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# Calendar Year 2018 Federally-Facilitated Marketplace: Analysis of Consumer Out-of-Pocket Premium Rate Changes

Oklahoma State Department of Health

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## INTRODUCTION

November 1, 2017, marked the beginning of the calendar year 2018 open enrollment period for individual health insurance, including coverage available through the federally facilitated marketplace (FFM).<sup>1</sup> Many Oklahomans purchasing coverage through the FFM with federal premium assistance may experience significant decreases in out-of-pocket premium expenses relative to 2017. In many cases, those consumers will be able to purchase a \$0 cost *silver-level* plan through the FFM. While \$0 cost bronze plans were available to certain consumers in 2017, consumers may have greater benefits from purchasing a silver plan in 2018. Most individuals who qualify for an enhanced cost-sharing reduction (CSR), which reduces their out-of-pocket expenses (e.g., deductible, coinsurance, out-of-pocket maximum), can only access it through the purchase of a Silver plan.<sup>2</sup> This issue brief discusses why these beneficial premium changes will occur for the 2018 coverage year and the potential cost savings available to consumers.

## PREMIUM ASSISTANCE AND NET PREMIUM CALCULATION

Under the Affordable Care Act (ACA), federal premium assistance is provided to qualifying consumers through an Advanced Premium Tax Credit (APTC). The APTC value is determined by the household’s income level, the number of family members, and the premium rate for the second-lowest cost silver plan available to the household.

The second-lowest cost silver plan is known as the “subsidy benchmark plan”, as the ACA caps a qualifying household’s out-of-pocket premium at a defined percentage of household income for the plan.<sup>3</sup> The difference between the full premium amount and the capped out-of-pocket premium equals the APTC available to the consumer. Figure 1 provides an illustrative example of this calculation for consumers with varying out-of-pocket premium requirements for the subsidy benchmark plan.

Figure 1 State of Oklahoma Illustrative Example of APTC Calculation			
	Household A	Household B	Household C
Subsidy Benchmark Plan Monthly Premium	\$600	\$600	\$600
Max Consumer Monthly Net Premium	\$100	\$200	\$300
Monthly APTC Value	\$500	\$400	\$300

<sup>1</sup> <https://www.healthcare.gov/quick-guide/dates-and-deadlines/>

<sup>2</sup> Members of federally-recognized tribes may purchase bronze coverage and qualify for a CSR plan.

<sup>3</sup> In geographic areas where only one silver plan is offered, this plan serves as the second-lowest cost silver plan.

Consumers can elect to apply the APTC to the purchase of the subsidy benchmark plan, or to any other qualified health plan (QHP) offered on the FFM.<sup>4</sup> Figure 2 illustrates the change in Household A's monthly net premium if the APTC is applied to a lower or higher cost plan.<sup>5</sup>

<b>Figure 2</b> <b>State of Oklahoma</b> <b>Illustrative Example of Household A's Net Premium for Alternative QHPs</b>			
	<b>Lower</b>	<b>Subsidy</b>	<b>Higher</b>
<b>Monthly APTC Value</b>	\$500	\$500	\$500
<b>Monthly Premium (Prior to APTC)</b>	\$500	\$600	\$700
<b>Consumer Monthly Net Premium</b>	\$0	\$100	\$200

As illustrated in Figure 2, the household may apply the APTC value to a lower cost plan that would result in a monthly net premium of \$0, or a higher cost plan that would increase the monthly net premium to \$200.

<sup>4</sup> An APTC cannot be applied to the purchase of catastrophic coverage.

<sup>5</sup> Note, a consumer does not get a rebate from the federal government if the APTC value exceeds the full premium amount.

## 2018 PREMIUM RATE CHANGES

Figure 3 summarizes 2017 to 2018 premium rate changes (prior to application of premium assistance) for the lowest cost bronze, silver, and gold plans, as well as the second-lowest cost silver plan.<sup>6</sup> A statewide composite value has been estimated for each measure based on 2017 FFM selections by county. It is important to note that the percentage changes do not necessarily reflect identical plans in both years.

Figure 3 State of Oklahoma Summary of FFM Premium Rate Changes between 2017 and 2018						
Counties	Rating Area	% of Selections	Lowest Cost Bronze	Lowest Cost Silver	2nd Lowest Cost Silver	Lowest Cost Gold
Le Flore, Sequoyah	1	2.6%	6.4%	2.9%	17.1%	(4.7%)
Comanche	2	2.0%	6.7%	3.1%	32.6%	7.9%
Canadian, Cleveland, Grady, Lincoln, Logan, McClain, Oklahoma	3	38.4%	8.2%	4.5%	38.9%	13.1%
Creek, Okmulgee, Osage, Pawnee, Rogers, Tulsa, Wagoner	4	26.6%	8.4%	4.8%	23.0%	0.2%
Adair, Atoka, Beaver, Beckham, Blaine, Carter, Choctaw, Cimarron, Coal, Craig, Custer, Dewey, Garfield, Garvin, Greer, Harmon, Harper, Haskell, Hughes, Jefferson, Johnston, Kingfisher, Kiowa, Latimer, Love, Major, McCurtain, Murray, Muskogee, Noble, Payne, Pontotoc, Pottawatomie, Pushmataha, Roger Mills, Tillman, Woods	5	17.1%	9.9%	6.2%	29.5%	5.4%
Alfalfa, Bryan, Caddo, Cherokee, Cotton, Delaware, Grant, Kay, Marshall, Mayes, McIntosh, Nowata, Okfuskee, Ottawa, Pittsburg, Seminole, Stephens, Washington, Washita, Woodward	5	12.2%	4.6%	7.8%	5.7%	(11.3%)
Ellis, Jackson, Texas	5	1.0%	(11.5%)	(13.0%)	5.7%	(11.3%)
<b>Statewide Composite</b>	<b>All</b>	<b>100.0%</b>	<b>7.7%</b>	<b>5.1%</b>	<b>27.2%</b>	<b>4.0%</b>

Note: Selection distribution based on total county-level FFM selections. We have separately shown rate changes in rating area 5 across three groups of counties to reflect premium rate variation within the rating area.

As illustrated in Figure 3, statewide composite premium rate increases for the lowest cost plan in the three metallic tiers are less than 10%. However, the premium rate increase for the second-lowest cost silver plan increased by nearly 30%, ranging from less than a 6% increase to a nearly 39% rate increase. The significant premium rate increase for the second-lowest cost silver plan will result in much higher APTC values for many Oklahomans in 2018.

<sup>6</sup> Note, the actual plans available to consumers varies by county.

## FFM PLAN CHOICE AND IMPACT TO FEDERAL PREMIUM ASSISTANCE

Blue Cross Blue Shield of Oklahoma (BCBS) elected to offer significantly fewer plans on the FFM for 2018. For example, amongst silver plans, BCBS is offering a single plan in 20 counties and two plans in all other counties. In 2017, two plans were available in 23 counties, with five plans available elsewhere.

In 2017 and 2018, BCBS primarily used two provider networks for their FFM plan offerings. The lower cost plans use BCBS’s “Advantage” provider network (Advantage network), while the higher cost plans use BCBS’s “Preferred” provider network (Preferred network). The Preferred network offers a broader breadth of provider choices compared to the Advantage network.<sup>7</sup> In 2017, BCBS offered multiple Advantage network plans, with minimal premium differences, resulting in the Advantage network being used as the subsidy benchmark plan in the majority of counties.

In 2018, BCBS is only offering one Advantage network plan in the counties where it is offering two plans, while continuing to offer a Preferred network plan. As a result, the Preferred network plan will become the subsidy benchmark plan, thereby significantly increasing the premium assistance value available to consumers in these counties. A significant premium rate difference exists between the lowest (Advantage network) and second-lowest cost (Preferred network) silver plans, ranging from \$69 to \$139 per month for a 21 year old, and \$222 to \$450 per month for a 64 year old. While the 2018 premium rate differences between the Advantage and Preferred network plans are not dissimilar to variances observed in 2017, the key change is that the federal government’s APTC calculation is now based on the Preferred network plan.

From a consumer perspective, it should be noted there are limited plan design differences between the Advantage and Preferred plans, other than the composition of the provider network. As shown in Figure 4, the standard 70% actuarial value plan design (without CSR variants) only varies for the following cost sharing parameters.<sup>8</sup>

Figure 4 State of Oklahoma Plan Design Differences between Preferred and Advantage Network Silver Plans		
Plan Design Parameter	Preferred	Advantage
Deductible (Single)	\$1,450	\$1,400
Primary Care Visit	\$10 copay	40% coinsurance, after deductible
Generic Drug	\$5 copay	20% coinsurance, after deductible

<sup>7</sup> Available providers in each network may be found at <https://www.bcbsok.com/find-a-doctor-or-hospital/find-a-doctor>.

<sup>8</sup> Only plan design features in the 2018 individual market landscape file from data.healthcare.gov were reviewed.

## IMPACT TO NET PREMIUMS FOR OKLAHOMANS ELIGIBLE FOR FEDERAL PREMIUM ASSISTANCE

As discussed previously, the APTC value for a household is determined based on the difference between the full premium of the second-lowest cost silver plan and the maximum prescribed out-of-pocket premium amount under the ACA. Figure 5 provides the 2018 maximum out-of-pocket premium amounts for a single individual by income.

<b>Figure 5 State of Oklahoma Maximum 2018 Second-Lowest Cost Silver Plan Out-of-Pocket Premium Amounts for a Single Household Eligible for Premium Assistance</b>		
<b>Income as % of Federal Poverty Level</b>	<b>Equivalent Annual Income</b>	<b>Maximum Monthly Premium</b>
100%	\$12,100	\$20
150%	\$18,100	\$61
200%	\$24,100	\$127
250%	\$30,200	\$204
300%	\$36,200	\$288
350%	\$42,200	\$336
400%	\$48,200	\$384

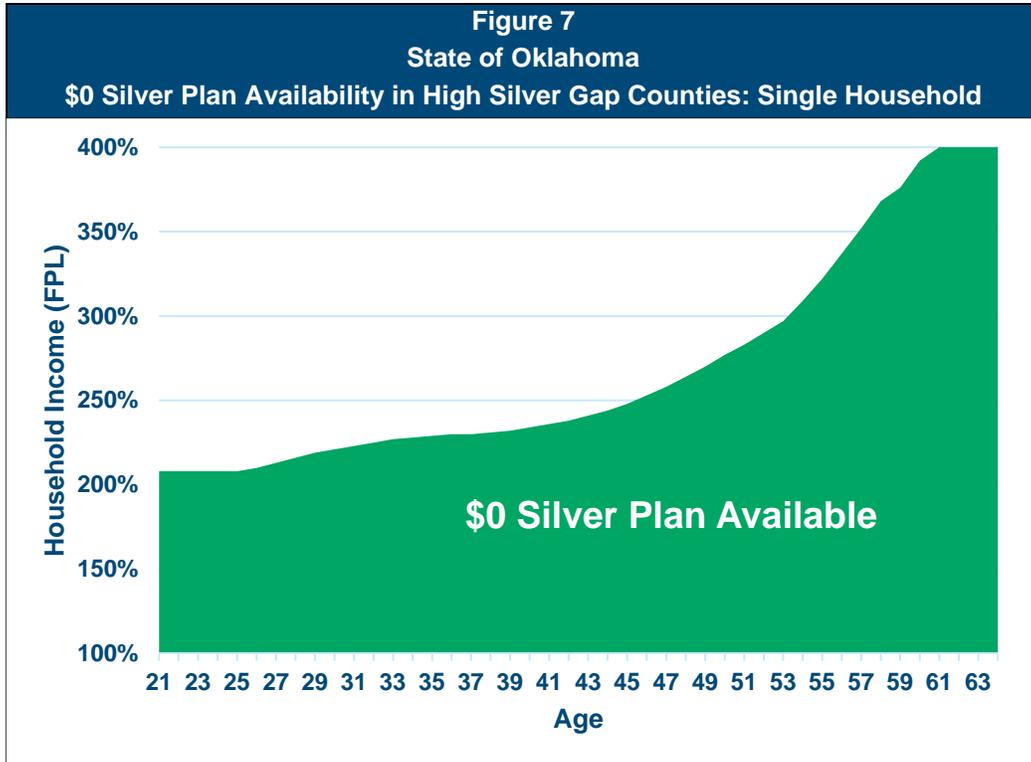
*Note: Values are rounded.*

In situations where the premium gap between the lowest and second-lowest cost silver plan is greater than the maximum monthly out-of-pocket premium for the subsidy benchmark plan, the household will be able to purchase a silver plan for \$0. Figure 6 provides an example of this scenario for a 21 year old single individual residing in Oklahoma County. In 2017, the same consumer would have a monthly out-of-pocket premium of approximately \$120 for the lowest-cost silver plan.

<b>Figure 6 State of Oklahoma CY 2018 Lowest Cost Silver Plan Monthly Out-of-Pocket Premium Amount</b>	
Second-Lowest Cost Silver Plan (Preferred Network)	\$536
Maximum Out-of-Pocket Premium	\$127
APTC Value	\$409
Lowest-Cost Silver Plan (Advantage Plan)*	\$397
Application of APTC Value	\$409
Out-of-Pocket Premium*	\$0

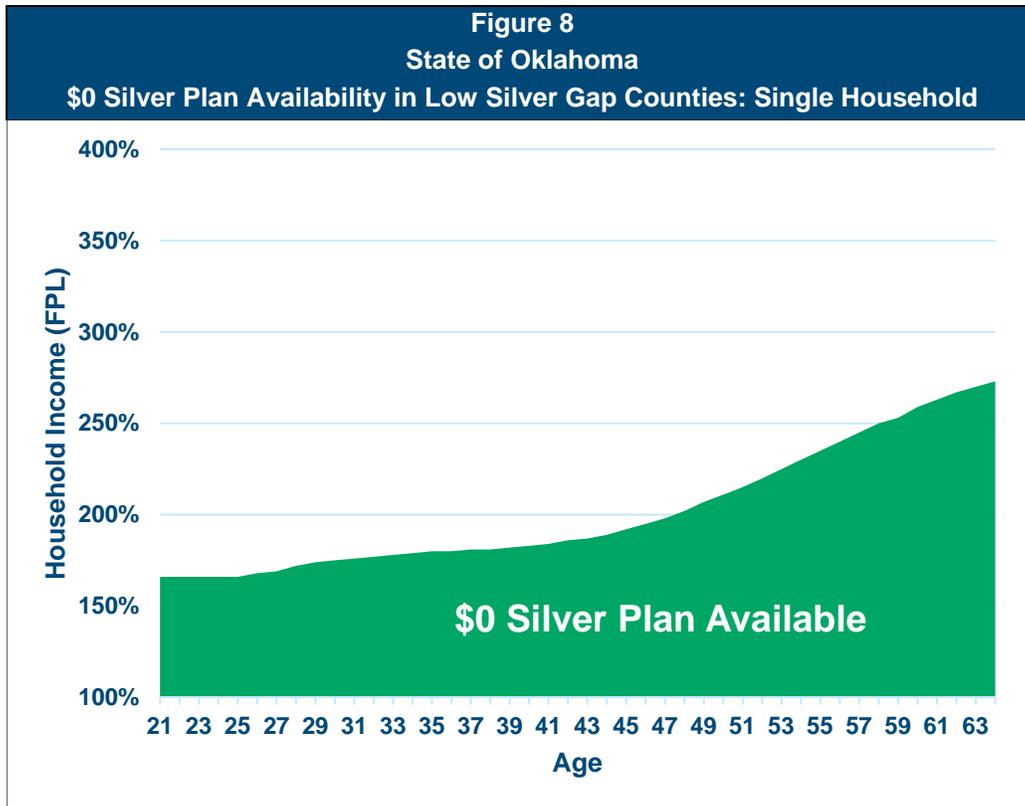
*\*If the APTC value exceeds the monthly premium, the APTC amount is capped at the premium amount (\$397 in this example).*

Figure 7 illustrates the age and income levels eligible for \$0 silver coverage on the FFM in 2018 in the seven counties with the largest gap between the lowest and second-lowest cost silver plans (high silver gap counties) for a single household. The high silver gap counties, which include Oklahoma County, represent approximately 38% of 2017 FFM plan selections. As shown in Figure 7, all single individuals between the ages of 21 and 64 with income under 200% FPL are estimated to be able to purchase a \$0 silver plan. At the oldest ages, even individuals with income at 400% will be able to purchase a \$0 silver plan.



Note: Chart applies to Canadian, Cleveland, Grady, Lincoln, Logan, McClain, and Oklahoma Counties.

Figure 8 provides identical information for counties with smaller differences between the lowest and second-lowest silver plan (low silver gap counties). The low silver gap counties, which include Tulsa County, represent approximately 27% of 2017 FFM plan selections. While the availability of \$0 silver plans is still significant, the income threshold for \$0 silver coverage decreases relative to the high gap counties. For example, in the high cap counties, all adults could purchase a \$0 silver plan if their household income was below 200% FPL. In the low gap counties, younger adults will have net premium payments as their household income increases above 150% FPL.



*Chart applies to Creek, Okmulgee, Osage, Pawnee, Rogers, Tulsa, and Wagoner counties*

For the 20 counties with only one silver plan offering, representing approximately 12% of 2017 FFM plan selections, out-of-pocket premium rates for silver coverage will match the values illustrated in Figure 5. For example, a single individual with income of 200% FPL would have \$127 monthly net premium for the silver plan.

## RECOMMENDATIONS

2018 open enrollment may provide the opportunity for previously uninsured lives, as well as the population currently insured through FFM coverage, to purchase individual market silver-level coverage through the FFM with available premium assistance at significantly lower costs. However, out-of-pocket premium expenses for the population qualifying for premium assistance are likely to vary more significantly across Oklahoma than prior years. Therefore, messaging to consumers regarding out-of-pocket premium changes may need to vary on a county-by-county basis.

Figure 9 illustrates the out-of-pocket premium cost to purchase the lowest-cost silver plan in 2017 and 2018 for a single 21 year old, non-tobacco user with income at 200% FPL. In 2017, out-of-pocket cost variation across the State was limited to less than \$3 per month. In 2018, nearly 40% of consumers (assuming a geographic distribution consistent with total FFM selections) would be able to purchase a \$0 silver plan, whereas 12% would have monthly out-of-pocket cost of nearly \$130.

**Figure 9**  
**State of Oklahoma**  
**Out-of-Pocket Cost for Lowest-Cost Silver Plan**  
**Single, 21 Year-Old, 200% FPL**

Counties	Rating Area	% of Selections	2017	2018
Le Flore, Sequoyah	1	2.6%	\$ 120.30	\$ 58.75
Comanche	2	2.0%	\$ 121.06	\$ 7.57
Canadian, Cleveland, Grady, Lincoln, Logan, McClain, Oklahoma	3	38.4%	\$ 121.05	\$ 0.00
Creek, Okmulgee, Osage, Pawnee, Rogers, Tulsa, Wagoner	4	26.6%	\$ 120.75	\$ 47.12
Adair, Atoka, Beaver, Beckham, Blaine, Carter, Choctaw, Cimarron, Coal, Craig, Custer, Dewey, Garfield, Garvin, Greer, Harmon, Harper, Haskell, Hughes, Jefferson, Johnston, Kingfisher, Kiowa, Latimer, Love, Major, McCurtain, Murray, Muskogee, Noble, Payne, Pontotoc, Pottawatomie, Pushmataha, Roger Mills, Tillman, Woods	5	17.1%	\$ 120.93	\$ 29.28
Alfalfa, Bryan, Caddo, Cherokee, Cotton, Delaware, Grant, Kay, Marshall, Mayes, McIntosh, Nowata, Okfuskee, Ottawa, Pittsburg, Seminole, Stephens, Washington, Washita, Woodward	5	12.2%	\$ 117.74	\$ 127.47
Ellis, Jackson, Texas	5	1.0%	\$ 117.74	\$ 29.28
<b>Statewide Composite</b>	<b>All</b>	<b>100.0%</b>	<b>\$ 120.49</b>	<b>\$ 35.08</b>

Note: Selection distribution based on total county-level FFM selections.

## LIMITATIONS

The services provided for this project were performed under the contract between Milliman and the Oklahoma State Department of Health (OSDH) dated June 8, 2017.

The information contained in this report has been prepared for OSDH and their consultants and advisors to provide understanding of consumer out-of-pocket premium rate changes in the federally-facilitated insurance marketplace during calendar year 2018. The data and information presented may not be appropriate for any other purpose.

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