic

Eligibility for Medicaid and premium assistance among population losing employer coverage

## Eligibility for ACA Coverage Among People Becoming Uninsured Due to Loss of Employer-Sponsored Insurance

Number of People Eligible for Coverage, in Millions:



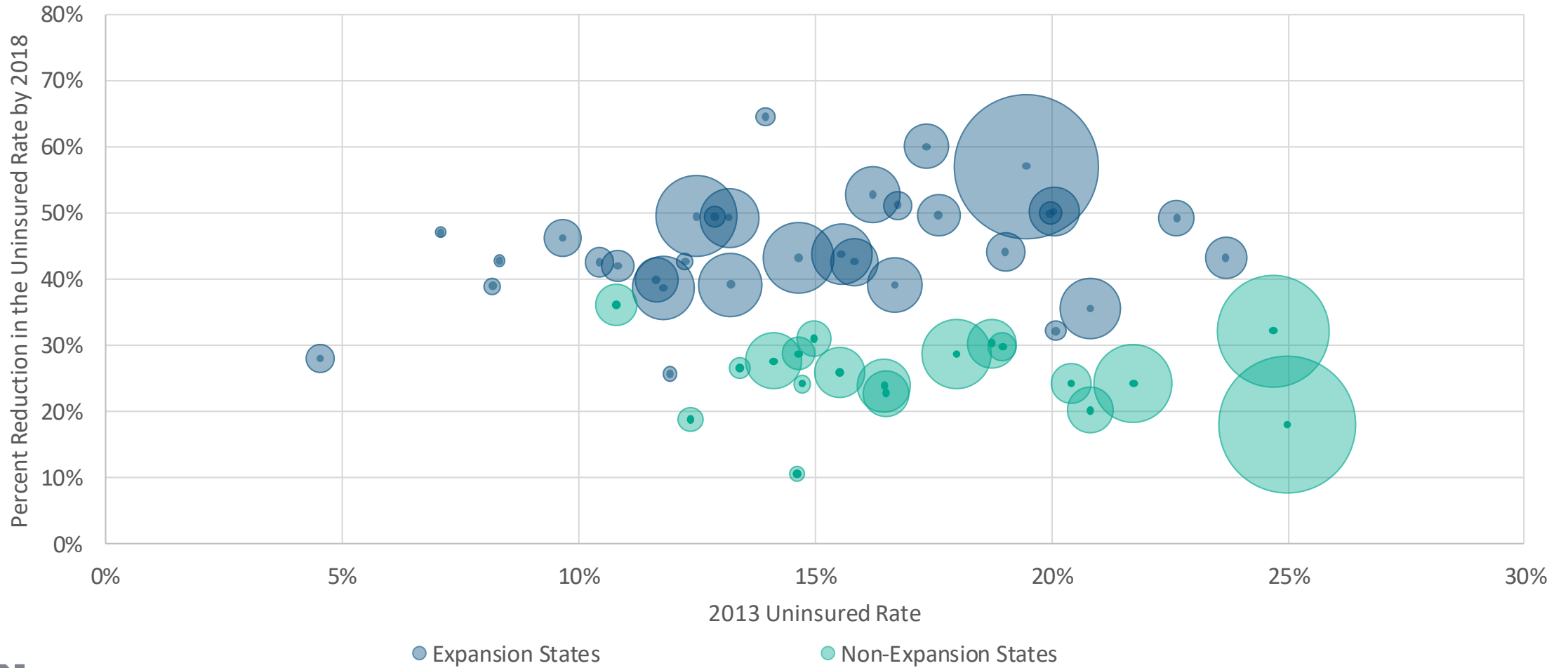
Notes: Medicaid eligible includes people eligible for other public coverage, such as CHIP. Totals may not sum due to rounding.  
Source: KFF. Job Losses occurred March 1<sup>st</sup> through May 2<sup>nd</sup>, 2020. See Methods for more details.



Source: <https://www.kff.org/coronavirus-covid-19/issue-brief/eligibility-for-aca-health-coverage-following-job-loss/>

# Observation #2

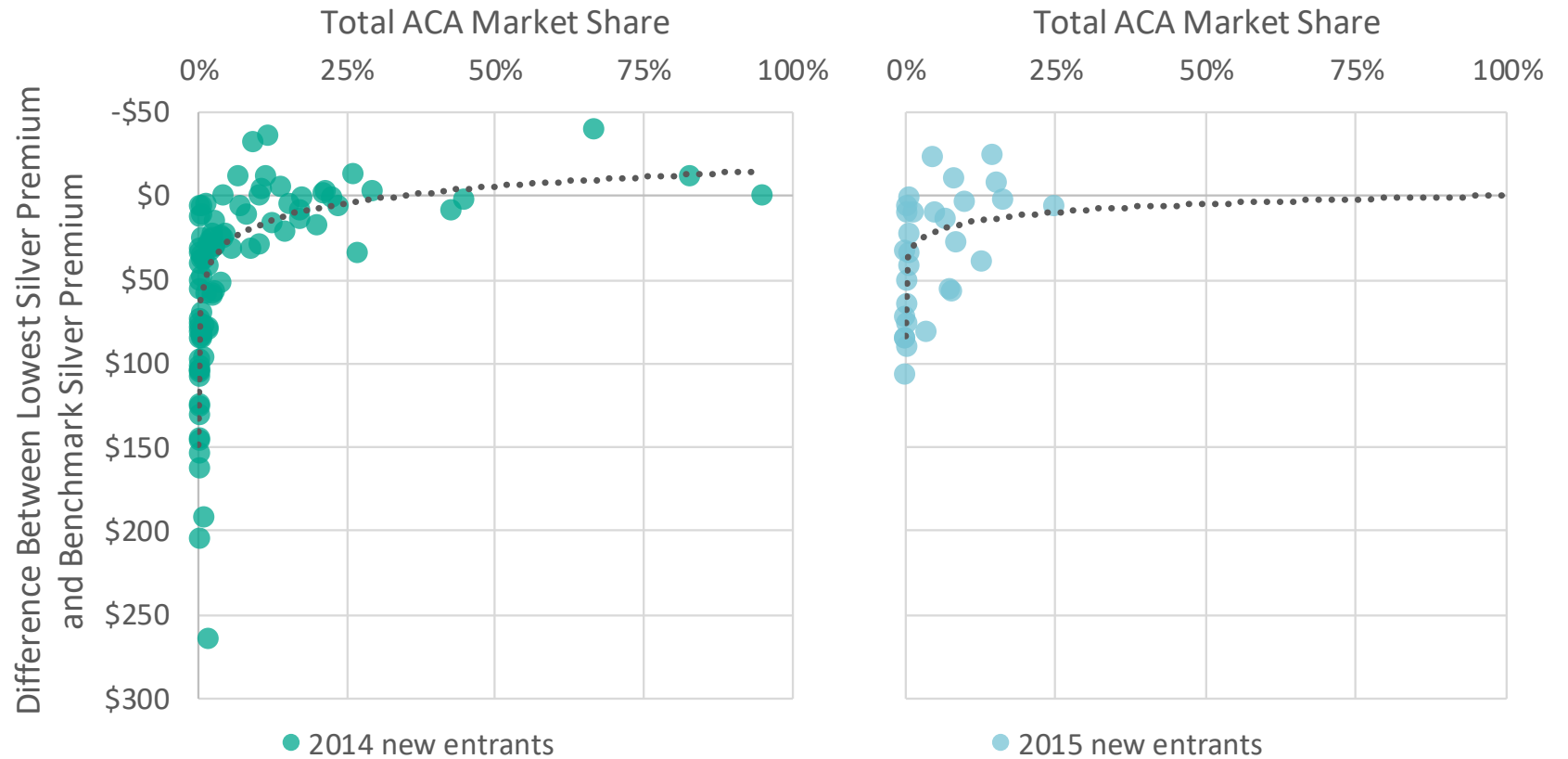
State decisions to expand Medicaid led to greater reductions in the uninsured rate relative to non-expansion states



# Observation #3

Price is a key consideration for individual market consumers

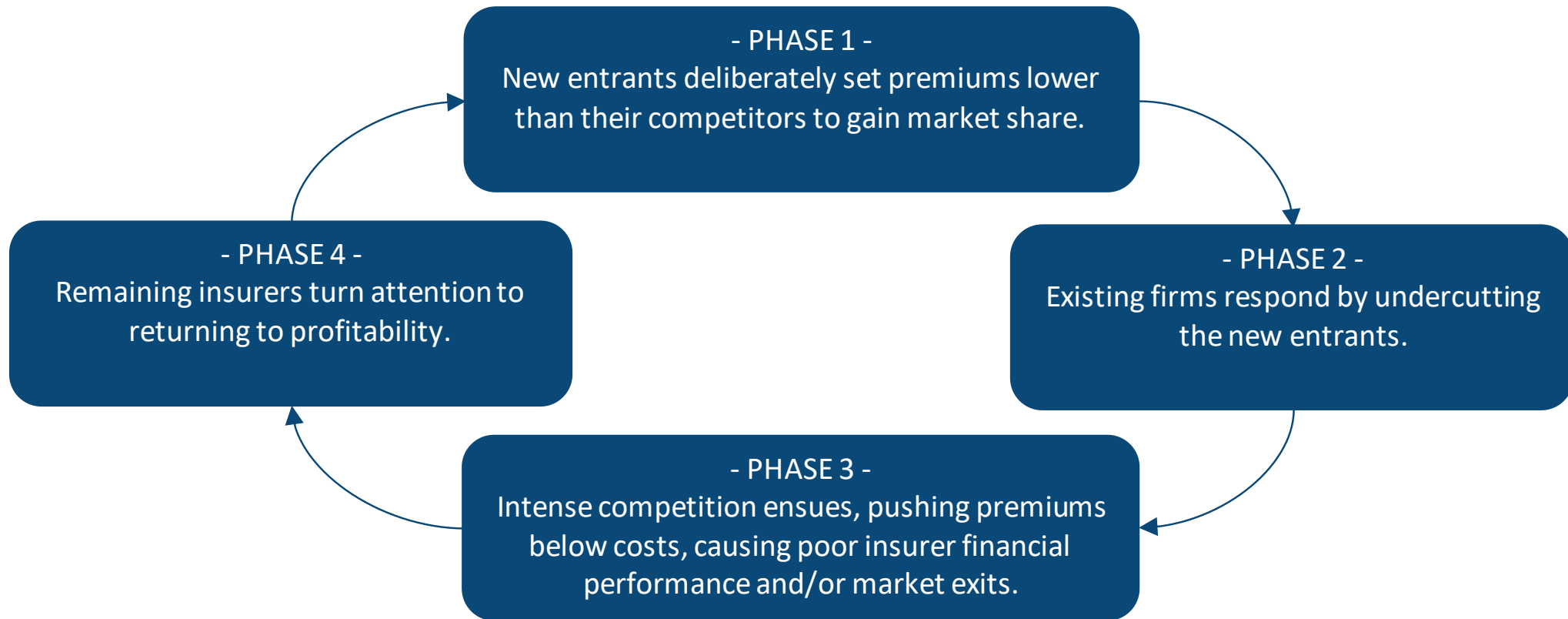
- Every exchange enrollee is exposed to the total difference in premium among offered plans (excluding cases where subsidy value exceeds plan's total premium)
- In 2014, 64% of healthcare.gov consumers selected the lowest or second-lowest cost plan across metallic tiers



# Observation #4

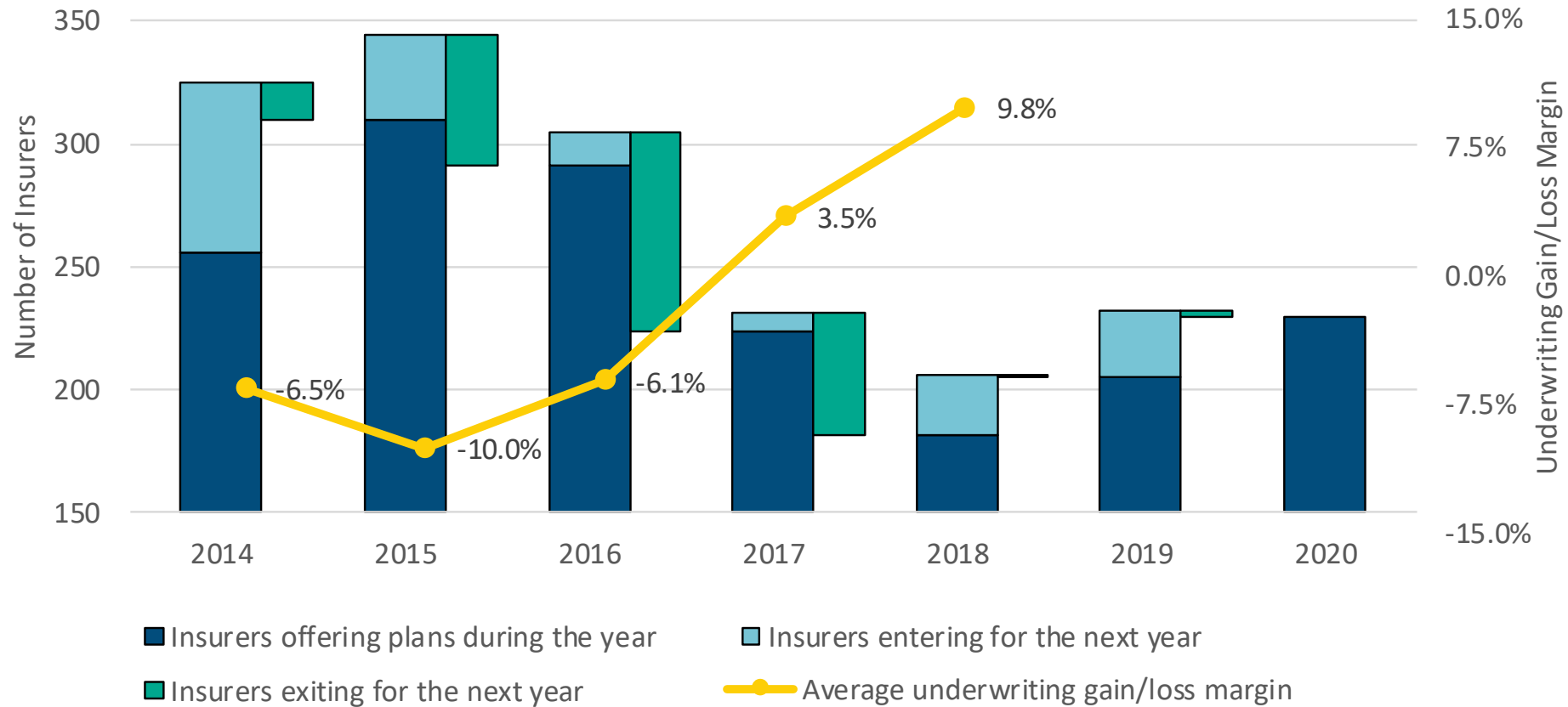
Insurer competition in the exchanges and insurer profitability were consistent with the underwriting cycle

- What is the underwriting cycle?



# Observation #4

Insurer competition in the exchanges and insurer profitability were consistent with the underwriting cycle



Note: 2014 through 2016 underwriting results do not reflect any risk corridor recoveries as a result of [Maine Community Health Options v. United States](#).



# Observation #5

Initial exchange rates were unsustainable

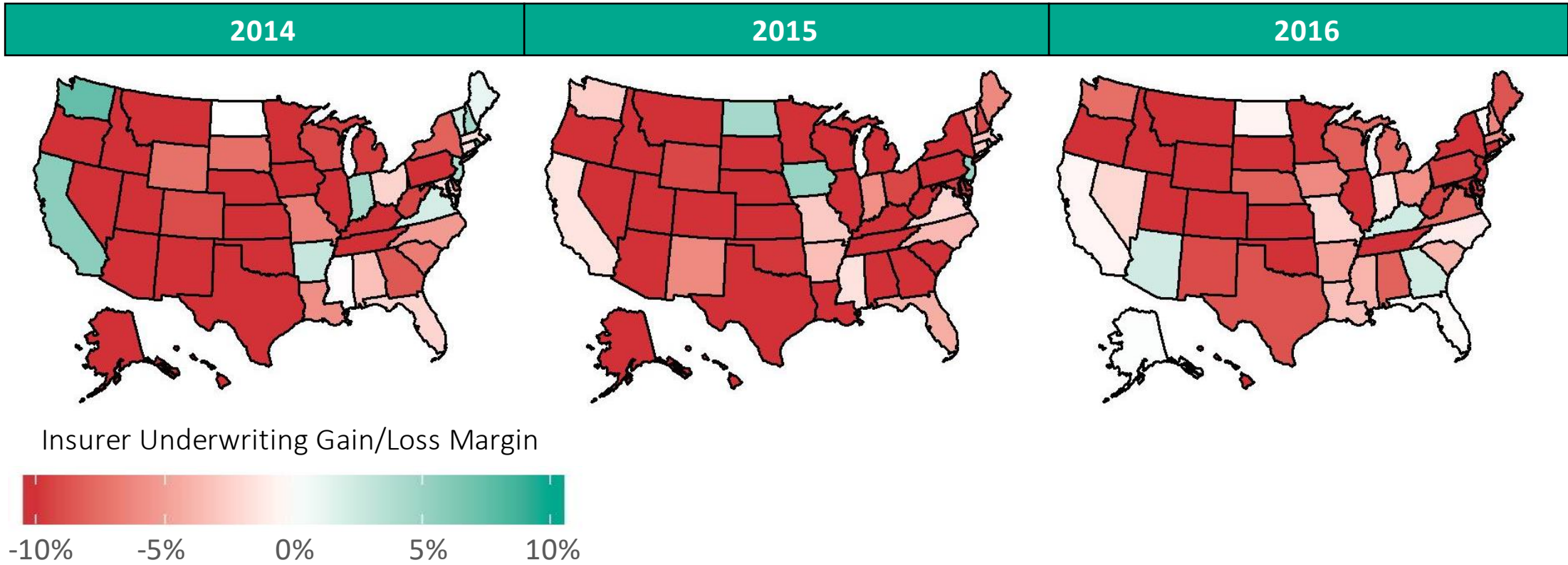
Lowest silver monthly premiums	2014	2015	2016
Highest state	\$397	\$488	\$684
Median state	\$257	\$257	\$281
Lowest state	\$175	\$178	\$202
<b>Nationwide average</b>	<b>\$256</b>	<b>\$265</b>	<b>\$286</b>

1. Highest, median, and lowest states can change each year.

Nationwide average rate increase was **4%** in 2015 and **8%** in 2016.

# Observation #5

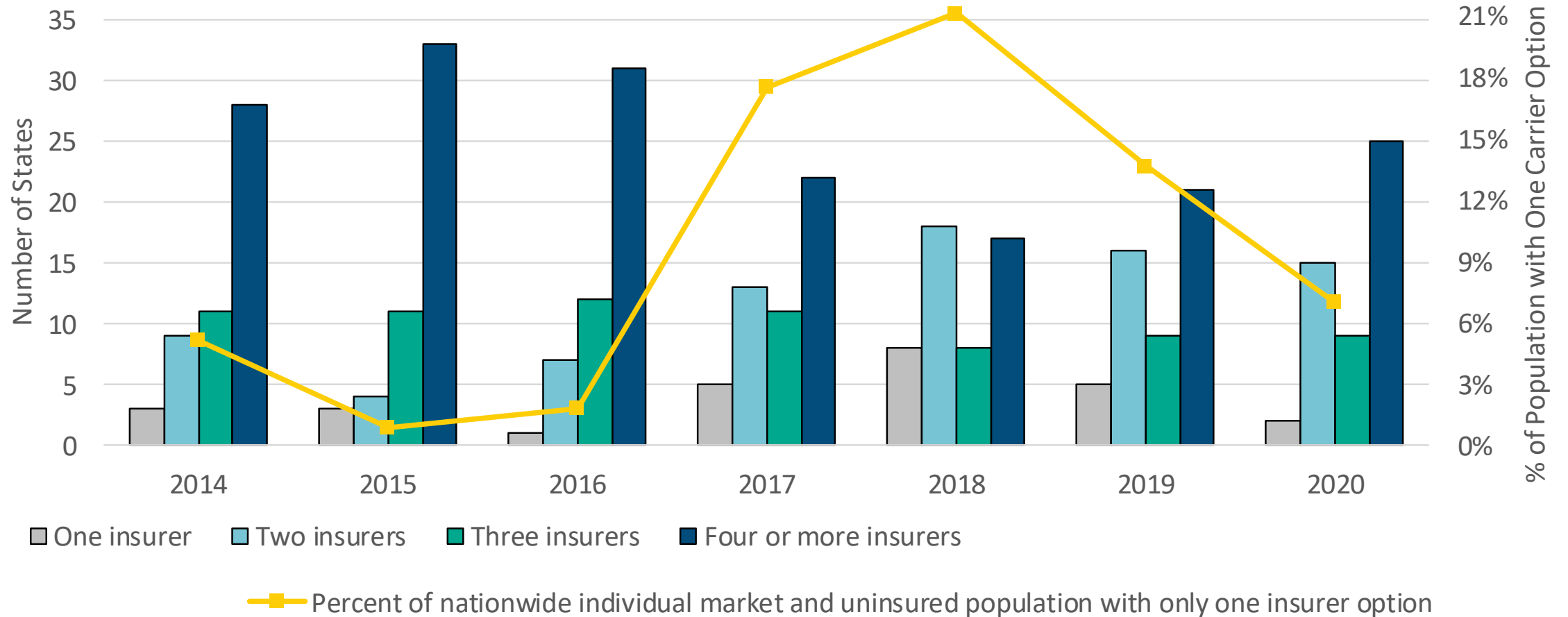
Initial exchange rates were unsustainable



Average MLR was **89%** in 2014, **95%** in 2015, and **94%** in 2016.

# Observation #6

Substantial premium rate increases were associated with poor financial experience, decreases in competition, and political uncertainty



## Observation #6

Substantial premium rate increases were associated with poor financial experience, decreases in competition, and political uncertainty

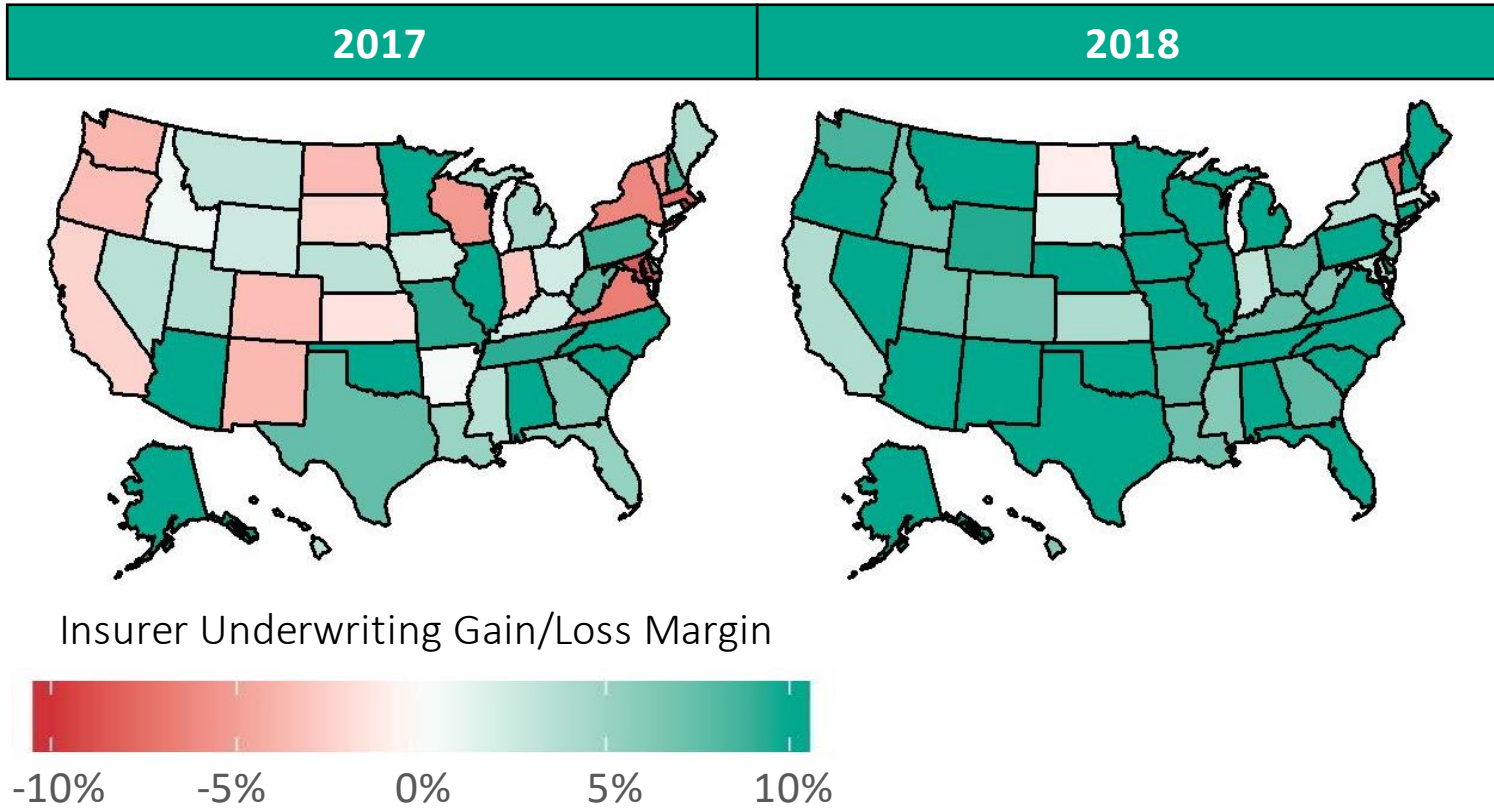
Lowest silver monthly premiums	2014	2015	2016	2017	2018
Highest state	\$397	\$488	\$684	\$910	\$862
Median state	\$257	\$257	\$281	\$339	\$474
Lowest state	\$175	\$178	\$202	\$239	\$287
<b>Nationwide average</b>	<b>\$256</b>	<b>\$265</b>	<b>\$286</b>	<b>\$340</b>	<b>\$452</b>

1. Highest, median, and lowest states can change each year.

Nationwide average rate increase was **19%** in 2017 and **33%** in 2018.

# Observation #7

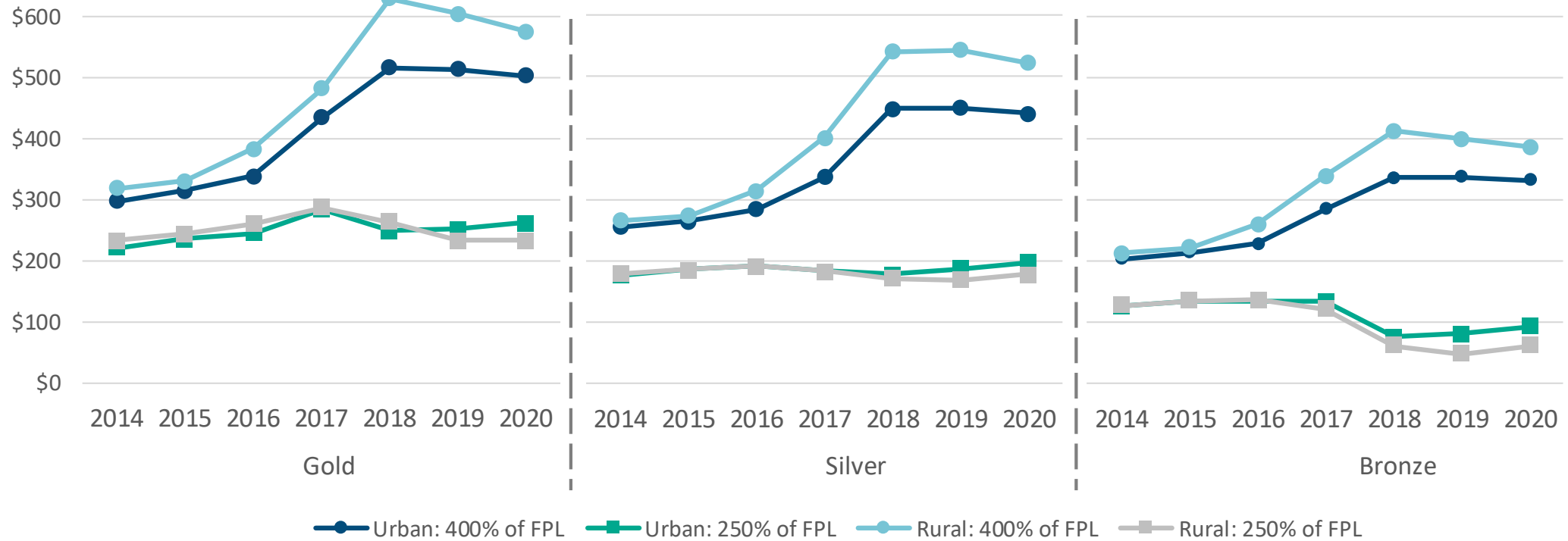
With few exceptions, insurer financial results were consistent with national trends.



Average MLR was **87%** in 2017 and **80%** in 2018.

# Observation #8

Subsidized exchange consumers experienced lower out-of-pocket premium costs as premium rates increased in 2017 and 2018, while non-subsidized individual market enrollment dropped substantially as a result of decreased coverage affordability.

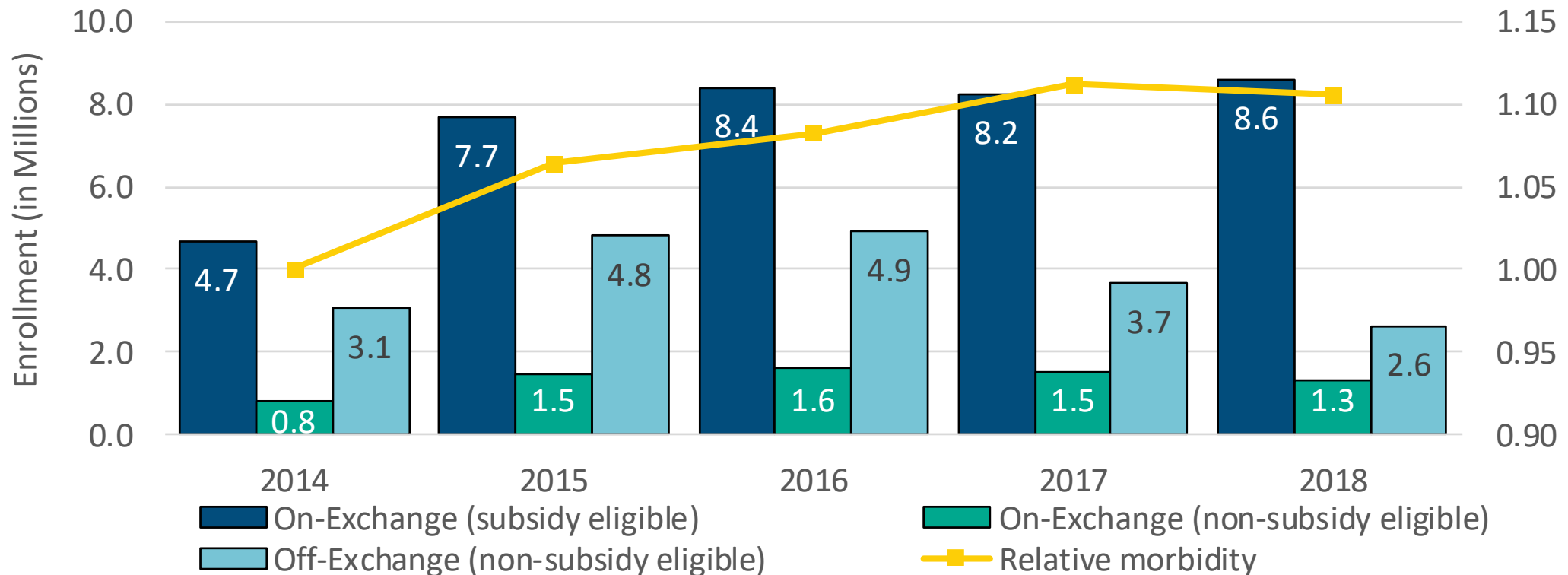


\* Premium reflects the average 40 year old premium by metro and rural regions by state.

## Observation #8

Subsidized exchange consumers experienced lower out-of-pocket premium costs as premium rates increased in 2017 and 2018, while non-subsidized individual market enrollment dropped substantially as a result of decreased coverage affordability.

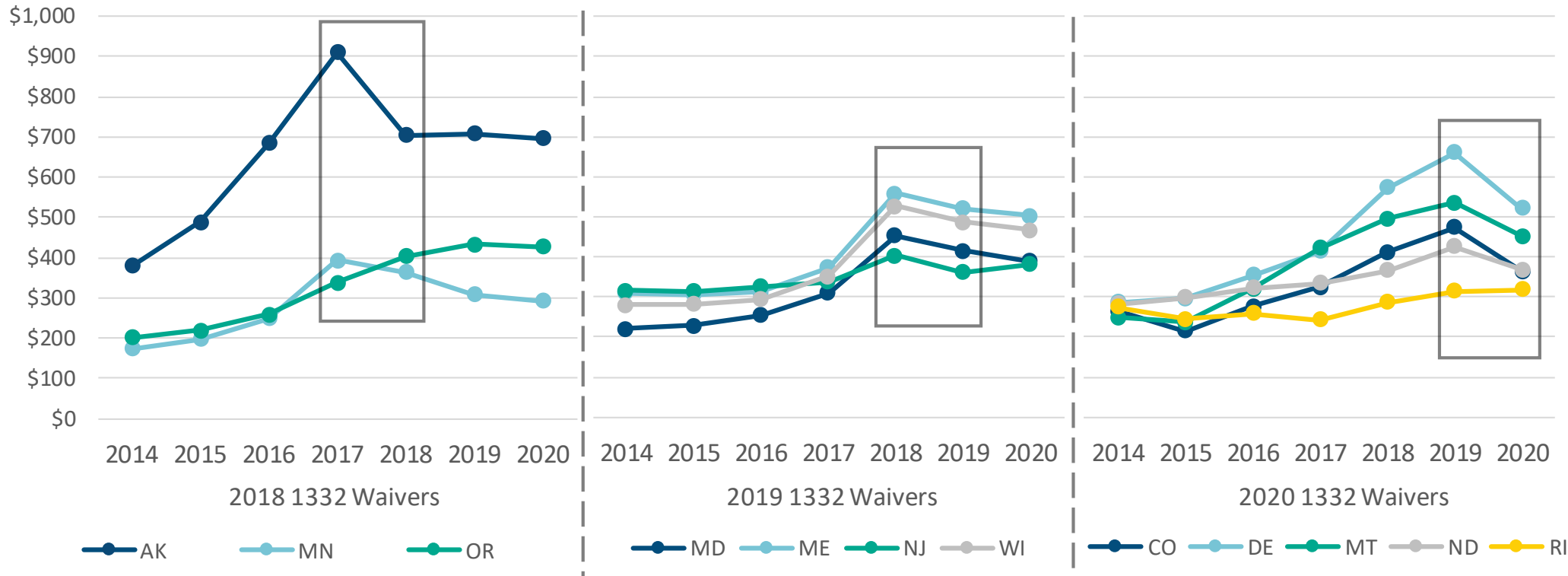
- While subsidy-eligible consumers are insulated from premium rate increases, non-subsidy-eligible consumers bear full impact of premium rate increases



# Observation #9

Premium rates began to plateau in 2018 with implementation of state-based reinsurance programs via Section 1332 waivers and improvements in insurer financials

- Premium rate impacts from state-based reinsurance programs



Note: Premiums reflect the average monthly exchange premium for the silver premium plans available to a person age 40.



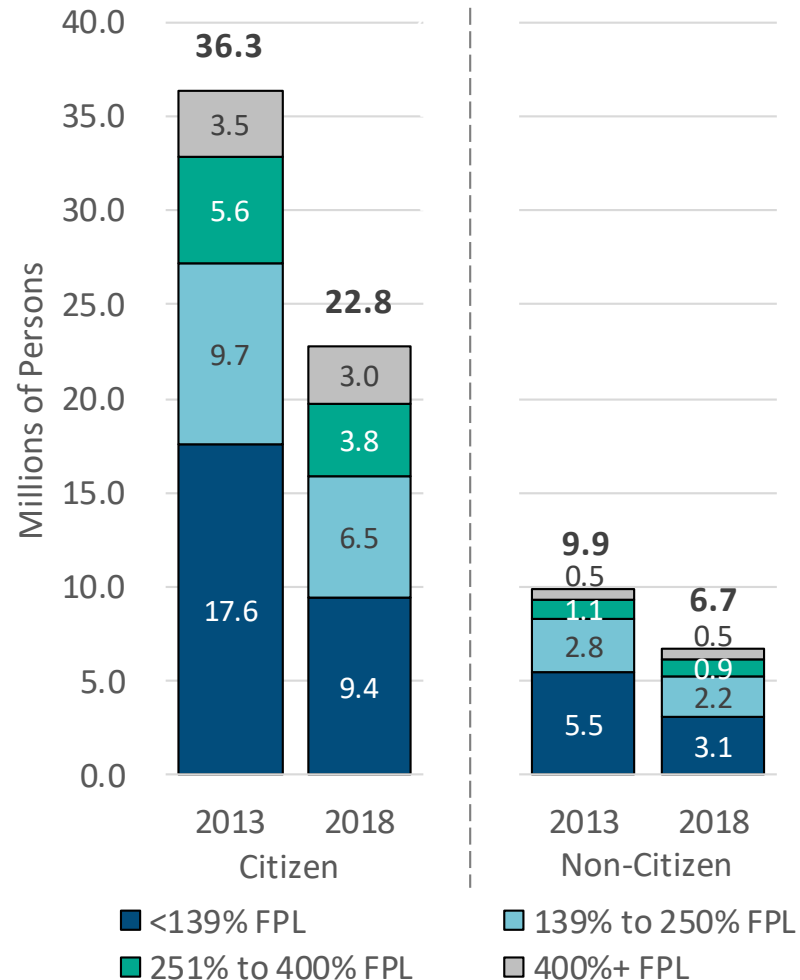
# Observation #10

Vast majority of the remaining 30 million uninsured persons have income <250% FPL

## UNINSURED PERSONS BY CITIZENSHIP STATUS AND HOUSEHOLD INCOME LEVEL

Household Income (FPL%)	Uninsured Rate			
	Citizen		Non-citizen	
	2013	2018	2013	2018
<b>States That Expanded Medicaid</b>				
<139%	21.4%	9.8%	54.5%	33.8%
139% to 250%	19.0%	10.3%	50.2%	34.3%
251% to 400%	10.3%	6.2%	33.6%	23.1%
400%+	4.0%	2.6%	13.7%	9.6%
<b>States That Did Not Expand Medicaid</b>				
<139%	28.0%	21.4%	71.3%	59.4%
139% to 250%	22.5%	17.3%	62.7%	49.0%
251% to 400%	12.4%	10.3%	40.5%	33.3%
400%+	5.1%	4.6%	17.7%	15.4%

Notes: Uninsured rates are for the under-age-65 population. The split of states in the table are based on Medicaid expansion status as of 2018. See Appendix A for additional detail.



# Observation #11

Medicaid-focused insurers achieved the largest market share gains in the individual health insurance market

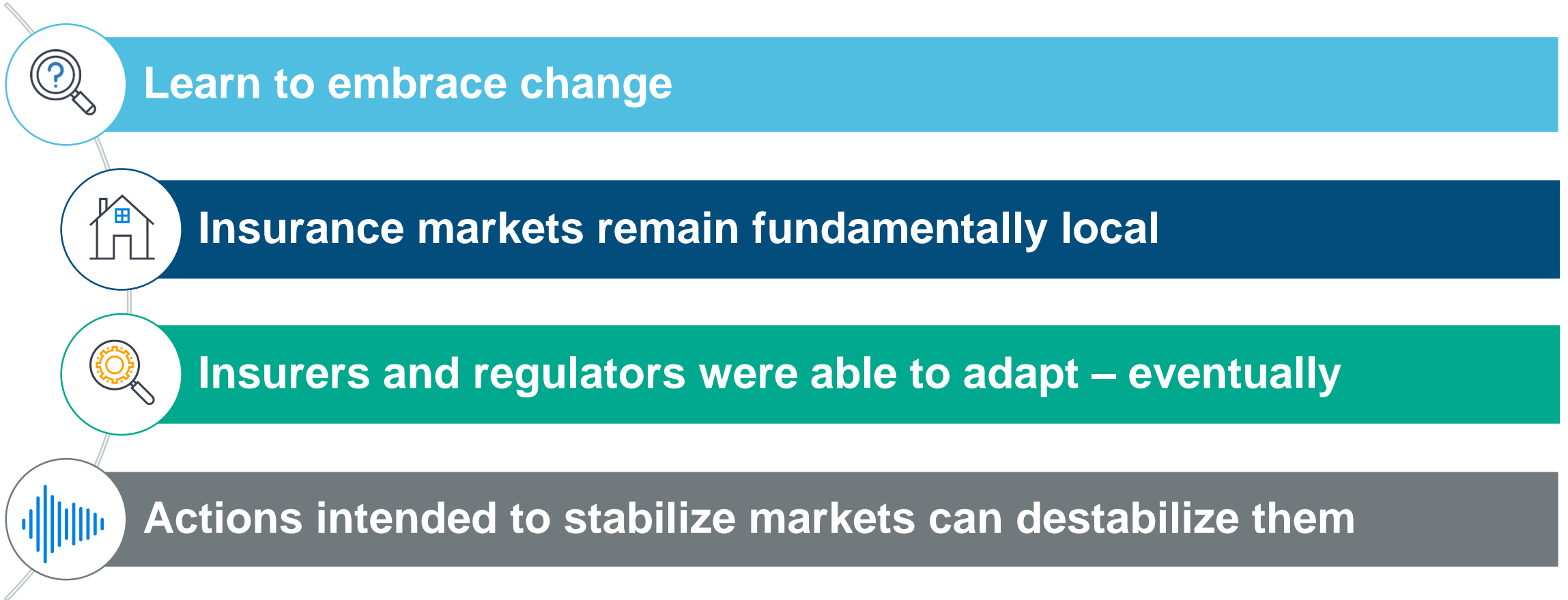
## TOP 10 INDIVIDUAL MARKET INSURERS IN ENROLLMENT: 2013 AND 2018

Top 10 Insurers 2013	Membership (in Thousands)		
	2013	2018	Growth
Anthem	1,773.3	658.1	-1,115.2
UnitedHealth Group	1,000.4	307.4	-693.0
HCSC Group	868.9	850.5	-18.3
Aetna	711.3	2.5	-708.8
Humana	502.5	0.0	-502.5
Blue Cross Blue Shield of NC	394.7	475.0	80.3
Kaiser Foundation Group	389.6	1,184.1	794.5
Blue Cross Blue Shield of FL	385.0	1,174.7	789.6
Assurant	347.9	0.0	-347.9
Blue Shield of California	256.8	786.3	529.5
<b>Top 10 total</b>	<b>6,630.4</b>	<b>5,438.5</b>	
<b>Total individual market</b>	<b>10,960.3</b>	<b>13,105.0</b>	
<b>Top 10 market share</b>	<b>60.5%</b>	<b>41.5%</b>	

Top 10 Insurers 2018	Membership (in Thousands)		
	2013	2018	Growth
Centene Corp	22.9	1,508.6	1,485.8
Kaiser Foundation Group	389.6	1,184.1	794.5
Blue Cross Blue Shield of FL	385.0	1,174.7	789.6
HCSC Group	868.9	850.5	-18.3
Blue Shield of California	256.8	786.3	529.5
Anthem	1,773.3	658.1	-1,115.2
Blue Cross Blue Shield of NC	394.7	475.0	80.3
Molina	0.0	357.0	357.0
Cigna	239.6	343.2	103.6
UnitedHealth Group	1,000.4	307.4	-693.0
<b>Top 10 total</b>	<b>5,331.2</b>	<b>7,645.0</b>	
<b>Total individual market</b>	<b>10,960.3</b>	<b>13,105.0</b>	
<b>Top 10 market share</b>	<b>48.6%</b>	<b>58.3%</b>	

# Lessons learned

Looking forward, we ask what lessons may be drawn to inform the next 10 years under the ACA—or whatever new programs or reforms follow after it?



# Looking forward - Key considerations related to the impact of COVID-19

- Potential impact on **2020** insurer financial results
  - Increases to claim costs due to testing and direct cost of COVID-19 care
  - Reductions in claim costs due to deferred/eliminated services
  - MLR implications (three year impact)
- Potential impact on **2021** individual market commercial rates / premium subsidies
  - Potential pent-up demand
  - Continuation in deferred services / additional waves
  - Direct COVID-19 costs (treatment, testing, vaccines, etc.)
  - Population health
  - Provider reimbursement arrangements
  - Potential impact of economic disruptions leading to population shifts between markets
- Potential impact in **2022** and beyond?

# Looking forward – Other regulatory considerations



- Court cases
  - Implications of Supreme Court decision on risk corridors
  - Future CSR lawsuits
  - Texas vs. United States
- 2020 United States Presidential election
  - Protect and build
  - Repeal and replace
  - Medicare for more or for all?

# Life of an ACA pricing actuary



# Life of an ACA pricing actuary





LINK TO FULL REPORT:

<https://www.soa.org/resources/research-reports/2020/50-states-50-stories/>

# Thank you

**Paul Houchens, FSA, MAAA**  
paul.houchens@milliman.com

**Lindsay Kotecki, FSA, MAAA**  
lindsay.kotecki@milliman.com

**Hans Leida, PhD, FSA, MAAA**  
hans.leida@milliman.com