



**AB 133 Health Care Affordability Working Group  
Meeting #2**

October 14, 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, Introductions, and Agenda Review
2. Affordability of Out-of-Pocket Expenses in Covered California: Current Challenges and Options for Measuring Change – UC Berkeley Labor Center
3. AB 133 Health Care Affordability Estimated Costs for Various Benefit Options – Milliman
4. Agenda Review for October 28 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/)

# Affordability of Out-of-Pocket Expenses in Covered California: Current Challenges and Options for Measuring Change

Laurel Lucia, Health Care Program Director, UC Berkeley Labor Center

# Affordability of Out-of-Pocket Expenses in Covered California:

## Current Challenges and Options for Measuring Change

**Laurel Lucia**  
**UC Berkeley Labor Center**

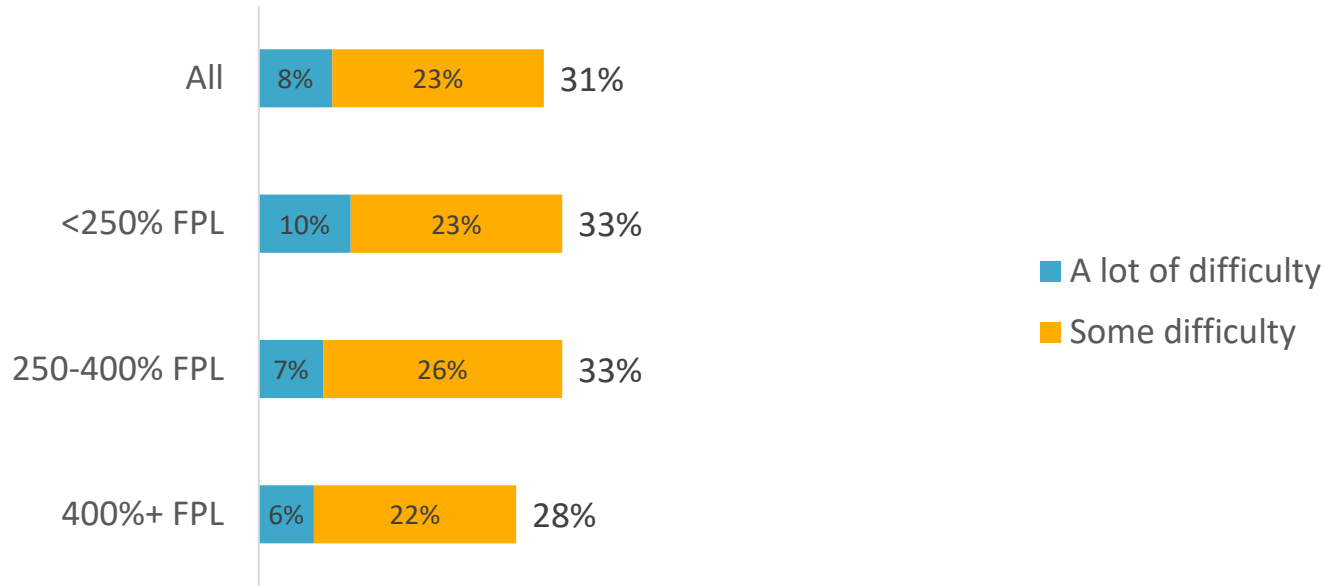
**AB 133 Workgroup**  
**October 14, 2021**

# ACA Improved Out-of-Pocket Affordability

	Pre-ACA individual market (2010)	Covered California (2021)
% of enrollees in Silver or better	16% in CA, PA, FL, UT, MI	70%
Average AV	60%	77%
Preventive services	No limit on cost sharing	Certain services no cost sharing
Out-of-pocket limit	None	\$8,200 individual, with lower limits for 55% of enrollees
Annual and lifetime limits	Common	Banned

# But One-Third of CA Individual Market Enrollees Reported Difficulty Affording Out-of-Pocket Costs in 2017

California individual market enrollees: “Since enrolling in your 2017 plan, have you had any difficulty paying out-of-pocket costs like copayments when you use health care?”



# Improving Actual and Perceived Out-of-Pocket Affordability

## Examples of potential policy levers

- Reduce deductibles, maximum out-of-pocket and/or copayments
- Assist enrollees with plan choice
- Make plan design simpler and/or help enrollees understand and use their plan benefits

## Policy goals

- Increase access to care by reducing financial barriers
- Improve financial security
- Increase enrollment

For particular income groups?



# How Massachusetts Evaluated Its Achievement of Affordability Policy Goals

MA Health Connector compared survey responses from those receiving ConnectorCare state affordability assistance to other Marketplace enrollees and all MA residents on:

- **Perceived affordability:**
  - Amount paid for health care services is affordable
- **Access to care:**
  - Delayed or foregone care due to cost
  - Unmet need for health care due to cost by reason: care not covered by health plan, copay or coinsurance too high, care subject to deductible
- **Financial:**
  - Have medical debt by reason: care not covered by health plan, copay or coinsurance too high, care subject to deductible
  - Amount of medical debt

# **CURRENT CHALLENGES**

# California Cost of Living Squeezes Household Budgets

## How much income do households need in 2021 to cover basic non-health expenses?

Including expenses for housing, childcare, transportation, food, miscellaneous expenses, and taxes

	Modoc County (lowest cost)	San Francisco County (highest cost)
Single adult	\$20,000 155% FPL	\$50,000 388% FPL
Two-working-parent family	\$55,000 208% FPL	\$119,000 449% FPL

*In 2019, median household income was \$45,507 in Modoc County and \$112,449 in San Francisco County. (U.S. Census)*

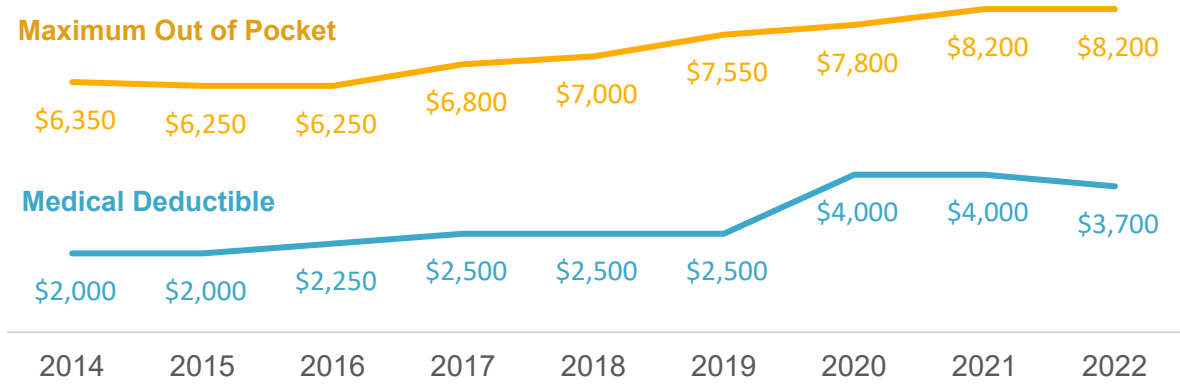
*See also: Laurel Lucia, [Balancing the Books: How Affordable is Health Insurance Through Covered California When Local Cost of Living is Taken Into Account?](#) California Health Care Foundation, May 2016.*

# Few Services Are Subject to Silver Medical Deductible But Use of Other Care May Still be Affected

- **Only inpatient and skilled nursing care are subject to medical deductible in Covered California Silver plans.**
  - Approximately 2-3% of Covered California Silver enrollees have a hospital stay each year.
  - However, many enrollees may not understand which services are subject to the deductible.
- **Researchers found that when a firm switched from a PPO with zero in-network cost sharing to a plan with a \$3,000-4,000 deductible, consumers reduced spending by 11.8-13.8%, reducing the use of both high value and low value care.\***
  - Enrollees reduced use of preventive care by 7.5% after the switch to a high deductible plan even though that care was free.

# Silver Deductible Has Nearly Doubled Since 2014

Covered California Silver 70 Plan  
Individual Maximum Out of Pocket and Deductible, 2014-2022



## Silver Deductible Amounts Exceed Assets and Income for Many in Covered California Subsidized Income Range

- **Only 34% of U.S. one-person households with income 150-400% FPL had at least \$4,000 in liquid assets in 2016.**
  - Silver 70 and Silver 73 medical deductible is \$3,700 in 2022
- **Median liquid assets for white U.S. households are significantly higher than for families of color.**
- **For Covered California enrollees with income approximately 200-400% FPL, Silver medical deductible is equivalent to 1 month of income or more.**

*See Appendix for more details*

# Copayments in Silver Plans Can Add Up to a Significant Share of Monthly Income

A recent study found that out-of-pocket spending for commercially insured individuals is often clustered in short time intervals\*

Examples of how much a single individual might spend in one month if following up on health care needs identified during an annual check up

Single individual monthly income: Plan:	\$1,621 Silver-87	\$2,694 Silver-70
Annual check up	Free	Free
Follow up lab work	\$20	\$40
Follow up primary care visit	\$15	\$35
Monthly Rx (preferred brand)	\$25	\$55
<b>Total out-of-pockets costs &amp; % of monthly income:</b>	<b>\$60 3.7% of income</b>	<b>\$130 4.8% of income</b>

# Copayments and Coinsurance Can Impact Access to Care

- **RAND Health insurance experiment (1970s):** participants with coinsurance reduced the use of effective and less effective care, compared to participants with free care
- **Kaiser Family Foundation (2017):** “A wide range of studies find that even relatively small levels of cost sharing, in the range of \$1 to \$5, are associated with reduced use of care, including necessary services”
- **Norris (2021):** “majority of findings in our literature conclude that [ACA] cost-sharing elimination led to increases in utilization for select preventive services”



# **OPTIONS FOR MEASURING CHANGE**

# Potential Metrics for Prospectively Evaluating Proposals

In addition to outputs proposed at 9/30/21 meeting - total cost, per member per month cost, enrollment – the AB 133 Workgroup could also consider using the following metrics to prospectively evaluate the improvement in affordability under various policy options:

- Increase in actuarial value
  - Reduction in underinsurance
- } in total and by income group

*After implementation, using survey-based metrics like those used by Massachusetts Health Connector would be the most direct way to evaluate achievement of the program goals*

# Underinsurance is More Common in Individual Market Than in Job-based Coverage

**Commonwealth Fund defines “underinsured” as insured individual with:**

out-of-pocket costs, excluding premiums

- 10% or more of income (200%+ FPL) or
- 5% or more of income if low-income (<200% FPL)

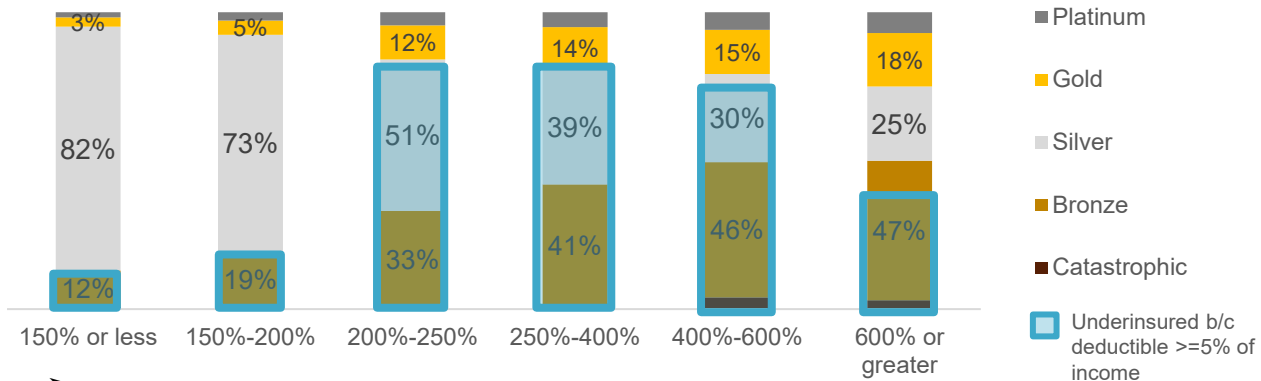
or deductibles equal to 5% or more of income

**Nationally, 42% of individual market enrollees and 26% of those with job-based coverage were underinsured in 2020**

This difference not only reflects the higher average actuarial value in job-based coverage but also the higher average income of those enrolled

# Approximately Half of Covered California Enrollees Are “Underinsured” Based on Their Deductible Alone, But That Doesn’t Take Plan Design Tradeoffs Into Account

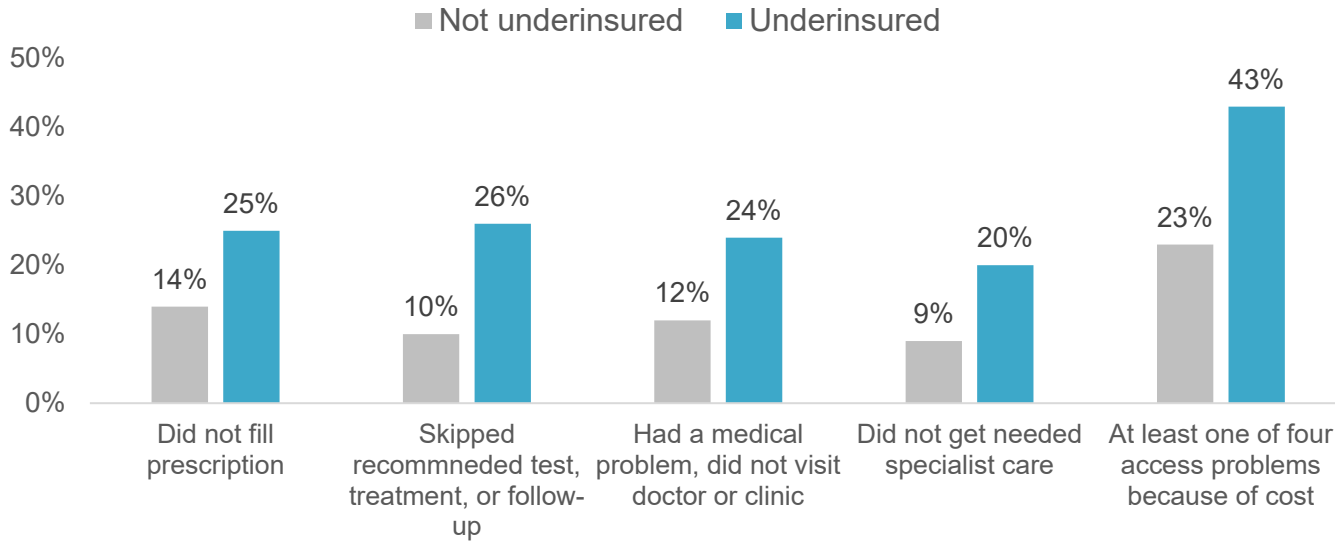
Covered California enrollees by FPL with a deductible greater than 5% of income, June 2021



- *Covered California has made significant efforts to design benefits to maximize value and access to care given the federal constraints on actuarial value*
- *By maximizing first dollar coverage for most outpatient services and keeping cost shares low for the most often used services, a higher deductible is required for inpatient and skilled nursing care only*
- *This is one limitation of the underinsured metric*

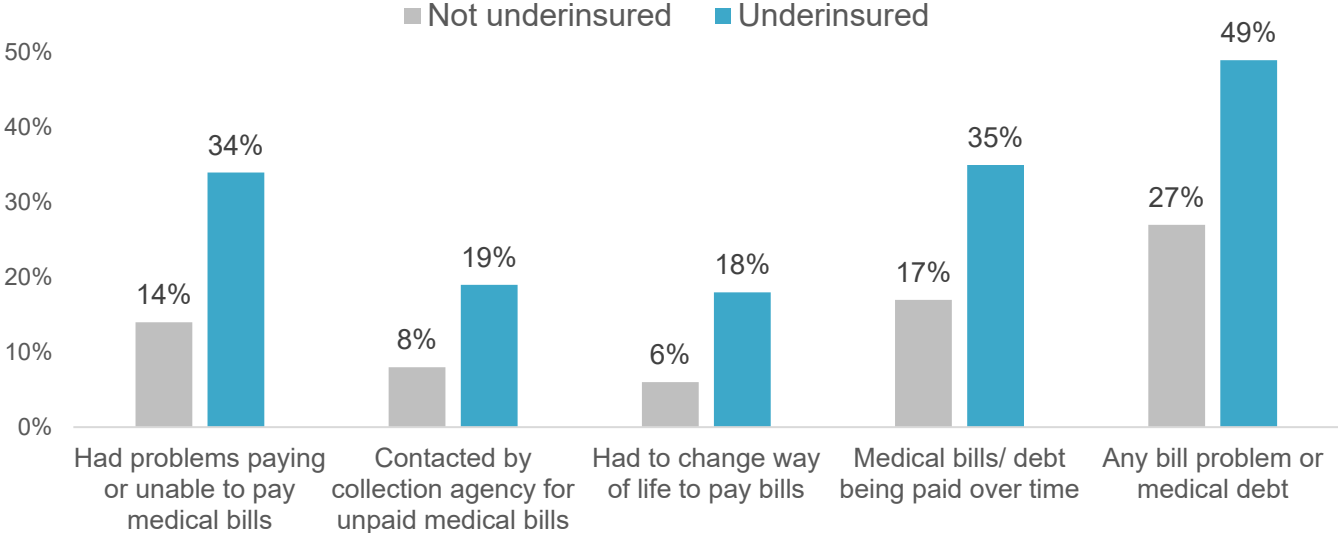
# Underinsured Adults are More Likely to Avoid or Delay Getting Needed Care

Percentage of adults ages 19-64 insured all year who had any of four access problems in the past year because of cost



# Underinsured Adults Are More Likely to Have Problems Paying Medical Bills

Percentage of adults ages 19-64 insured all year who had medical bill or debt problems in the past year



# Case studies: Another Approach to Understanding Affordability Impacts of Policy Options

- The impacts of policy options will vary significantly based on specific health care needs and income level
- Case studies representing a range of situations could highlight nuanced impacts that may not be clear from analysis of changes in actuarial value or underinsurance
  - Low, Medium, High, Very High Use
  - A few income examples based on populations prioritized

# Contact

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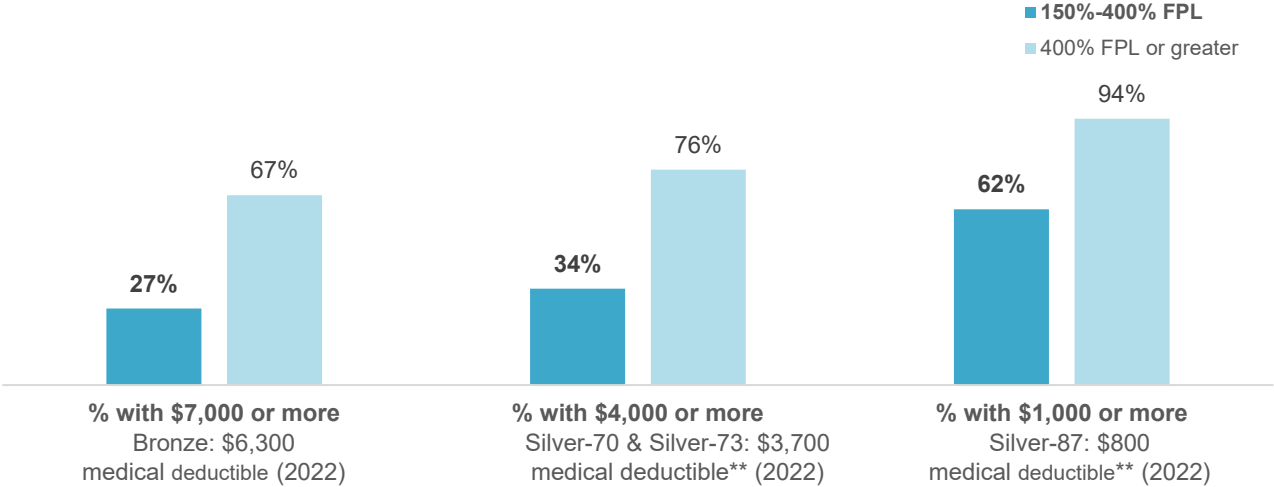
**[miranda.dietz@berkeley.edu](mailto:miranda.dietz@berkeley.edu)**



# APPENDIX

# Available assets fall short of deductible amounts for many with income under 400% FPL

What percentage of single individuals in U.S. had liquid financial assets\* in 2016 roughly sufficient to cover deductibles in Covered California?

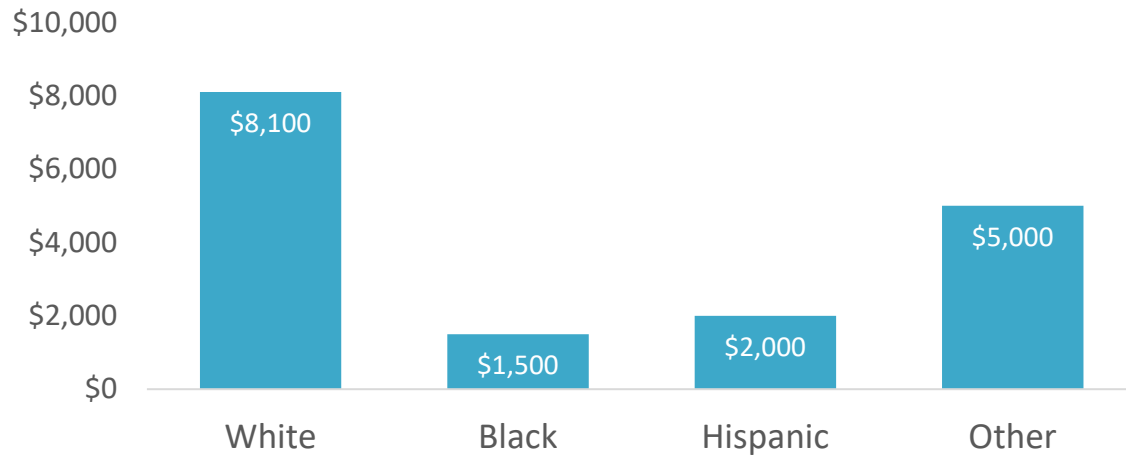


\* Liquid financial assets “includes checking and saving accounts, money market accounts, CDs, savings bonds, non-retirement mutual funds, stocks and bonds, but excludes the value of dedicated retirement accounts (such as 401k accounts) and the cash value of life insurance.”

\*\* Only inpatient and skilled nursing care are subject to medical deductible in Covered California Silver plans.

# Assets for White Families are Significantly Higher Than for Families of Color

Mean highly-liquid assets nationally in 2019



\* Highly-liquid assets “such as a checking account, savings account, or pre-paid card.”

# For Many Covered California Enrollees, Even Silver Deductible is Equivalent to 1 Month of Income or More

Months of income equivalent to annual deductible and maximum out-of-pocket amounts in 2022

Single individual FPL and annual income		Medical deductible		Maximum out-of-pocket	
		Bronze	Silver*	Bronze	Silver*
139%	\$ 17,903	4.2	0.1	5.5	0.5
151%	\$ 19,449	3.9	0.5	5.1	1.8
201%	\$ 25,889	2.9	1.7	3.8	2.9
251%	\$ 32,329	2.3	1.4	3.0	3.0
351%	\$ 45,209	1.7	1.0	2.2	2.2
401%	\$ 51,649	1.5	0.9	1.9	1.9
601%	\$ 77,409	1.0	0.6	1.3	1.3

\* Enhanced Silver Plans for examples below 250% FPL. Only inpatient and skilled nursing care are subject to medical deductible in Covered California Silver plans.

# PRESENTATION AND DISCUSSION OF COST SHARING REDUCTION OPTIONS MODELED

Milliman

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

# COVERED CALIFORNIA'S MODELING REQUEST

- Covered California asked the Milliman team to model a variety of cost sharing reduction options based on prior affordability work, other state programs, federal proposals and suggestions from working group members.
- Per member per month costs are presented for each option by FPL level.
- Covered California also requested that Milliman combine options in various ways and estimate total costs for those combinations.
  - Important note: total cost estimates are based on Covered California's 2021 membership adjusted for several scenarios of "tier switching" from Bronze, Gold and Platinum tiers to the Silver tier. We did not attempt to model total enrollment growth leading up to the 2023 plan year. For this reason, total cost estimates should be interpreted as rough orders of magnitude for various combinations rather than projected General Fund cost for a particular program design.

# AB 133 Health Care Affordability

Estimated Costs for Various Cost Sharing Reduction Combinations

OCTOBER 14, 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

1

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

5

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%	Deductible: \$0 MOOP: \$8,200 PCP Copay: \$35 X-Ray Copay: \$85 Rx Copays: \$15/55/85/20%	Deductible: \$3,700 MOOP: \$6,300 PCP Copay: \$35 X-Ray Copay: \$85 Rx Copays: \$15/55/85/20%	Deductible: \$0 MOOP: \$6,300 PCP Copay: \$35 X-Ray Copay: \$85 Rx Copays: \$15/55/85/20%	Deductible: \$0 MOOP: \$8,200 PCP Copay: \$35 X-Ray Copay: \$75 Rx Copays: \$15/55/80/20%	Deductible: \$0 MOOP: \$5,200 PCP Copay: \$15 X-Ray Copay: \$40 Rx Copays: \$5/25/45/15%
Federal AV (2022): 71.50%	Federal AV (2022): 74.29%	Federal AV (2022): 73.85%	Federal AV (2022): 76.28%	Federal AV (2022): 79.80%	Federal AV (2022): 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%	Deductible: \$0 MOOP: \$2,850 PCP Copay: \$15 X-Ray Copay: \$40 Rx Copays: \$5/25/45/15%	Deductible: \$0 MOOP: \$4,500 PCP Copay: \$15 X-Ray Copay: \$30 Rx Copays: \$5/15/25/10%	Deductible: \$75 MOOP: \$800 PCP Copay: \$5 X-Ray Copay: \$8 Rx Copays: \$3/10/15/10%	Deductible: \$0 MOOP: \$800 PCP Copay: \$5 X-Ray Copay: \$8 Rx Copays: \$3/10/15/10%	Deductible: \$0 MOOP: \$250 PCP Copay: \$0 X-Ray Copay: \$0 Rx Copays: \$0/10/10/10
Federal AV (2022): 87.88%	Federal AV (2022): 88.30%	Federal AV (2022): 89.25%	Federal AV (2022): 94.66%	Federal AV (2022): 94.92% Note: Also called 95 Silver	Federal AV (2022): 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 that the uncertainty in cost is greater when the increase in benefits is greater. In addition, 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 that the uncertainty in cost is greater when the increase in benefits is greater. In addition, 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 that the uncertainty in cost is greater when the increase in benefits is greater. In addition, 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 that the uncertainty in cost is greater when the increase in benefits is greater. In addition, 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 that the uncertainty in cost is greater when the increase in benefits is greater. In addition, 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 that the uncertainty in cost is greater when the increase in benefits is greater. In addition, the middle-income categories have more potential for increased Silver take-up.

## 5. Methodology and Limitations

# Benefit Modeling Assumptions

We used the Milliman *Health Cost Guidelines*™ 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.

We used the 2022 Federal Actuarial Value Calculator to calculate the Federal AVs.

# 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 17-C-024-4.

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.



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# WORKING GROUP DISCUSSION OF OPTIONS MODELED

- Any options or combinations you want to review again?
- Any questions about data, assumptions or methods?
- Any options or combinations that seemed particularly worthy of additional discussion?
- Any options or combinations that seemed particularly problematic?
- Any gaps in options modeled?

# 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>• Continue discussion of operations</li></ul>
<b>November 18<sup>th</sup></b>	<b>Board meeting</b>	Present cost sharing estimates and discuss operational issues
December 2 <sup>nd</sup>	AB 133 working group #5	<ul style="list-style-type: none"><li>• Review ARPA modeling if needed</li><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.