

**Analysis of Individual Market Rates for Health Plans on
Maryland Health Connection**



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TABLE OF CONTENTS

I.	Executive Summary	1
II.	Comparison of Rates across States.....	2
	Background	2
	Methods	2
	Findings	3
III.	Eligibility for Tax Credits	5
	Background	5
	Methods	6
	Findings	6
IV.	Maryland’s Rate Review Process	6
	Background	6
	Methods	7
	Findings	7
V.	Conclusion	9

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I. Executive Summary

Maryland's Insurance Commissioner has approved rates for health plans to be sold in the individual market through Maryland Health Connection beginning on October 1, 2013, for coverage beginning January 1, 2014. Key features of these plans include:

- Comprehensive care, including coverage of essential health benefits. Essential health benefits include outpatient and inpatient care, mental health and substance abuse treatment, laboratory testing and radiology, and prescription drug coverage;
- Recommended preventive services, available free of charge;
- A cap on out-of-pocket expenses;
- No lifetime or yearly dollar limits on coverage;
- For the first time in the individual market, no Marylander can be rejected for coverage on the basis of his or her health status.

This report analyzes the approved rates for these plans. The report finds:

- **Maryland's rates are among the lowest of the 12 states that have available proposed or approved rates for comparison.** For example, for a 50-year-old resident, New York has approved a plan with a Silver level of cost sharing at a rate of \$319 per month. For a 50-year-old resident, Maryland has approved a Silver plan that costs as much as 18% less (from \$260 to \$269 a month, depending on the region).
- **An estimated three out of four Marylanders purchasing coverage through Maryland Health Connection will be eligible for tax credits to reduce the cost of coverage.**
- **The Maryland Insurance Commissioner reduced the proposed premium rate increases sought by every carrier in the market.** For example, the Insurance Commissioner reduced premium rate increases proposed by most carriers by more than 50%.

With improved benefits, additional consumer protections, and the fact that no Marylander can be denied coverage on the basis of health status, the rates for plans to be sold on Maryland Health Connection are among the lowest proposed and approved rates around the country to date. In addition, because of the availability of tax credits, hundreds of thousands of Marylanders will be eligible to pay less than these approved rates.

II. Comparison of Rates across States

Background

Prior to the passage of the Affordable Care Act, rules governing the individual market for health coverage varied considerably from state to state.

For example, in some states, including Maryland, companies have been permitted to exclude individuals with pre-existing illness from coverage in the market. This has kept rates lower (but only for those who qualify). In other states, including New York, the opposite rule has been in effect. Insurance companies have been prohibited from excluding individuals with pre-existing illness. Absent any requirement to purchase coverage, this prohibition has been associated with much higher rates in the market.

The Affordable Care Act establishes common minimum insurance standards for the individual market across all states. These include the requirement that plans provide “essential health benefits,” and a prohibition on exclusions for pre-existing conditions. The Act defines metal levels based on actuarial value, which is defined by Kaiser Family Foundation as “the share of health care expenses a plan covers for a typical group of enrollees.” Platinum plans have an actuarial value of 90%, Gold plans have an actuarial value of 80%, Silver plans have an actuarial value of 70%, and Bronze plans have an actuarial value of 60%.

Methods

We compared Maryland’s approved 2014 rates for plans to be offered through Maryland Health Connection to the 2014 individual market rates in other states with readily available information.

Where possible, we compared bronze rates for a young, non-smoking person (between 20-29 years of age) and silver rates for middle-aged, non-smoking individual (between 50-60 years of age). Under the Affordable Care Act, there is no difference in rates in any state by gender.

In each state, the rating area encompassing the largest population was selected for comparison — with the exception of California, in which multiple rating areas are included.

For those with rates approved by state regulators, we compared the range of Maryland's rates by region with the approved rates. In those states where rates have yet to be formally approved, the proposed rates served as the points of comparison. The rates in these states may change after insurance regulator review.

Two states, New York and Vermont, do not permit variation in premium by age. As a reasonable estimate, the rate in a state that prohibits age-based rating corresponds to the rate facing an individual of age 50. We therefore compared New York and Vermont rates to individuals in Maryland at this age.

The least expensive Silver plan for a middle-aged, non-smoking individual is a plan from a company that declined to amend its rate filing to reflect modifications made by the Insurance Commissioner. In case this plan is not commercially available, we also evaluated comparisons to the second-least expensive plan. This comparison did not alter the outcome of the analysis.

Findings

For the scenarios evaluated, Maryland's approved rates are among the lowest of the 12 states that have proposed or approved rates available for comparison. For example, for a 50-year-old resident, New York has approved a Silver plan at a rate of \$319 per month. For a 50-year-old resident, Maryland has approved a Silver plan that costs as much as 18% less (from \$260 to \$269 a month, depending on the region). (Table 1).

Among Bronze plans compared for young adults, Maryland rates were lower than those proposed or approved in all other eight states for which a comparison was possible. For example, the lowest price for a Bronze plan for a 25-year-old in Maryland was \$114, compared to \$134 in Virginia, \$146 in Colorado, \$163 in Ohio, \$167 in Washington State, and \$174 in California.

Among Silver plans for middle-aged adults, Maryland rates were lower than those proposed or approved in all other states except New Mexico. For example, the lowest price for a Silver plan for a 50-year-old in Maryland is \$260, compared to \$319 in New York, \$329 in Virginia, \$343 in Colorado, \$374 in Ohio, \$376 in California, \$392 in Washington State, and \$400 in Rhode Island.

Table 1. Inter-State Comparison of 2014 Individual Market Monthly Rates on State Exchanges

State	Status of Rates	Basis of Comparison	Other State	Maryland approved rates (varies by region)
California (North LA)	Proposed	Lowest Bronze, 25 years	\$147	\$114 - 124
		Lowest Silver, 50 years	\$310	\$260-269
California (San Francisco)	Proposed	Lowest Bronze, 25 years	\$174	\$114 - 124
		Lowest Silver, 50 years	\$428	\$260-269
California (Fresno)	Proposed	Lowest Bronze, 25 years	\$171	\$114 - 124
		Lowest Silver, 50 years	\$397	\$260-269
California (San Diego)	Proposed	Lowest Bronze, 25 years	\$174	\$114 - 124
		Lowest Silver, 50 years	\$376	\$260-269
Colorado (Denver)	Proposed	Lowest Bronze, 25 years	\$146	\$114 - 124
		Lowest Silver, 50 years	\$343	\$260-269
Washington, D.C.	Approved	Lowest Bronze, 27 years	\$151	\$119-129
		Lowest Silver, 55 years	\$424	\$325-335
New Mexico	Proposed	Lowest Silver, 50 years	\$254	\$260-269
New York	Approved	Lowest Silver, 50 years (no age rating) compared to Lowest Silver, 50 years in Maryland	\$319	\$260-269
Ohio	Proposed	Lowest Bronze, 25 years	\$163	\$114 - 124
		Lowest Silver, 50 years	\$374	\$260-269

Oregon (Portland)	Approved	Lowest Bronze, 21 years	\$130	\$114 - 123
		Lowest Silver, 60 years	\$457	\$395-408
Rhode Island	Proposed	Lowest Bronze, 25 years	\$174	\$114 - 124
		Lowest Silver, 50 years	\$400	\$260-269
Vermont	Approved	Lowest Silver, 50 years (no age rating) compared to Lowest Silver, 50 years in Maryland	\$395	\$260-269
Virginia	Proposed	Lowest Bronze, 25 years	\$134	\$114 - 124
		Lowest Silver, 50 years	\$329	\$260-269
Washington (Clark County)	Proposed	Lowest Bronze, 25 years	\$167	\$114 - 124
		Lowest Silver, 50 years	\$392	\$260-269

III. Eligibility for Tax Credits

Background

Under the Affordable Care Act, individuals purchasing private coverage through Maryland Health Connection with income less than 400% of the federal poverty level will be eligible to pay less than the approved rate for coverage.

These Marylanders will qualify for Advanced Premium Tax Credits, which cover the cost between what an individual is required to pay and the monthly premium. For example, an individual with income at 150% of the federal poverty level will be required to pay only \$57 toward the monthly premium for the second lowest cost Silver plan available on Maryland Health Connection.

There will also be opportunities for low-income Marylanders to reduce deductibles, cost-sharing, and out-of-pocket caps.

Methods

Using an economic model developed by the Hilltop Institute at the University of Maryland Baltimore County and data from the Maryland Insurance Administration, we estimated the number of Marylanders projected to qualify for Advanced Premium Tax Credits and other financial assistance in 2014.

Findings

The Hilltop Institute has projected that 3 out of 4 Marylanders newly purchasing coverage through Maryland Health Connection (101,312 of 138,764 people) will be eligible for tax credits that will allow them to pay less than the approved rate for coverage.

In 2012, according to the Maryland Insurance Administration, there were 146,078 Marylanders in the individual market. The Department of Health and Human Services has estimated that approximately 40% of participants in the individual market nationally in 2011 had incomes that could make them eligible for tax credits. If this is true, another 58,431 Marylanders who are currently insured might qualify for tax credits. This means it is possible that as many as 4 out of 5 purchasers of coverage through the Maryland Health Connection could be eligible for tax credits, representing about half of the total number of Marylanders in the state's individual market (both inside and outside of the Maryland Health Connection).

IV. Maryland's Rate Review Process

Background

Under Maryland law, the Insurance Commissioner has the authority to review health insurance rates in Maryland. The Commissioner ensures that rates are not inadequate, unfairly discriminatory, or excessive in relation to the benefits provided to members. Before any plan is allowed to be sold in the individual market, the insurance company must submit a proposed rate that they would like to charge. The Commissioner can then modify rates before approving them on the basis of a number of factors. In order to review the proposed rates for plans that will be sold in the individual market through Maryland Health Connection in 2014, Maryland Insurance Administration actuaries examined all the data, methods, and assumptions used by

each insurance company to justify their requested rates. The Commissioner also considered the impact rates will have on Marylanders.

Methods

We reviewed the rate decision documents of the Maryland Insurance Administration to determine the impact of rate review on proposed premiums.

For those carriers on the market today, we also analyzed the impact of rate review on changes to average premium rates initially proposed. We recognize that the difference in average premium rates by carrier from 2013 to 2014 is not an “apples to apples” comparison for consumers, for reasons that include different benefits, changes in the demographics of the insured population, new insurance rules, and the availability of tax credits in 2014. However, changes to the difference in average premium rates from proposed to actual can help assess the scale of the reductions required by the Insurance Commissioner.

We also reviewed the underlying reasons for the Maryland Insurance Commissioner reducing rates.

Findings

For 2014, the Insurance Commissioner significantly reduced rates from those originally proposed by insurance companies. The Insurance Commissioner reviewed rates submitted by insurance companies for 9 different carriers. In each case, the Commissioner approved an average premium rate lower than that proposed by the insurance company. (Table 2)

Table 2. Reductions from Proposed Average Premium Rates in Maryland

Reduction	Number of Carriers
Below 10%	1
10% to 20%	4
Above 20%	4

The Insurance Commissioner substantially curtailed proposed increases. For example, the Commissioner reduced all of the proposed rate increases from CareFirst BlueCross BlueShield by 50% or more. (Table 3)

Table 3. Reductions from Proposed Average Premium Rate Increases in Maryland

Reduction	Number of Carriers
20%-50%	2
50%-66%	3
Above 66%	1

The Insurance Commissioner cited many specific bases for modifications to proposed rates some examples of which are listed below. (Table 4).

Table 4. Examples of How the Maryland Insurance Commissioner Reduced Proposed Rate Increases

Basis for Reductions in Proposed Rates	Example Reductions in Carriers' Average Premium Rates
Adjustment in assumptions about the federal reinsurance program	This led to a reduction of one average premium rate by approximately 3%, another by 6.2%; and another by 8%.
Adjustment in assumptions about the utilization of health care services by enrollees	This led to the reduction of one average premium rate by approximately 5%.
Reduction in administrative expenses	This led to the reduction of one average premium rate of 0.5%; contributed, along with other factors, to a reduction in another average premium rate by 16.5%.

Adjustment in assumptions about the anticipated health of the population	This led the reduction of one average premium rate by 9% and another by 3.4%.
Adjustment in assumptions about the percentage of premium to be spent on health care services	This contributed, along with other factors, to a reduction in one average premium rate by 16.5%.
Identified calculation errors	This led to the reduction of one average premium rate by 10.2% and two others by 6.5%.
Adjustment in expense assumptions, including for IT and customer service.	This led to a reduction in two average premium rates by 2.2%
Adjustment in assumptions for pent-up demand for health services.	This led to a reduction in one average premium rate by 1%.

V. Conclusion

The establishment of Maryland Health Connection and implementation of the Affordable Care Act in Maryland will substantially expand access to coverage for Marylanders.

Beginning in 2014, all plans sold in the individual market through Maryland Health Connection will offer high-quality, comprehensive benefits. For the first time, no individual will be denied coverage on the basis of their health status.

This analysis has found that, even with these important qualities, Maryland’s rates are among the lowest available to date in the nation, that the vast majority of individuals purchasing coverage through Maryland Health Connection will be eligible to pay even less than the approved rate, and that the Maryland Insurance Administration used its rate review authority to reduce proposed rates substantially.