



**AB 133 Health Care Affordability Working Group  
Meeting #3**

October 28, 2021

# HOUSEKEEPING ITEMS

- Working group members have been unmuted by Covered California. Please mute yourselves until you're ready to speak.
- We will take questions from working group members frequently throughout the meeting. Please wait to raise your hand until we call for questions.
- We will take public comment after each agenda item. Attendees can raise their hands and they will be unmuted. They then must unmute themselves.

**To ask a question please use the raise hand button indicated here:**



# AGENDA

1. Welcome and Agenda Review
2. AB 133 Health Care Affordability Estimated Costs for Various Benefit Options – Milliman
3. Operational Considerations for the 2023 Cost-Sharing Program
4. Agenda Review for November 10 Meeting and Next Steps

Website: [https://hbex.coveredca.com/stakeholders/AB\\_133\\_Health\\_Care\\_Affordability\\_Working\\_Group/](https://hbex.coveredca.com/stakeholders/AB_133_Health_Care_Affordability_Working_Group/)

# AB 133 Health Care Affordability: Estimated Costs for Various Cost Sharing Reduction Combinations

Milliman

# AB 133 Health Care Affordability

Estimated Costs for Various Cost Sharing Reduction Combinations

OCTOBER 28, 2021

# Purpose

Covered California asked Milliman to provide actuarial modeling support to assist Covered California with developing options for providing cost sharing reduction subsidies to reduce cost sharing for low- and middle-income Californians as required by the 2021-2022 State Budget (AB 128) and Health Omnibus trailer bill (AB 133).

These slides present the results of the following modeling:

- Plan designs: Marginal cost to move from existing plan design to richer plan design. Modeling includes four existing Silver plans and eight illustrative Silver plans. The illustrative plans were chosen by Covered California.
- Silver Plan Enrollment: Potential impact of plan design changes on enrollment in Silver plans. Modeling includes three scenarios (current, some, and more take-up change in Silver plans).
- Estimated total cost of potential cost sharing reduction combinations chosen by Covered California.

# Outline

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Benefit Plans Modeled

2

Marginal PMPM Cost for Enhanced Benefits by Income Band

3

Silver Plan Enrollment Projections by Income Band

4

Estimated Total Cost for Various Combinations Chosen by Covered California

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Methodology and Limitations

# 1. Benefit Plans Modeled



# Benefit Plans Modeled

## Existing Plan Designs and Illustrative Plan Designs

1	2*	3	4*	5*	6*
<b>Individual Silver (Existing)</b>	<b>Individual Silver with Deductible Removed (Illustrative)</b>	<b>73 Silver (Existing)</b>	<b>73 Silver with Deductible Removed (Illustrative)</b>	<b>80 Silver (Illustrative)</b>	<b>85 Silver (Illustrative)</b>
Deductible: \$3,700 MOOP: \$8,200 PCP Copay: \$35 X-Ray Copay: \$85 Rx Copays: \$15/55/85/20% Federal AV: 71.50%	Deductible: \$0 MOOP: \$8,200 PCP Copay: \$35 X-Ray Copay: \$85 Rx Copays: \$15/55/85/20% Federal AV: 74.29%	Deductible: \$3,700 MOOP: \$6,300 PCP Copay: \$35 X-Ray Copay: \$85 Rx Copays: \$15/55/85/20% Federal AV: 73.85%	Deductible: \$0 MOOP: \$6,300 PCP Copay: \$35 X-Ray Copay: \$85 Rx Copays: \$15/55/85/20% Federal AV: 76.28%	Deductible: \$0 MOOP: \$8,200 PCP Copay: \$35 X-Ray Copay: \$75 Rx Copays: \$15/55/80/20% Federal AV: 79.80%	Deductible: \$0 MOOP: \$5,200 PCP Copay: \$15 X-Ray Copay: \$40 Rx Copays: \$5/25/45/15% Federal AV: 84.98%

**Note:** Illustrative plans titled with "Deductible Removed" are modified versions of existing plans (i.e., the deductible is removed). For ease of reference, we used the parallel naming convention for these illustrative plans, however the AVs are different due to the changes made. For example, 73 Silver with Deductible Removed (Illustrative) has an AV that is higher than 73%.

# Benefit Plans Modeled

## Existing Plan Designs and Illustrative Plan Designs

7	8*	9*	10	11*	12*
<b>87 Silver (Existing)</b>	<b>87 Silver with Deductible Removed (Illustrative)</b>	<b>90 Silver (Illustrative)</b>	<b>94 Silver (Existing)</b>	<b>94 Silver with Deductible Removed (Illustrative)</b>	<b>99 Silver (Illustrative)</b>
Deductible: \$800 MOOP: \$2,850 PCP Copay: \$15 X-Ray Copay: \$40 Rx Copays: \$5/25/45/15% Federal AV: 87.88%	Deductible: \$0 MOOP: \$2,850 PCP Copay: \$15 X-Ray Copay: \$40 Rx Copays: \$5/25/45/15% Federal AV: 88.30%	Deductible: \$0 MOOP: \$4,500 PCP Copay: \$15 X-Ray Copay: \$30 Rx Copays: \$5/15/25/10% Federal AV: 89.25%	Deductible: \$75 MOOP: \$800 PCP Copay: \$5 X-Ray Copay: \$8 Rx Copays: \$3/10/15/10% Federal AV: 94.66%	Deductible: \$0 MOOP: \$800 PCP Copay: \$5 X-Ray Copay: \$8 Rx Copays: \$3/10/15/10% Federal AV: 94.92%  Note: Also called 95 Silver	Deductible: \$0 MOOP: \$250 PCP Copay: \$0 X-Ray Copay: \$0 Rx Copays: \$0/10/10/10% Federal AV: 99.70%

**Note:** Illustrative plans titled with "Deductible Removed" are modified versions of existing plans (i.e., the deductible is removed). For ease of reference, we used the parallel naming convention for these illustrative plans, however the AVs are different due to the changes made. For example, 73 Silver with Deductible Removed (Illustrative) has an AV that is higher than 73%.

## **2. Marginal PMPM Cost for Enhanced Benefits by Income Band** **(All California, Northern California, and Southern California)**

# Marginal PMPM Cost for Enhanced Benefits by Income Band

Using Estimated 2023 Costs for All California (Rating Regions 1 to 19)

Plan Design	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL
Individual Silver				Baseline Plan	Baseline Plan
Individual Silver without Deductible				\$7.30	\$7.30
73 Silver			Baseline Plan	\$10.70	\$10.70
73 Silver without Deductible			\$3.10	\$13.90	\$13.90
80 Silver			\$28.60	\$39.60	\$39.60
85 Silver			\$54.00	\$64.90	\$64.90
87 Silver		Baseline Plan	\$62.50	\$73.50	\$73.50
87 Silver without Deductible		\$1.00	\$63.60	\$74.60	\$74.60
90 Silver		\$20.40	\$83.30	\$94.40	\$94.40
94 Silver	Baseline Plan	\$47.50	\$110.60	\$121.80	\$121.80
94 Silver without Deductible (aka 95)	\$0.20	\$47.70	\$110.80	\$122.00	\$122.00
99 Silver	\$47.60	\$96.20	\$159.80	\$171.20	\$171.20
<b>Current Enrollment (Sept. 2021)</b>	<b>205,050</b>	<b>324,850</b>	<b>123,800</b>	<b>56,850</b>	<b>113,650</b>

Note: For each column, the baseline plan is shown in the row that corresponds to the 'Baseline Plan' label. For example, in the 'Up to 150% FPL' column, the baseline plan is 94 Silver.

# Marginal PMPM Cost for Enhanced Benefits by Income Band

Using Estimated 2023 Costs for Northern California (Rating Regions 1 to 11)

Plan Design	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL
Individual Silver				Baseline Plan	Baseline Plan
Individual Silver without Deductible				\$10.60	\$10.60
73 Silver			Baseline Plan	\$12.30	\$12.30
73 Silver without Deductible			\$5.80	\$18.10	\$18.10
80 Silver			\$38.50	\$50.80	\$50.80
85 Silver			\$61.80	\$74.10	\$74.10
87 Silver		Baseline Plan	\$70.90	\$83.20	\$83.20
87 Silver without Deductible		\$1.70	\$72.70	\$85.00	\$85.00
90 Silver		\$26.30	\$97.20	\$109.50	\$109.50
94 Silver	Baseline Plan	\$55.90	\$126.90	\$139.20	\$139.20
94 Silver without Deductible (aka 95)	\$0.20	\$56.10	\$127.10	\$139.40	\$139.40
99 Silver	\$56.60	\$112.50	\$183.40	\$195.70	\$195.70
<b>Current Enrollment (Sept. 2021)</b>	<b>57,750</b>	<b>121,600</b>	<b>51,400</b>	<b>24,450</b>	<b>48,900</b>

Note: For each column, the baseline plan is shown in the row that corresponds to the 'Baseline Plan' label. For example, in the 'Up to 150% FPL' column, the baseline plan is 94 Silver.

# Marginal PMPM Cost for Enhanced Benefits by Income Band

Using Estimated 2023 Costs for Southern California (Rating Regions 12 to 19)

Plan Design	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL
Individual Silver				Baseline Plan	Baseline Plan
Individual Silver without Deductible				\$4.80	\$4.80
73 Silver			Baseline Plan	\$9.50	\$9.50
73 Silver without Deductible			\$1.20	\$10.70	\$10.70
80 Silver			\$21.60	\$31.10	\$31.10
85 Silver			\$48.50	\$58.00	\$58.00
87 Silver		Baseline Plan	\$56.60	\$66.20	\$66.20
87 Silver without Deductible		\$0.60	\$57.20	\$66.70	\$66.70
90 Silver		\$16.80	\$73.40	\$83.00	\$83.00
94 Silver	Baseline Plan	\$42.40	\$99.10	\$108.60	\$108.60
94 Silver without Deductible (aka 95)	\$0.20	\$42.60	\$99.30	\$108.80	\$108.80
99 Silver	\$44.10	\$86.50	\$143.10	\$152.70	\$152.70
<b>Current Enrollment (Sept. 2021)</b>	<b>147,300</b>	<b>203,250</b>	<b>72,400</b>	<b>32,400</b>	<b>64,750</b>

Note: For each column, the baseline plan is shown in the row that corresponds to the 'Baseline Plan' label. For example, in the 'Up to 150% FPL' column, the baseline plan is 94 Silver.

### 3. Silver Plan Enrollment Projections by Income Band

# Silver Plan Enrollment Projections for 2023 by Income Band

All California (Rating Regions 1-19)

Scenario	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL
2023 Enrollment Scenario 1: Current	205,050	324,850	123,800	56,850	113,650
2023 Enrollment Scenario 2: Some Take-Up Change	209,400	328,000	133,550	65,150	130,350
2023 Enrollment Scenario 3: More Take-Up Change	211,650	329,600	146,300	76,300	152,650
2019 Enrollment in CSR Variant Associated with Income Band	187,658	284,412	106,138	42,625	85,251
2021 Enrollment in CSR Variant Associated with Income Band	205,033	324,816	123,816	56,823	113,646
2021 Enrollment in all Plans by Income Band (all metal levels)	264,868	449,500	245,886	146,096	292,192

Modeling assumptions used for enrollment are described in further detail on slide 21. Note that these projections do not assume growth in total Covered California membership between 2021 and 2023.

- **Scenario 1** assumes no change in Silver plan enrollment from 2021.
- **Scenario 2** assumes some take-up in Silver plan enrollment from Gold and Platinum membership.
- **Scenario 3** assumes more take-up in Silver plan enrollment from Gold and Platinum membership for all incomes and some take-up from Bronze membership for the middle incomes.



# Silver Plan Enrollment Projections for 2023 by Income Band

Northern California (Rating Regions 1-11)

Scenario	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL
2023 Enrollment Scenario 1: Current	57,750	121,600	51,400	24,450	48,900
2023 Enrollment Scenario 2: Some Take-Up Change	59,400	122,850	55,150	27,900	55,850
2023 Enrollment Scenario 3: More Take-Up Change	60,250	123,500	60,000	32,800	65,600
2019 Enrollment in CSR Variant Associated with Income Band	55,070	103,287	41,921	17,525	35,051
2021 Enrollment in CSR Variant Associated with Income Band	57,729	121,581	51,403	24,446	48,892
2021 Enrollment in all Plans by Income Band (all metal levels)	76,895	167,057	100,363	64,370	128,740

Modeling assumptions used for enrollment are described in further detail on slide 21. Note that these projections do not assume growth in total Covered California membership between 2021 and 2023.

- **Scenario 1** assumes no change in Silver plan enrollment from 2021.
- **Scenario 2** assumes some take-up in Silver plan enrollment from Gold and Platinum membership.
- **Scenario 3** assumes more take-up in Silver plan enrollment from Gold and Platinum membership for all incomes and some take-up from Bronze membership for the middle incomes.

# Silver Plan Enrollment Projections for 2023 by Income Band

Southern California (Rating Regions 12-19)

Scenario	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL
2023 Enrollment Scenario 1: Current	147,300	203,250	72,400	32,400	64,750
2023 Enrollment Scenario 2: Some Take-Up Change	150,000	205,150	78,400	37,250	74,500
2023 Enrollment Scenario 3: More Take-Up Change	151,400	206,100	86,300	43,500	87,050
2019 Enrollment in CSR Variant Associated with Income Band	132,588	181,125	64,217	25,100	50,200
2021 Enrollment in CSR Variant Associated with Income Band	147,304	203,235	72,413	32,377	64,754
2021 Enrollment in all Plans by Income Band (all metal levels)	187,973	282,443	145,523	81,726	163,452

Modeling assumptions used for enrollment are described in further detail on slide 21. Note that these projections do not assume growth in total Covered California membership between 2021 and 2023.

- **Scenario 1** assumes no change in Silver plan enrollment from 2021.
- **Scenario 2** assumes some take-up in Silver plan enrollment from Gold and Platinum membership.
- **Scenario 3** assumes more take-up in Silver plan enrollment from Gold and Platinum membership for all incomes and some take-up from Bronze membership for the middle incomes.

## 4. Estimated Total Cost for Various Combinations Chosen by Covered California

# Estimated Total Cost for Various Combinations

Option 1: 95/90/85, no deductibles (All California)

	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL	Total Cost
Current CSR Variant	94 Silver	87 Silver	73 Silver	70 Silver	70 Silver	
<b>Option 1: 95/90/85, no deductibles</b>	<b>95 Silver</b>	<b>95 Silver</b>	<b>90 Silver</b>	<b>90 Silver</b>	<b>85 Silver</b>	
PMPM Cost	\$0.20	\$47.70	\$83.30	\$94.40	\$64.90	
Current 2021 Enrollment	205,050	324,850	123,800	56,850	113,650	
Annual Cost (millions) Scenario 1: Current	\$0.5	\$185.9	\$123.8	\$64.4	\$88.5	\$463.1
Annual Cost (millions) Scenario 2: Some Take-Up	\$0.5	\$187.7	\$133.5	\$73.8	\$101.5	\$497.1
Annual Cost (millions) Scenario 3: More Take-Up	\$0.5	\$188.7	\$146.2	\$86.4	\$118.9	\$540.7

Note: Uncertainty in cost is greater when the increase in benefits is greater. Additionally, the middle-income categories have more potential for increased Silver take-up.

# Estimated Total Cost for Various Combinations

Option 2: No deductibles, and 80% AV for 200-400% FPL (All California)

	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL	Total Cost
Current CSR Variant	94 Silver	87 Silver	73 Silver	70 Silver	70 Silver	
<b>Option 2: No deductibles, and 80% AV for 200-400% FPL</b>	<b>94 Silver, no deduct.</b>	<b>87 Silver, no deduct.</b>	<b>80 Silver</b>	<b>80 Silver</b>	<b>80 Silver</b>	
PMPM Cost	\$0.20	\$1.00	\$28.60	\$39.60	\$39.60	
Current 2021 Enrollment	205,050	324,850	123,800	56,850	113,650	
Annual Cost (millions) Scenario 1: Current	\$0.5	\$3.9	\$42.5	\$27.0	\$54.0	\$127.9
Annual Cost (millions) Scenario 2: Some Take-Up	\$0.5	\$3.9	\$45.8	\$31.0	\$61.9	\$143.2
Annual Cost (millions) Scenario 3: More Take-Up	\$0.5	\$4.0	\$50.2	\$36.3	\$72.5	\$163.5

Note: Uncertainty in cost is greater when the increase in benefits is greater. Additionally, the middle-income categories have more potential for increased Silver take-up.

# Estimated Total Cost for Various Combinations

## Option 3: CSR with No Deductibles (All California)

	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL	Total Cost
Current CSR Variant	94 Silver	87 Silver	73 Silver	70 Silver	70 Silver	
<b>Option 3: CSR with No Deductibles</b>	<b>94 Silver, no deduct.</b>	<b>87 Silver, no deduct.</b>	<b>73 Silver, no deduct.</b>	<b>73 Silver, no deduct.</b>	<b>73 Silver, no deduct.</b>	
PMPM Cost	\$0.20	\$1.00	\$3.10	\$13.90	\$13.90	
Current 2021 Enrollment	205,050	324,850	123,800	56,850	113,650	
Annual Cost (millions) Scenario 1: Current	\$0.5	\$3.9	\$4.6	\$9.5	\$19.0	\$37.4
Annual Cost (millions) Scenario 2: Some Take-Up	\$0.5	\$3.9	\$5.0	\$10.9	\$21.7	\$42.0
Annual Cost (millions) Scenario 3: More Take-Up	\$0.5	\$4.0	\$5.4	\$12.7	\$25.5	\$48.1

Note: Uncertainty in cost is greater when the increase in benefits is greater. Additionally, the middle-income categories have more potential for increased Silver take-up.

# Estimated Total Cost for Various Combinations

## Option 4: Massachusetts (All California)

	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL	Total Cost
Current CSR Variant	94 Silver	87 Silver	73 Silver	70 Silver	70 Silver	
<b>Option 4: Massachusetts</b>	<b>95 Silver</b>	<b>95 Silver</b>	<b>94 Silver*</b>	<b>94 Silver*</b>	<b>70 Silver</b>	
PMPM Cost	\$0.20	\$47.70	\$110.60	\$121.80	\$0.00	
Current 2021 Enrollment	205,050	324,850	123,800	56,850	113,650	
Annual Cost (millions) Scenario 1: Current	\$0.5	\$185.9	\$164.3	\$83.1	\$0.0	\$433.8
Annual Cost (millions) Scenario 2: Some Take-Up	\$0.5	\$187.7	\$177.2	\$95.2	\$0.0	\$460.7
Annual Cost (millions) Scenario 3: More Take-Up	\$0.5	\$188.7	\$194.2	\$111.5	\$0.0	\$494.9

\*Massachusetts' 200-300% FPL plans are actually a 92 Silver. The closest we modeled was 94 Silver.

Note: Uncertainty in cost is greater when the increase in benefits is greater. Additionally, the middle-income categories have more potential for increased Silver take-up.

# Estimated Total Cost for Various Combinations

## Option 5: Colorado (All California)

	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL	Total Cost
Current CSR Variant	94 Silver	87 Silver	73 Silver	70 Silver	70 Silver	
<b>Option 5: Colorado</b>	<b>94 Silver</b>	<b>94 Silver*</b>	<b>73 Silver</b>	<b>70 Silver</b>	<b>70 Silver</b>	
PMPM Cost	\$0.00	\$47.50	\$0.00	\$0.00	\$0.00	
Current 2021 Enrollment	205,050	324,850	123,800	56,850	113,650	
Annual Cost (millions) Scenario 1: Current	\$0.0	\$185.2	\$0.0	\$0.0	\$0.0	\$185.2
Annual Cost (millions) Scenario 2: Some Take-Up	\$0.0	\$187.0	\$0.0	\$0.0	\$0.0	\$187.0
Annual Cost (millions) Scenario 3: More Take-Up	\$0.0	\$187.9	\$0.0	\$0.0	\$0.0	\$187.9

\*Colorado considered other cost sharing enhancement scenarios, but the only one implemented was for 150-200% FPL.

Note: Uncertainty in cost is greater when the increase in benefits is greater. Additionally, the middle-income categories have more potential for increased Silver take-up.



# Estimated Total Cost for Various Combinations

## Option 6: Vermont (All California)

	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL	Total Cost
Current CSR Variant	94 Silver	87 Silver	73 Silver	70 Silver	70 Silver	
<b>Option 6: Vermont</b>	<b>94 Silver</b>	<b>87 Silver</b>	<b>80 Silver*</b>	<b>73 Silver</b>	<b>70 Silver</b>	
PMPM Cost	\$0.00	\$0.00	\$28.60	\$10.70	\$0.00	
Current 2021 Enrollment	205,050	324,850	123,800	56,850	113,650	
Annual Cost (millions) Scenario 1: Current	\$0.0	\$0.0	\$42.5	\$7.3	\$0.0	\$49.8
Annual Cost (millions) Scenario 2: Some Take-Up	\$0.0	\$0.0	\$45.8	\$8.4	\$0.0	\$54.2
Annual Cost (millions) Scenario 3: More Take-Up	\$0.0	\$0.0	\$50.2	\$9.8	\$0.0	\$60.0

\*Vermont's 200-250% FPL plan is actually a 77 Silver. The closest we modeled was 80 Silver.

Note: Uncertainty in cost is greater when the increase in benefits is greater. Additionally, the middle-income categories have more potential for increased Silver take-up.

# Estimated Total Cost for Various Combinations

Option 7: ACA Plans Only, with “Level Up” 150%-250% FPL (All California)

	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL	Total Cost
Current CSR Variant	94 Silver	87 Silver	73 Silver	70 Silver	70 Silver	
<b>Option 7: ACA Plans, w/“Level Up” for 150-250%</b>	<b>94 Silver</b>	<b>94 Silver</b>	<b>87 Silver</b>	<b>70 Silver</b>	<b>70 Silver</b>	
PMPM Cost	\$0.00	\$47.50	\$62.50	\$0.00	\$0.00	
Current 2021 Enrollment	205,050	324,850	123,800	56,850	113,650	
Annual Cost (millions) Scenario 1: Current	\$0.0	\$185.2	\$92.9	\$0.0	\$0.0	\$278.0
Annual Cost (millions) Scenario 2: Some Take-Up	\$0.0	\$187.0	\$100.2	\$0.0	\$0.0	\$287.1
Annual Cost (millions) Scenario 3: More Take-Up	\$0.0	\$187.9	\$109.7	\$0.0	\$0.0	\$297.6

Note: Uncertainty in cost is greater when the increase in benefits is greater. Additionally, the middle-income categories have more potential for increased Silver take-up.

# Estimated Total Cost for Various Combinations

Option 8: CSR “Level Up” w/o Deductibles (All California)

	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL	Total Cost
Current CSR Variant	94 Silver	87 Silver	73 Silver	70 Silver	70 Silver	
<b>Option 8: CSR “Level Up”, w/o Deductibles</b>	<b>94 Silver, no deduct.</b>	<b>94 Silver, no deduct.</b>	<b>87 Silver, no deduct.</b>	<b>80 Silver</b>	<b>80 Silver</b>	
PMPM Cost	\$0.20	\$47.70	\$63.60	\$39.60	\$39.60	
Current 2021 Enrollment	205,050	324,850	123,800	56,850	113,650	
Annual Cost (millions) Scenario 1: Current	\$0.5	\$185.9	\$94.5	\$27.0	\$54.0	\$361.9
Annual Cost (millions) Scenario 2: Some Take-Up	\$0.5	\$187.7	\$101.9	\$31.0	\$61.9	\$383.1
Annual Cost (millions) Scenario 3: More Take-Up	\$0.5	\$188.7	\$111.7	\$36.3	\$72.5	\$409.6

Note: Uncertainty in cost is greater when the increase in benefits is greater. Additionally, the middle-income categories have more potential for increased Silver take-up.

# Summary of Estimated Total Cost for Various Combinations

	Plan Designs Modeled for Each FPL Range					Cost by Scenarios 1, 2, and 3 (millions)		
	Up to 150% FPL	150-200% FPL	200-250% FPL	250-300% FPL	300-400% FPL	Current	Some Take-Up	More Take-Up
Current CSR Variant	94 Silver	87 Silver	73 Silver	70 Silver	70 Silver			
Option 1: 95/90/85, no deductibles	95 Silver	95 Silver	90 Silver	90 Silver	85 Silver	\$463.1	\$497.1	\$540.7
Option 2: No deductibles, and 80% AV for 200-400% FPL	94 Silver, no deduct.	87 Silver, no deduct.	80 Silver	80 Silver	80 Silver	\$127.9	\$143.2	\$163.5
Option 3: CSR with No Deductibles	94 Silver, no deduct.	87 Silver, no deduct.	73 Silver, no deduct.	73 Silver, no deduct.	73 Silver, no deduct.	\$37.4	\$42.0	\$48.1
Option 4: Massachusetts	95 Silver	95 Silver	94 Silver	94 Silver	70 Silver	\$433.8	\$460.7	\$494.9
Option 5: Colorado	94 Silver	94 Silver	73 Silver	70 Silver	70 Silver	\$185.2	\$187.0	\$187.9
Option 6: Vermont	94 Silver	87 Silver	80 Silver	73 Silver	70 Silver	\$49.8	\$54.2	\$60.0
Option 7: ACA Plans, w/“Level Up” for 150-250%	94 Silver	94 Silver	87 Silver	70 Silver	70 Silver	\$278.0	\$287.1	\$297.6
Option 8: CSR “Level Up”, w/o Deductibles	94 Silver, no deduct.	94 Silver, no deduct.	87 Silver, no deduct.	80 Silver	80 Silver	\$361.9	\$383.1	\$409.6

## 5. Methodology and Limitations

# Benefit Modeling Assumptions

We used the Milliman *Health Cost Guidelines*<sup>™</sup> and Covered California's standard 2022 plan designs as a starting point for this modeling. We created two separate cost models, one for Northern California and one for Southern California, using Milliman's research about the utilization and unit cost levels for each region. We trended both cost models to calendar year 2023. We used actuarial judgement to populate the input assumptions required to produce the output cost models.

We assumed that plans in Covered California have higher than average discounts, as many plans are HMO style plans with narrower networks and reflected this assumption in our modeling.

The output of the cost models are estimated plan paid per member per month (PMPM) costs for each plan design. We used these to calculate the difference between each proposed plan design and the corresponding baseline plan design for each income band.

We did not adjust the projected PMPM costs for differences in risk score by income band as the risk scores provided by Covered California appeared to be affected by material levels of "noise". We recommend that Covered California gets input from health plans to determine if they would want the PMPM payments by income level to be risk-adjusted.

We understand that Covered California is still determining how it will administer the program, but for the purpose of modeling, we have assumed that:

- The marginal cost to the carrier to administer a richer plan design will be paid to the carrier in the form of a prospective PMPM that is based on each member's income category.
- The program cost will be based on statewide or Northern vs. Southern average costs, rather than carrier and region-specific costs.
- State cost sharing will be delivered via plan design in the Silver tier similar to the federal cost sharing program.

# Silver Plan Enrollment Modeling Assumptions

For the purpose of this exercise, we have created three enrollment scenarios. See previous slides 12-14 for enrollment numbers used in modeling.

- Scenario 1: Current The first scenario assumes no change from current 2021 enrollment.
- Scenario 2: Some Take-Up Change The second scenario assumes that a portion of Gold and Platinum membership will move to Silver CSR as the CSR plans get richer.
- Scenario 3: More Take-Up Change The third scenario assumes that a higher portion of Gold and Platinum membership will move to CSR as the CSR plans get richer. It also assumes that a small portion of Bronze will move to Silver CSR for the enrollees who currently only have access to the baseline Silver or Silver 73, while still recognizing that Bronze members are premium price sensitive.

The following table shows the assumptions for the percentage of enrollment that switches to Silver CSR for each scenario.

Scenario	Up to 200% FPL	200-400% FPL
Scenario 1	No change	No Change
Scenario 2	33% of Gold and Platinum	50% of Gold and Platinum
Scenario 3	50% of Gold and Platinum	75% of Gold and Platinum and 25% of Bronze

# Limitations

Milliman's work is prepared solely for the internal business use of Covered California. Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit any third-party recipient of its work product, even if Milliman consents to the release of its work product to such third party.

In performing this analysis, we relied on data and other information provided by Covered California. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

The services provided for this project were performed under the signed Agreement Number 20-C-022.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Barb Dewey, Matt Schoonmaker, John Rogers, and Tanya Hayward are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this presentation.





# Thank You

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# OVERVIEW OF OPERATIONAL CONSIDERATIONS FOR A STATE COST- SHARING REDUCTION PROGRAM

Katie Ravel, Director, Policy, Eligibility, and Research Division

# OVERVIEW OF TODAY'S DISCUSSION OF OPERATIONAL CONSIDERATIONS

- Operational planning assumptions
- Operational workstreams
- Covered California key milestones for plan year 2023
- Program design models
- Operational impact differences by program design

# OPERATIONAL PLANNING ASSUMPTIONS

1. In order to deliver a state cost-sharing reduction program in 2023, the program will need to leverage existing functionality and processes to a significant degree.
2. Individuals will have to meet eligibility requirements for federal premium tax credits in order to be eligible for the state cost-sharing reduction program.
3. State cost-sharing reduction plans will be offered only at the Silver metal tier consistent with the federal cost-sharing reduction program.
4. Cost of state cost-sharing reduction program will not be “loaded” on premium rates as federal CSR program currently is. Payments for a state cost-sharing reduction program will be made directly by the state to the carrier under a methodology to be determined.
5. State cost-sharing reduction plans will be offered to all renewing and newly applying members for a full benefit year, meaning that products would need to be available for shopping beginning October 1, 2022.

# PRELIMINARY LIST OF OPERATIONAL WORKSTREAMS TO IMPLEMENT A STATE COST-SHARING REDUCTION PROGRAM

WORKSTREAM	KEY ACTIVITIES
Benefit design	Incorporate state cost-sharing reduction program design into patient-centered benefit designs. Benefit design workgroup convenes annually to consider changes.
Carrier payment methodology	Develop a methodology to determine cost-sharing reduction payment amounts.
Enrollment forecasting and budgeting	Assess and incorporate potential enrollment impacts of state cost-sharing reduction program into Covered California enrollment forecast. Develop budget estimates for state cost-sharing reduction program.
Eligibility determination process	Make required changes to CalHEERS (Covered California's eligibility and enrollment system) to define the income ranges and associated Cost Sharing (CS) level for the state program design.
Enrollment process	Display appropriate benefit plans to consumers based on state cost-sharing reduction program design beginning October 1. Automatically renew consumers into appropriate benefit plan.
Education and outreach	Develop plans for education and outreach to applicants, members and enrollment partners.
Carrier payment process	Develop a process to make state cost-sharing reduction payments to carriers.

# COVERED CALIFORNIA KEY MILESTONES FOR 2023 PLAN YEAR

MILESTONE	ESTIMATED TIMEFRAME
AB 133 Report Due to Legislature, Governor and the Healthy California for All Commission	January 1, 2022
Plan Management Advisory: Benefit Design & Certification Policy Recommendation	January 20, 2022
January Board Meeting: Discussion of Benefit Design & Certification Policy Recommendation	January 2022
Final AV Calculator Released*	February 2022
QHP & QDP Applications Open	March 1, 2022
March Board Meeting: Anticipated approval of 2022 Patient-Centered Benefit Plan Designs & Certification Policy	March 2022
May Board Meeting: Discussion of 2022-23 Covered California Budget	May 2022
June Board Meeting: Anticipated approval of 2022-23 Covered California Budget	June 2022
QHP Negotiations	June 2022
Public Posting of Proposed Rates	July 2022
Carrier Integration Testing for 2023 Plan Year	July – August 2022
CalHEERS Release for 2023 Plan Year	September 2022
Public Posting of Final Rates	September – October 2022



\*Final AV Calculator and final SERFF Templates availability dependent on CMS release  
TBD = dependent on CCIIO rate filing timeline requirements

# PROGRAM DESIGN MODELS FOR CONSIDERATION

Operational impacts may differ depending upon program design. Other states' cost sharing programs can be used to evaluate operational impacts/complexities across options.

Member Income	ACA	Program Design Model 1: Lift and shift <i>(similar to Colorado)</i>	Program Design Model 2: Modify existing CSR variants <i>(similar to Massachusetts)</i>	Program Design Model 3: Create new CSR variants <i>(similar to Vermont)</i>
< 100% FPL	94%	N/A (94%)	<b>99.7%</b>	N/A (94%)
100-150% FPL	94%	N/A (94%)	<b>95%</b>	N/A (94%)
150-200% FPL	87%	<b>94%</b>	<b>95%</b>	N/A (87%)
200-250% FPL	73%	N/A (73%)	<b>92%</b>	<b>77%</b>
250-300% FPL	N/A	N/A	<b>92%</b>	<b>73%</b>
300-400% FPL	N/A	N/A	N/A	N/A
<b>Plan summary</b>		Existing federal variant	Three federal income-based CSR variants are modified to increase generosity	Fourth income-based CSR variant added at a new actuarial value
<b>Eligibility summary</b>		Eligibility not expanded above 250% FPL	Eligibility expanded above 250% FPL	Eligibility expanded above 250% FPL

# PRELIMINARY ANALYSIS OF VARIATION IN OPERATIONAL IMPACTS BETWEEN DIFFERENT OPERATIONAL MODELS

WORKSTREAM	LIFT AND SHIFT	MODIFY EXISTING VARIANTS	CREATE ADDITIONAL VARIANTS
Benefit design	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Create new cost-sharing variants</li> </ul>	<ul style="list-style-type: none"> <li>Create new cost-sharing variants</li> <li>Unclear how a federal health plan identification number (HIOS ID) would be assigned</li> </ul>
Carrier payment methodology	<ul style="list-style-type: none"> <li>Under review</li> </ul>	<ul style="list-style-type: none"> <li>Under review</li> </ul>	<ul style="list-style-type: none"> <li>Under review</li> </ul>
Eligibility determination process	<ul style="list-style-type: none"> <li>New mapping between Aid Codes and CS codes</li> </ul>	<ul style="list-style-type: none"> <li>Potentially create new Aid Codes</li> <li>New mapping between Aid Codes and CS codes</li> </ul>	<ul style="list-style-type: none"> <li>Potentially create new Aid Codes</li> <li>New mapping between Aid Codes and CS codes</li> </ul>
Enrollment process	<ul style="list-style-type: none"> <li>Carrier communication of both federal and state CSR levels</li> </ul>	<ul style="list-style-type: none"> <li>Carrier communication of both federal and state CSR levels</li> </ul>	<ul style="list-style-type: none"> <li>Carrier communication of both federal and state CSR levels</li> </ul>
Enrollment forecasting and budgeting	<ul style="list-style-type: none"> <li>Under review</li> </ul>	<ul style="list-style-type: none"> <li>Under review</li> </ul>	<ul style="list-style-type: none"> <li>Under review</li> </ul>
Carrier payment process	<ul style="list-style-type: none"> <li>Under review</li> </ul>	<ul style="list-style-type: none"> <li>Under review</li> </ul>	<ul style="list-style-type: none"> <li>Under review</li> </ul>



# ADDITIONAL OPERATIONAL CONSIDERATIONS?

Additional feedback on operational considerations can be sent to [policy@covered.ca.gov](mailto:policy@covered.ca.gov)

- Operational planning assumptions
- Operational workstreams
- Critical milestones for plan year 2023
- Program design models
- Operational impact differences by program design
- Other factors

# REVIEW OF UPCOMING MEETING TOPICS

Katie Ravel, Director, Policy, Eligibility, and Research Division

# WORKING GROUP SCHEDULE AND POTENTIAL TOPICS

Date	Meeting Forum	Potential topics
September 30 <sup>th</sup>	AB 133 working group #1	
October 14 <sup>th</sup>	AB 133 working group #2	<ul style="list-style-type: none"><li>• Review initial modeling of options</li></ul>
October 28 <sup>th</sup>	AB 133 working group #3	<ul style="list-style-type: none"><li>• Review additional modeling as needed</li><li>• Discuss operations</li></ul>
November 10 <sup>th</sup>	AB 133 working group #4	<ul style="list-style-type: none"><li>• Present American Rescue Plan premium subsidy modeling</li><li>• Continue discussion of operations</li></ul>
<b>November 18<sup>th</sup></b>	<b>Board meeting</b>	<ul style="list-style-type: none"><li>• Present overview of modeling and operational considerations</li></ul>
December 2 <sup>nd</sup>	AB 133 working group #5	<ul style="list-style-type: none"><li>• Review draft report</li></ul>
December 16 <sup>th</sup> *	AB 133 working group #6	

Check the AB 133 website for agendas and meeting materials:

[https://www.hbex.ca.gov/stakeholders/AB\\_133\\_Health\\_Care\\_Affordability\\_Working\\_Group/](https://www.hbex.ca.gov/stakeholders/AB_133_Health_Care_Affordability_Working_Group/)

*\* If needed.*

# APPENDIX

# AB 133 LEGISLATION

## **SEC. 12. Section 100520.5 is added to the Government Code, immediately following Section 100520, to read:**

100520.5. (a) The Health Care Affordability Reserve Fund is hereby created in the State Treasury.

(b) Notwithstanding any other law, the Controller may use the funds in the Health Care Affordability Reserve Fund for cashflow loans to the General Fund as provided in Sections 16310 and 16381.

(c) Upon the enactment of the Budget Act of 2021, and upon order of the Director of Finance, the Controller shall transfer three hundred thirty-three million four hundred thirty-nine thousand dollars (\$333,439,000) from the General Fund to the Health Care Affordability Reserve Fund.

(d) Upon appropriation by the Legislature, the Health Care Affordability Reserve Fund shall be utilized, in addition to any other appropriations made by the Legislature for the same purpose, for the purpose of health care affordability programs operated by the California Health Benefit Exchange.

(e) (1) The California Health Benefit Exchange shall, in consultation with stakeholders and the Legislature, develop options for providing cost sharing reduction subsidies to reduce cost sharing for low- and middle-income Californians. On or before January 1, 2022, the Exchange shall report those developed options to the Legislature, Governor, and the Healthy California for All Commission, established pursuant to Section 1001 of the Health and Safety Code, for consideration in the 2022–23 budget process.

(2) In developing the options, the Exchange shall do all of the following:

(A) Include options for all Covered California enrollees with income up to 400 percent of the federal poverty level to reduce cost sharing, including copays, deductibles, coinsurance, and maximum out-of-pocket costs.

(B) Include options to provide zero deductibles for all Covered California enrollees with income under 400 percent of the federal poverty level and upgrading those with income between 200 percent and 400 percent, inclusive, of the federal poverty level to gold-tier cost sharing.

(C) Address any operational issues that might impede implementation of enhanced cost-sharing reductions for the 2023 calendar year.

(D) Maximize federal funding and address interactions with federal law regarding federal cost-sharing reduction subsidies.

(3) The Exchange shall make the report publicly available on its internet website.

(4) The Exchange shall submit the report in compliance with Section 9795 of the Government Code.