



**COVERED**  
**CALIFORNIA**

**PLAN MANAGEMENT ADVISORY GROUP**

August 10, 2017

# WELCOME AND AGENDA REVIEW

ROB SPECTOR, CHAIR  
PLAN MANAGEMENT ADVISORY GROUP

# AGENDA

## AGENDA

### Plan Management and Delivery System Reform Advisory Group

#### Meeting and Webinar

Thursday, August 10 , 2017, 10:00 a.m. to 12:00 p.m.

Webinar link: <https://attendee.gotowebinar.com/register/1684197107023819266>

- |      |   |                         |
|------|---|-------------------------|
| I.   | Welcome and Agenda Review               | 10:00 - 10:05 (5 min.)  |
| II.  | 2018 Contingency Planning for Stability | 10:05 – 10:50 (45 min.) |
| III. | Review of 2018 Rates and Offerings      | 10:50 – 11:35 (45 min.) |
| IV.  | Open Forum                              | 11:35 – 11:50 (15 min.) |
| V.   | Next Steps                              | 11:50 – 12:00 (10 min.) |

# 2018 CONTINGENCY PLANNING FOR STABILITY

PETER V. LEE, DIRECTOR  
COVERED CALIFORNIA

# 2018 COST SHARING REDUCTIONS CONTINGENCY PLAN

- To offset losses from potential CSR de-funding, Covered California has proposed that issuers submit a second set of rates they would charge if the CSR program is not funded, by loading the rate increase attributable to the CSR program on the standard Silver, including the mirrored Silver sold off-exchange.
- In addition, the Covered California Board approved an amendment to health plans contracts issuers to require them to offer an additional, separately rated, non-mirrored Silver plan off Exchange that is virtually identical to the standard Silver if the CSR program is not funded.

## ***Updates:***

- Covered California will not be auto-enrolling unsubsidized Silver members off Exchange, but will specifically message this population.
- Consumer messaging work is ongoing internally and with stakeholders, starting with member notices and identifying population buckets and key messages.
- A “go/no-go” date is still being considered in context of federal and state law and other requirements. (Timing and considerations discussed on slide 5.)

# 2018 COST SHARING REDUCTION SURCHARGE “GO / NO-GO” DECISION CONSIDERATIONS

## Key Dates and Deadlines:

- 10/3 - Early renewal starts (tentative)
- 10/20 – Renewal notices with rates must be in members hands (SB908)
- 11/1 – Open enrollment starts
- 12/15 - Last date to select a plan for 1/1 effective date

## Questions & Discussion Topics

- Do we continue with early renewal, and are renewal notices critical to early renewal?
- Flexibility of regulatory requirements.
- Timeline compression impact on call centers, enrollment partners, and systems (both CalHEERS and QHPs).
- Member calls have started, since actual rates are not yet available.

# 2018 PLAN PARTICIPATION AND CONSUMER PRICE MODERATION: CONTRACT PROVISIONS

- Carriers could have increased rates significantly or exited the Exchange in light of continued uncertainty at the federal level and the potential for losses in 2018.
- To mitigate this risk, **Covered California has proposed new contract language that would allow issuers that incur losses in 2018 due to enrollment changes and certain federal laws and policies to increase its profit margin to recoup such losses** over the course of three years (plan years 2019, 2020, 2021)
  - Issuers incurring losses in 2018 due to changes in federal policy or enrollment levels may increase profit margins in 2019-2021
  - Issuers receiving profits due to uncertainty should factor such profits into a reduction of its premium rates over the next one to three plan years
  - Covered California will utilize the annual negotiation process to consider the duration and amount to supplement issuer profit margins for building or maintaining adequate reserves or to deduct the unanticipated 2018 profits from the issuer's future profit margins
  - If this process is invoked, Covered California would convey to the regulator its perspective on the reasonableness of profit margins given the exceptional circumstances as they conduct their own independent review

# 2018 PLAN PARTICIPATION AND CONSUMER PRICE MODERATION: FULL TEXT OF CONTRACT LANGUAGE

“In the Exchange’s review of the detailed rationale for each plan’s rate development, it has generally taken the view that absent extraordinary circumstances, as determined by the Exchange, profit margins over the range that have historically been considered to be reasonable would be unacceptable. The Exchange understands that considerable uncertainty exists with respect to potential enrollment changes and certain federal laws and policies that may impact premium rates for the 2018 plan year. The Exchange recognizes that “pricing for this uncertainty” could lead health plans to increase premiums in amounts that would have immediate and significant harmful impacts on consumers. In the context of this uncertainty and in recognition of Contractor’s establishing prices for the 2018 year with higher than usual levels of uncertainty, should Contractor incur losses in plan year 2018 due to these uncertainty factors, Contractor may, over the course of the next three years (plan years 2019, 2020 and 2021) increase its profit margin to recoup such losses. Likewise, should Contractor receive profits due to these uncertainty factors, Contractor should factor such profits into a reduction of its premium rates over the next one to three plan years. The Exchange will utilize the annual negotiation process in future years to consider the duration and amount to supplement Contractor’s profit margins that may be appropriate to recoup such losses for the purpose of building or maintaining adequate reserves; or to deduct the unanticipated profits for the 2018 plan year from Contractor’s profit margins. In doing so, the Exchange will consider the Contractor’s documented historic profit margin with the Exchange and the need for Contractor to maintain sufficient regulatory surplus. The parties understand that California’s insurance regulators – the Department of Managed Health Care and the California Department of Insurance – conduct their own independent review of rates subsequent to the parties’ negotiation. In the event the Contractor needed to invoke this process, the Exchange would convey to the regulator its perspective on the reasonableness of profit margins given the exceptional circumstances.”

# REVIEW OF 2018 RATES AND OFFERINGS

JAMES DEBENEDETTI, DIRECTOR  
PLAN MANAGEMENT DIVISION

# REVIEW OF 2018 RATES AND OFFERINGS

- Average weighted rate change of 12.5 percent. The change is lower than last year and includes a one-time increase of 2.8 percent due to the end of the health insurance tax “holiday.”
- Consumers can limit the rate change to 3.3 percent if they switch to the lowest-cost plan in the same metal tier.
- Health plans also submitted rates for a potential “cost-sharing reduction surcharge” that would be added only to the premium for Silver-tier consumers. The increase averages 12.4 percent, which is what is required to address continued uncertainty over the federal funding that lowers out-of-pocket costs for more than 650,000 enrollees in California.
- All 11 health insurance companies will return to the market in 2018, and 82 percent of consumers will be able to choose from three companies or more. However, Anthem will be leaving some markets that comprise about half of its enrollment.

# REVIEW OF 2018 RATES AND OFFERINGS



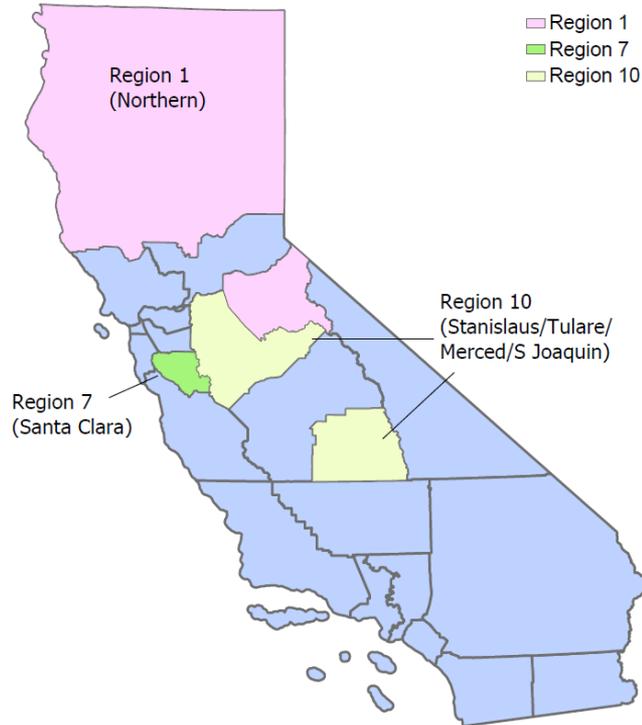
**PRICING REGION**

	ANTHEM		BLUE SHIELD		CCHIP	HEALTHNET OF CA		HEALTH NET LIFE		KAISER PERMANENTE	L.A. CARE	MOLINA HEALTHCARE	OSCAR	SHARP HEALTH PLAN		VALLEY HEALTH PLAN	WESTERN HEALTH ADV.
	EPO	PPO	HMO	HMO	HSP	HMO	PPO	EPO	HMO	HMO	HMO	EPO	HMO-1 Carey	HMO-2 Continence	HMO	HMO	
1 Northern counties	●	●	○						○								
2 North Bay Area		●	○					●									●
3 Greater Sacramento		●	○					○									○
4 San Francisco County		●	●	●	●			●									
5 Contra Costa County		●	●	●				●									
6 Alameda County		●	●	●				●									
7 Santa Clara County	●	●	●					●								●	
8 San Mateo County		●	●	○				●									
9 Santa Cruz, San Benito, Monterey		●	●	○				○	○								
10 Central Valley	●	●	○					○	○								
11 Fresno, Kings, Madera counties		●	○					○									
12 Central Coast		●	○					○									
13 Eastern counties		●	○					○									
14 Kern County		●	○					○									
15 Los Angeles County, partial		●	○					○									
16 Los Angeles County, partial		●	○					○									
17 Inland Empire		●	○					○									
18 Orange County		●	○					○									
19 San Diego County		●	○					○						○	●		

● Full Region ○ Partial Region

# REVIEW OF 2018 RATES AND OFFERINGS

## Regions Where Anthem Remains in 2018 (EPO Only)



Approximately **153,000** Covered California members (and **151,000** members in off-Exchange, mirror plans) will be impacted by Anthem's exit from 16 regions.

### Other service area changes in 2018:

- Health Net is adding its PPO to Sacramento, Placer, Yolo, Los Angeles, San Diego, and other parts of Southern California
- Health Net is removing its HMO from Regions 1, 3, 7, and 11 (northern/central California)
- Blue Shield is expanding its HMO to Solano, Contra Costa, Alameda, and Ventura
- Oscar will expand to Northeast Los Angeles (Region 15)

# 2018 COST SHARING REDUCTION SURCHARGE RATE IMPACT

Region	Regional Rate Change		% Increase due to CSR surcharge
	Lowest-price Silver plan (unweighted average)	Lowest-price Silver plan <i>with surcharge included</i> (unweighted average)	
Region 1	3.9%	19.1%	15.2%
Region 2	11.2%	27.4%	16.2%
Region 3	2.5%	11.0%	8.5%
Region 4	6.3%	23.4%	17.1%
Region 5	3.9%	19.1%	15.2%
Region 6	3.9%	19.1%	15.2%
Region 7	0.0%	12.0%	12.0%
Region 8	3.9%	19.1%	15.2%
Region 9	3.9%	18.6%	14.7%
Region 10	6.7%	22.0%	15.3%
Region 11	7.5%	16.5%	9.0%
Region 12	4.3%	13.0%	8.7%
Region 13	16.0%	38.8%	22.8%
Region 14	12.6%	26.7%	14.1%
Region 15	13.7%	29.6%	15.9%
Region 16	19.3%	34.3%	15.0%
Region 17	24.9%	37.4%	12.5%
Region 18	13.5%	27.7%	14.2%
Region 19	17.4%	32.1%	14.7%

If Covered California determines that it must incorporate a surcharge due to lack of CSR funding, Silver-tier plans would increase to make up for the loss.

The additional surcharge would be paid predominantly by the federal government in the form of higher premium assistance for consumers.

Issuer	CSR surcharge
Anthem	11.2%
Blue Shield	8.3%
CCHP	16.0%
Health Net Life	13.1%
Health Net of CA	12.5%
Kaiser	14.6%
LA Care	21.0%
Molina	19.6%
Oscar	10.3%
Sharp	27%
Valley	12.0%
WHA	17.7%

## 2018 PRODUCT OFFERING HIGHLIGHTS

- **Primary Care:** 2017 marked the first year of a policy requiring all health plans to assign members to a primary care clinician within 60 days of enrolling. This new initiative aims to help consumers get the right care when they need it by connecting them to providers who can serve as the point of entry into an often complex and daunting health care system. As a result, 99 percent of consumers were matched to a primary care physician or clinician in 2017.
- **Benefit Design:** In 2018, consumers in Silver 94, Gold and Platinum plans will have lower out-of-pocket maximums. Platinum consumers will have a lower copay to see a specialist. Gold consumers will see lower copays for primary care and urgent care visits, and consumers in Silver and Silver 73 plans will see a lower pharmacy deductible.

# OPEN FORUM

JAMES DEBENEDETTI, DIRECTOR  
PLAN MANAGEMENT DIVISION

# NEXT STEPS

ROB SPECTOR, CHAIR  
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