

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.

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1. Benefit Plans Modeled

Benefit Plans Modeled

Existing Plan Designs and Illustrative Plan Designs

| 1 | 2* | 3 | 4* | 5* | 6* |
|---|---|---|---|---|--|
| Individual Silver (Existing) | Individual Silver with Deductible Removed (Illustrative) | 73 Silver (Existing) | 73 Silver with Deductible Removed (Illustrative) | 80 Silver (Illustrative) | 85 Silver (Illustrative) |
| 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* |
|--|--|--|---|---|--|
| 87 Silver (Existing) | 87 Silver with Deductible Removed (Illustrative) | 90 Silver (Illustrative) | 94 Silver (Existing) | 94 Silver with Deductible Removed (Illustrative) | 99 Silver (Illustrative) |
| 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 |
| Current Enrollment (Sept. 2021) | 205,050 | 324,850 | 123,800 | 56,850 | 113,650 |

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 |
| Current Enrollment (Sept. 2021) | 57,750 | 121,600 | 51,400 | 24,450 | 48,900 |

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 |
| Current Enrollment (Sept. 2021) | 147,300 | 203,250 | 72,400 | 32,400 | 64,750 |

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 | |
| Option 1: 95/90/85, no deductibles | 95 Silver | 95 Silver | 90 Silver | 90 Silver | 85 Silver | |
| 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 | |
| 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 | |
| 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 | |
| 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. | |
| 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 | |
| Option 4: Massachusetts | 95 Silver | 95 Silver | 94 Silver* | 94 Silver* | 70 Silver | |
| 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 | |
| Option 5: Colorado | 94 Silver | 94 Silver* | 73 Silver | 70 Silver | 70 Silver | |
| 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 | |
| Option 6: Vermont | 94 Silver | 87 Silver | 80 Silver* | 73 Silver | 70 Silver | |
| 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 | |
| Option 7: ACA Plans, w/“Level Up” for 150-250% | 94 Silver | 94 Silver | 87 Silver | 70 Silver | 70 Silver | |
| 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 | |
| Option 8: CSR “Level Up”, w/o Deductibles | 94 Silver, no deduct. | 94 Silver, no deduct. | 87 Silver, no deduct. | 80 Silver | 80 Silver | |
| 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*[™] 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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