



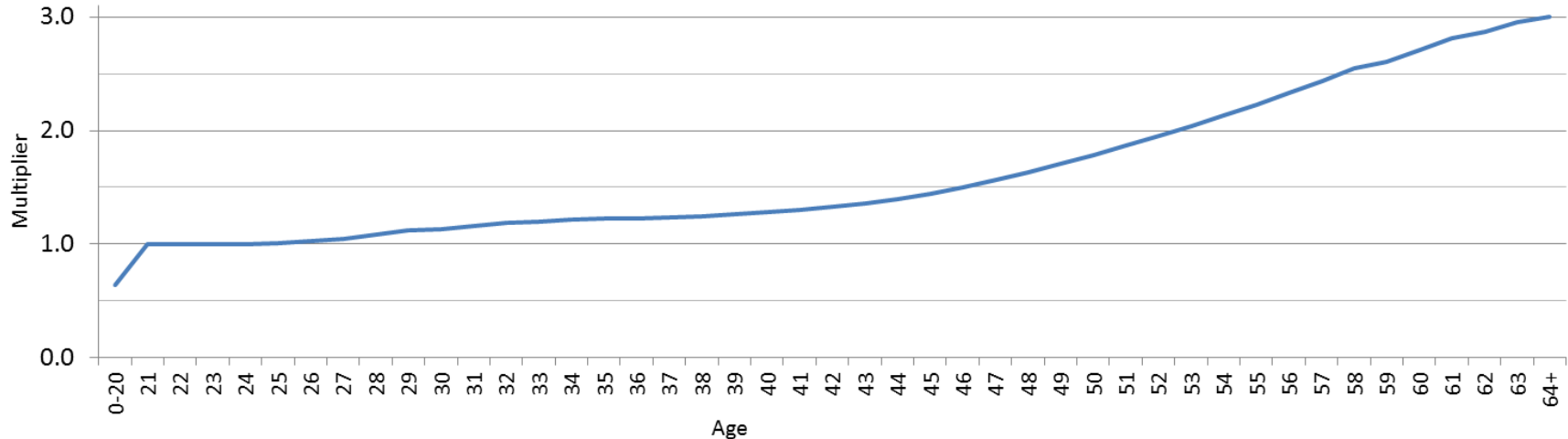
Key Findings from the Health Insurance Marketplaces: Net Premiums and Plan Choice

Kevin Hodges

Premium vs. Net Premium

- Marketplace premium is based on:
 - Age
 - Where you live
 - Plan you choose
 - Tobacco Use
- Net Premium =
Premium minus Subsidy (Advanced Premium Tax Credit)
- Subsidy is based on:
 - Household Income (% of FPL guideline)
 - Cost of Second Lowest Cost Silver Plan (Benchmark)

Impact of Age on Premium



- Default age curve is used in most states
 - Under 21: $0.635 * \text{Premium for 21-year-old}$
 - 64 and older: $3.0 * \text{Premium for 21-year-old}$
 - 21-24 year old: $1.0 * \text{Premium for 21-year-old}$
- For Example – if a 21-year-old's premium is \$100, a 64-year-old's premium will be \$300 (same rating area, tobacco status and plan)

Impact of Where You Live / Plan You Choose on Premium

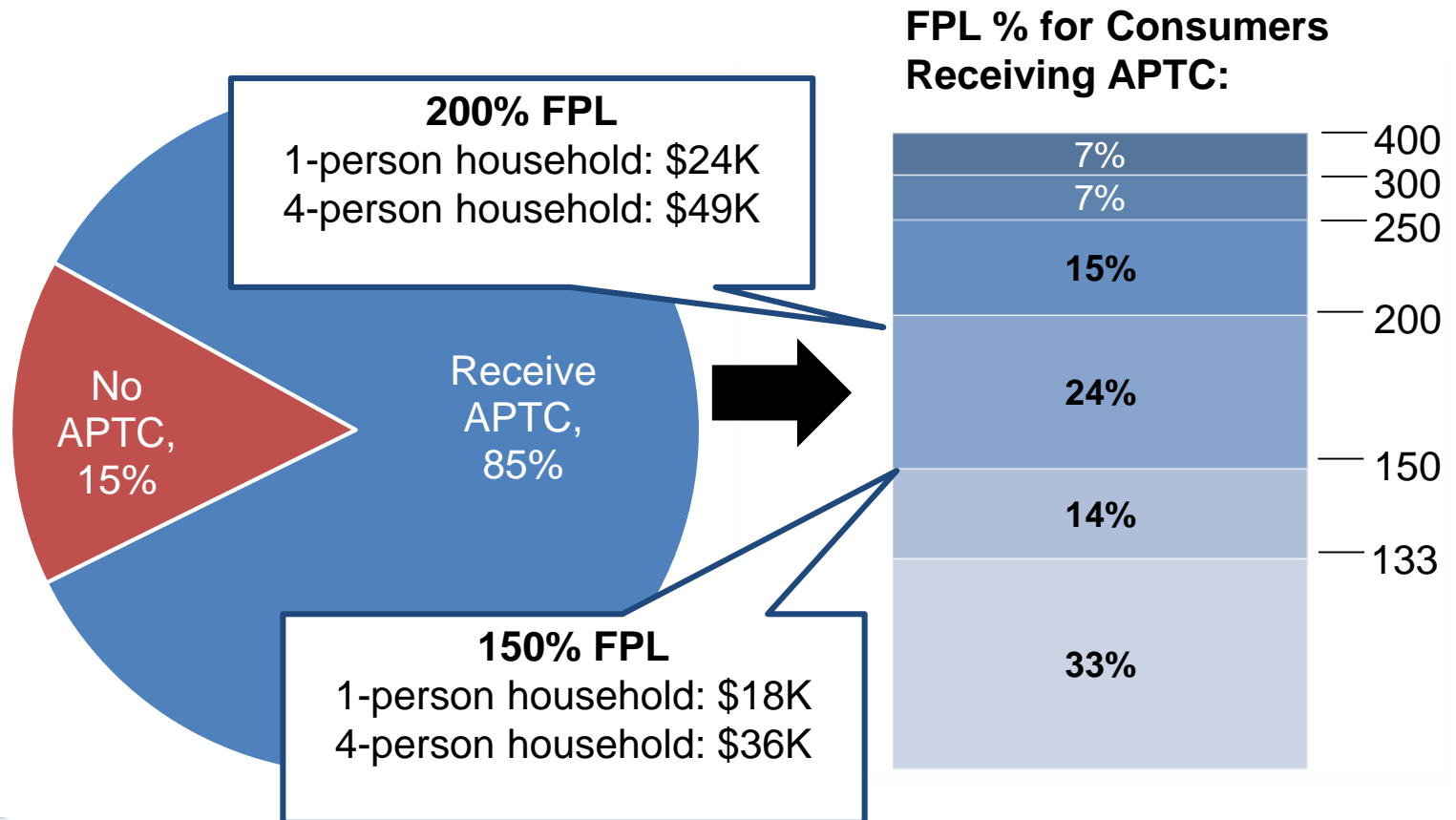
Silver premiums for a 21-year old by county

Silver Plan Rank	Carson City, Nevada	Curry, New Mexico
Lowest Cost	\$269	\$195
Benchmark	\$284	\$197
Third-Lowest Cost	\$296	\$218
Fourth-Lowest Cost	\$298	\$226
Fifth-Lowest Cost	\$302	\$228
...		
Highest Cost	\$341	\$271

Source: 2016 QHP Landscape File

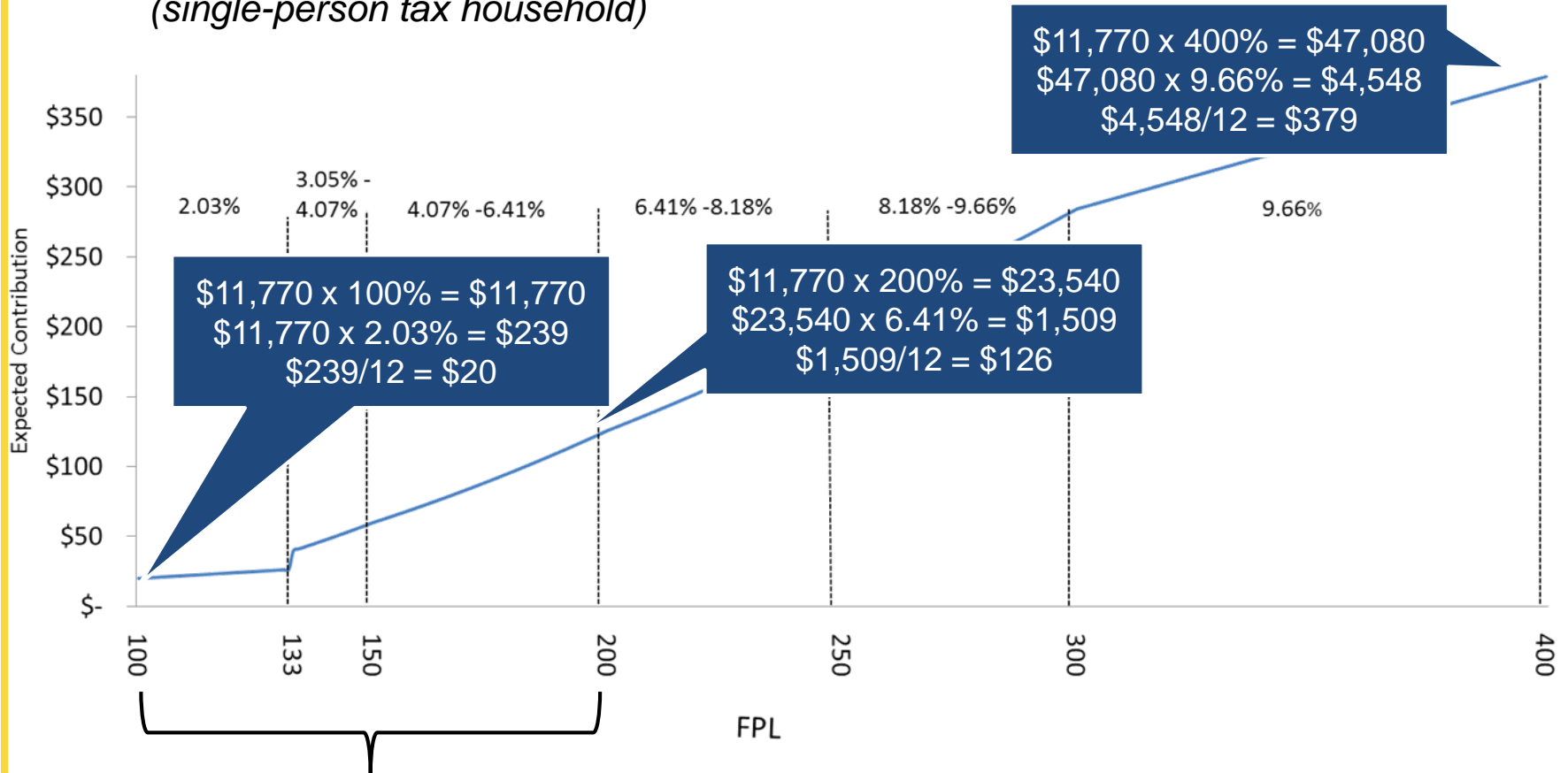
Who is getting subsidies?

- Consumers who fall between 100% and 400% of FPL, don't have access to other coverage, and choose non-catastrophic plans are eligible to receive subsidies.



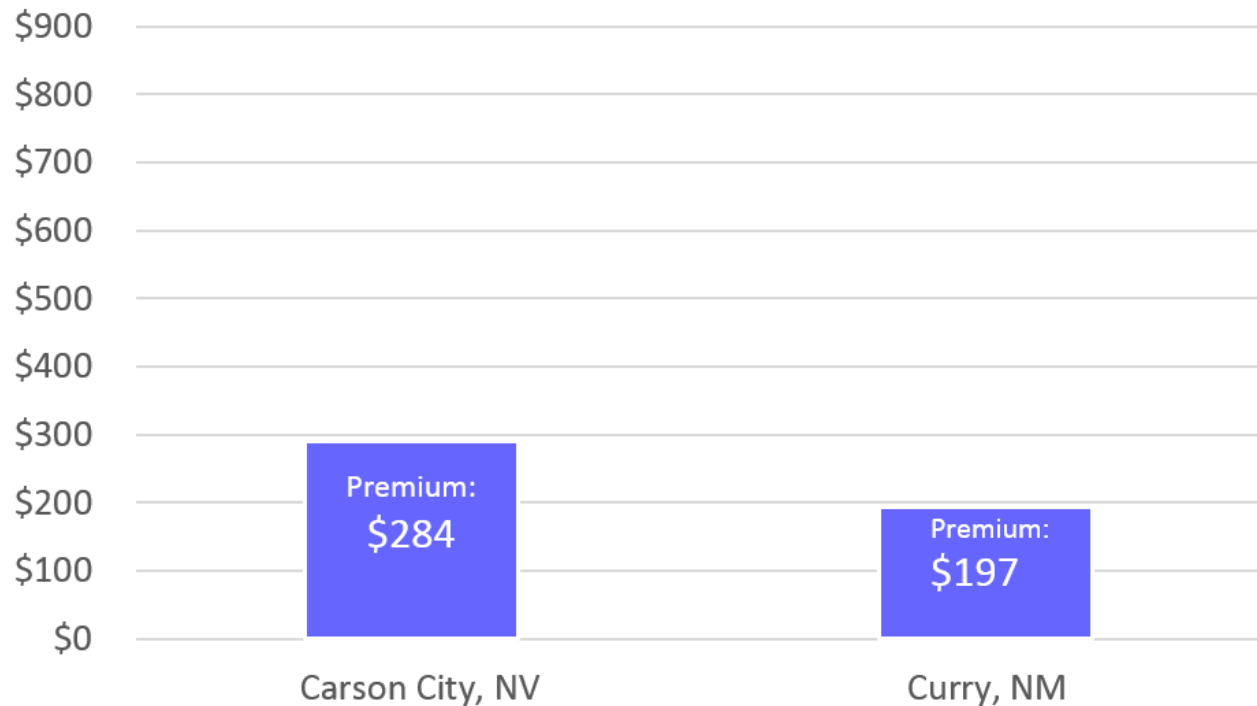
Impact of Income on Net Premium

Monthly Expected Contribution, by Household Income, for 2016
(single-person tax household)



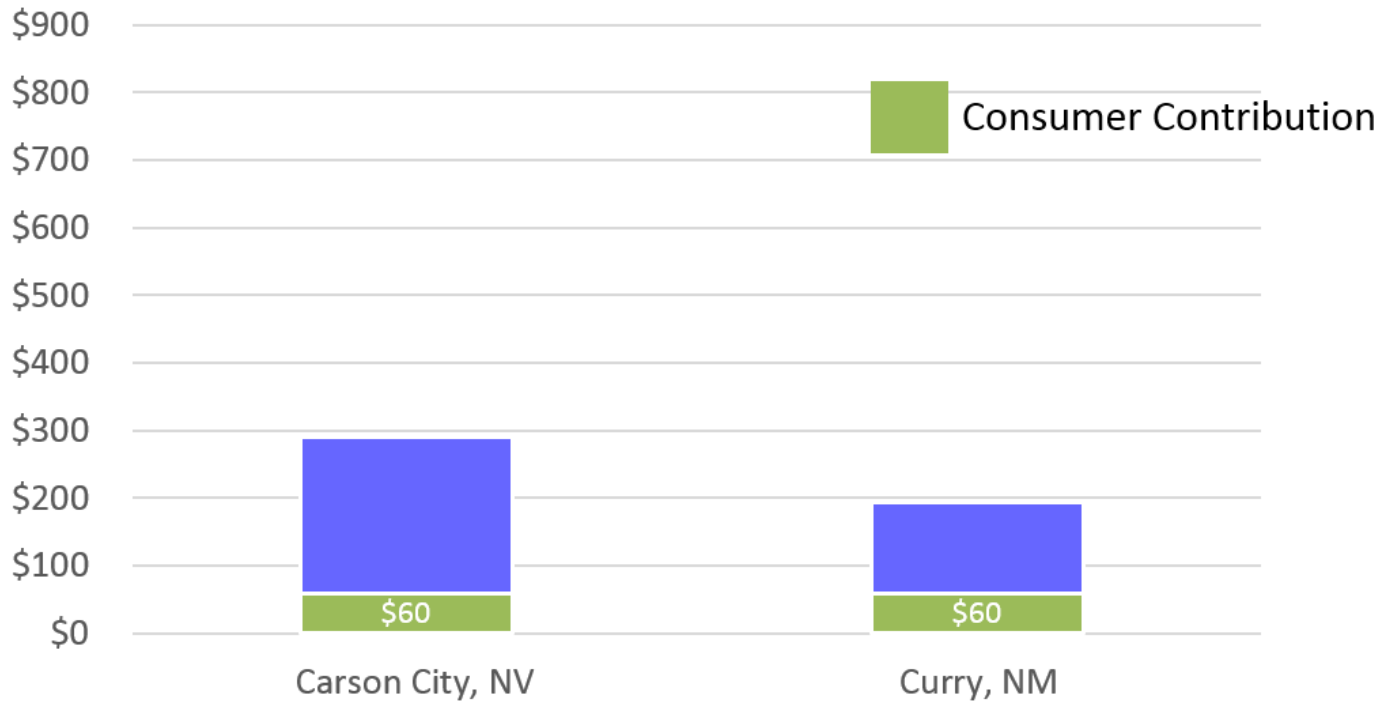
70% of those receiving subsidies are at or below 200% FPL

Example: Benchmark Premium vs Net Premium for Consumers at Same Income Level



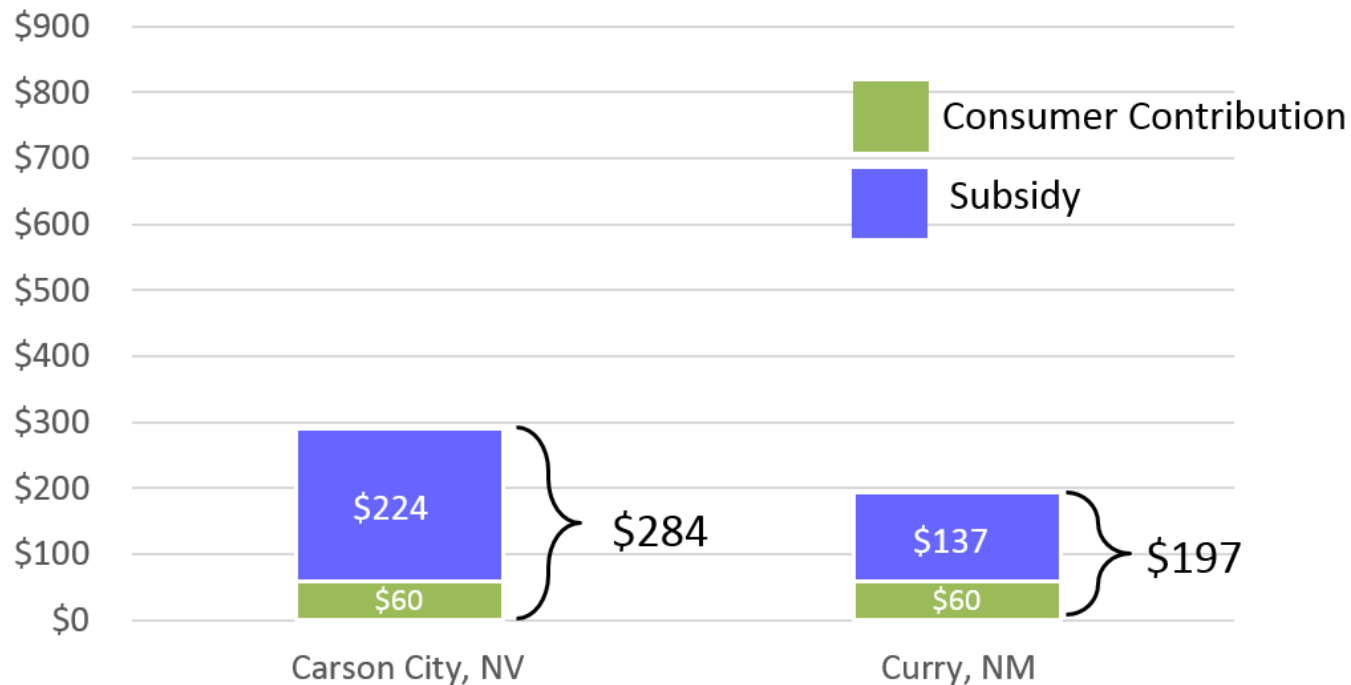
- Two 21 year-old non-smokers live in Carson City, NM and Curry, NV.
- Both consumers are in single person tax households, and make around **\$17,600** a year.
- Both choose the benchmark plan – the second-lowest cost Silver plan available to each consumer.

Example: Benchmark Premium vs Net Premium for Consumers at Same Income Level



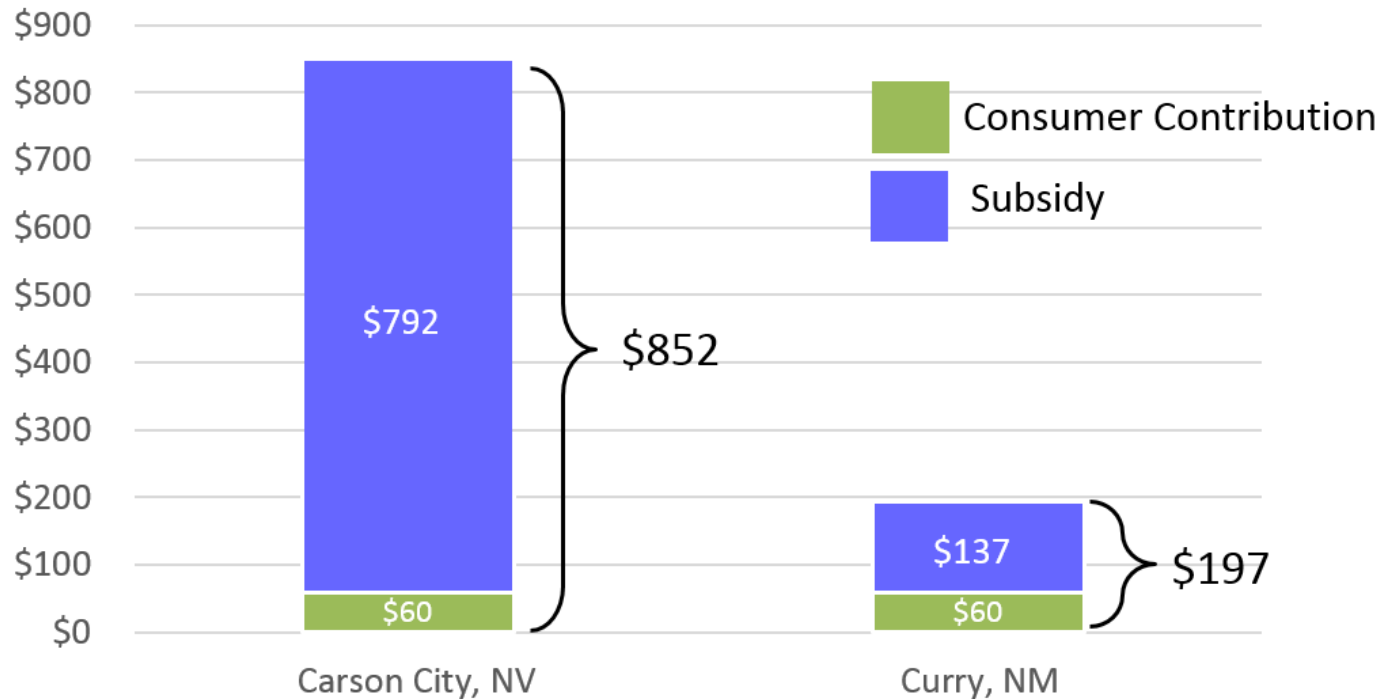
- Both consumers are in single person tax households, and make around **\$17,600** a year.
- 100% FPL in 2016 = \$11,770.
- $\$17,600 / \$11,770 = 1.5$, or 150% of FPL.
- At 150% FPL, the expected annual contribution is 4.07%.
- $4.07\% \times \$17,600 = \$716/\text{year}$ or $\sim \$60/\text{month}$.

Example: Benchmark Premium vs Net Premium for Consumers at Same Income Level



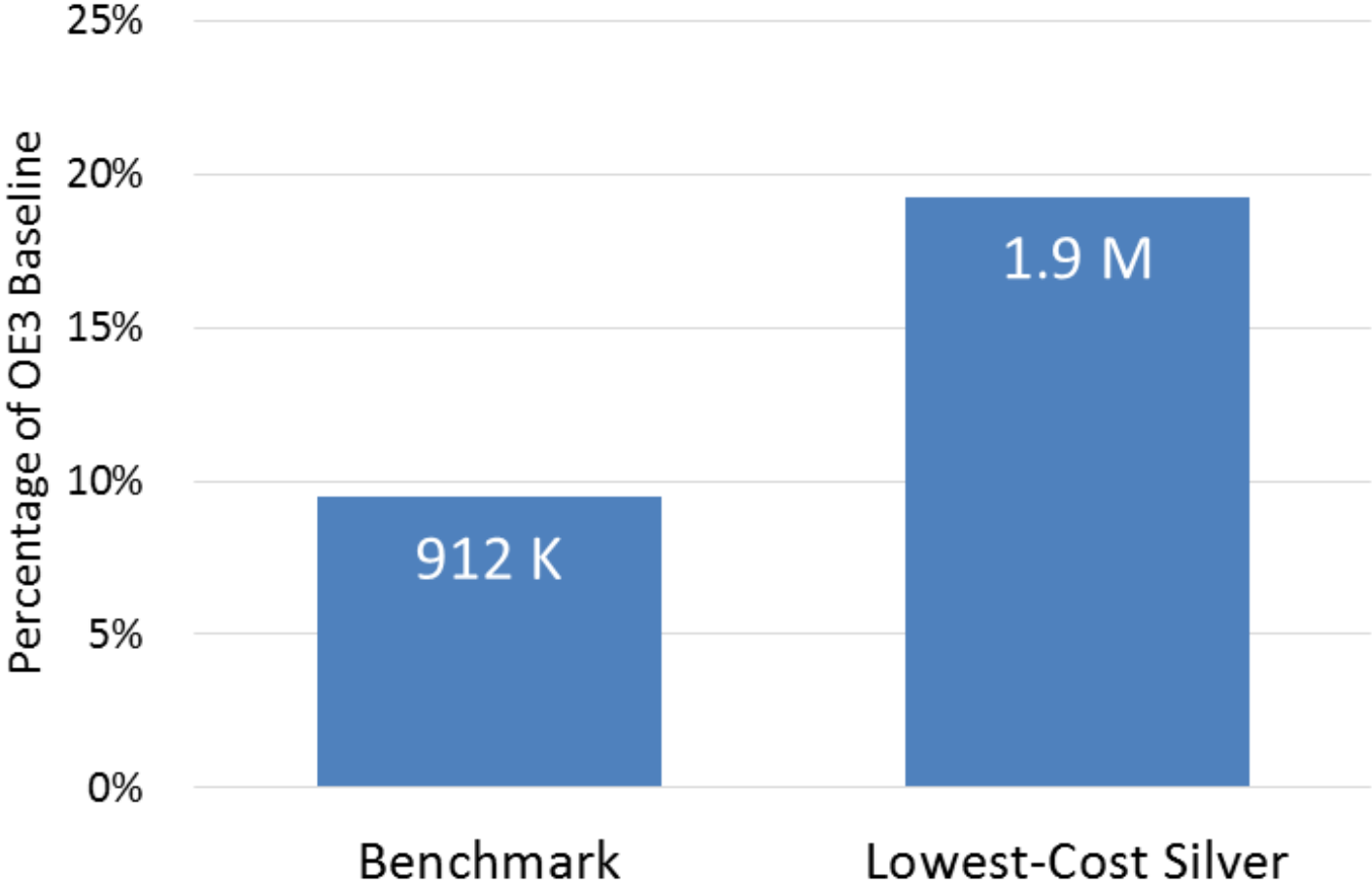
- The Advanced Premium Tax Credit (APTC) – the subsidy - is the difference between the cost of the second-lowest cost Silver plan and the expected contribution.
- Even for a 64-year old consumer in Carson City, at the same income, the consumer contribution – or net premium – will remain the same in the benchmark.

Example: Benchmark Premium vs Net Premium for Consumers at Same Income Level



- For a 64 year-old: Premium = $\$284 * 3.0 = \852 .
- The subsidy is adjusted to \$792 so that the older consumer, in an area with higher premiums, is still paying \$60 per month.
- The consumers can use this subsidy toward plans other than the benchmark.
- If they choose a plan less than the benchmark, the net premium will decrease.
- If they choose a plan greater than the benchmark, the net premium will increase.

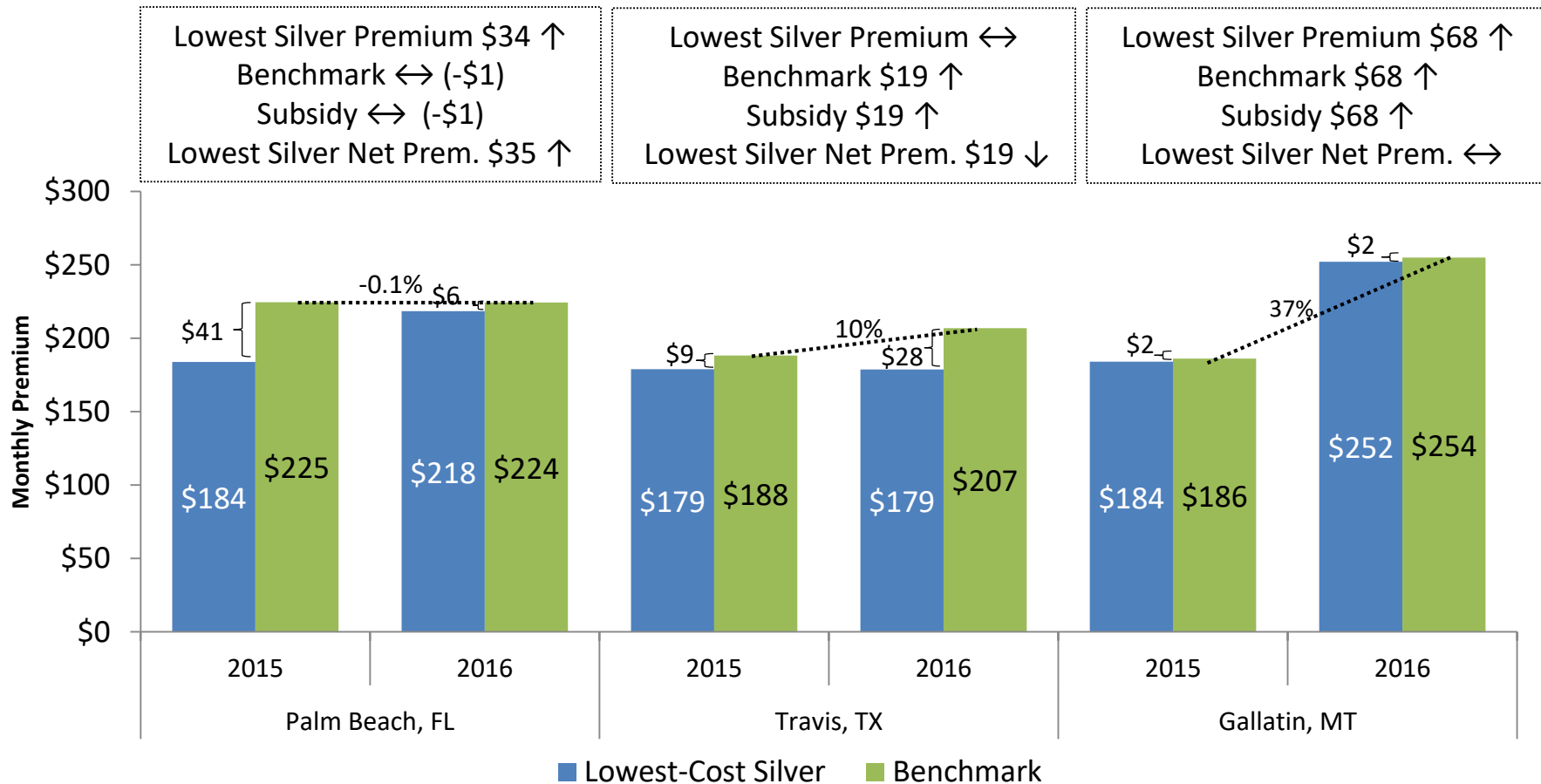
Benchmark and Lowest-Cost Silver Plan Selections



Sample Rate Changes to Benchmark, 2015-2016

- On average, benchmark increased by 7.5% from 2015 to 2016. The actual change varied by location. For example, in:
 - Palm Beach, FL – benchmark rate went down 0.1%
 - Travis, TX – benchmark rate went up 10%
 - Gallatin, MT – benchmark rate went up 37%
- For someone who chooses the benchmark in 2015 and 2016 net premiums won't change much, all else held equal. In fact, if their income remains exactly the same, their net premium can go down slightly.
- How do benchmark changes impact the most popular plan – the lowest-cost Silver?

Changes in Benchmark Impact Net Premiums for All Plans: 21-year old in Lowest Cost Silver



Changes in Benchmark Impact Net Premiums for All Plans: 21-year old in Lowest Cost Silver

In each of the previous examples, the lowest cost Silver plan was offered by a different issuer in 2016 than in 2015. In order to see the changes shown, a consumer in the lowest cost plan in 2015 had to actively shop for the lowest cost plan in 2016. This behavior helped to keep net premium increases low - the average net premium for subsidized consumers increased by just \$4, or 4%, from 2015 to 2016.