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Bronze Woes Raise Flags That Issuers Could Drop Entire Metal Tier

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Bronze plans appear to be the least profitable across the health insurance market in 2014, based on recent CMS data on issuers that paid into the risk adjustment program and who were paid for taking on more risk -- a finding that has some experts worried insurance companies could stop offering bronze-level coverage. The first example of this may be a Virginia CareFirst BlueCross BlueShield subsidiary that will transform its bronze plans into silver-level plans for 2017, according to filing documents.

Bronze plans are "disproportionately net payers" under the risk adjustment, one insurance coalition said. CMS data suggests bronze is the only insurance metal level for which issuers of all sizes in both the individual and group markets paid in. But experts differ over whether CMS' proposed changes to the risk adjustment program would do anything to stem the potential departure of bronze options.

The Affordable Care Act intended to bring in the full gamut of health profiles in America, from the healthiest and youngest to the sickest and least-treated. Under the ACA's reforms, plans can't block those with pre-existing conditions, so the risk pool needs young, healthy people to prevent premium rates from climbing to compensate for high claims costs. But under risk adjustment, which penalizes plans for having healthier populations and rewards plans with higher-risk members, insurers may avoid the people they need most for a stable market.

Dropping bronze plans should not be seen as similar to dropping platinum-level plans, according to Sean Mullin, a senior director at Leavitt Partners. This is because bronze enrollees are managed differently than the high-risk platinum members who are moved into better products for their needs. Low-risk enrollees who choose bronze plans for their cheaper price will simply leave the market altogether, he said.

While it is too early to tell how many companies are contemplating that shift, Mullin said it certainly would not bode well for marketplace stability. More details on plan design may be known after 2017 QHP applications are due in mid-May. Several major insurance companies did not respond to requests for comment.

"We have no way to speculate on the changes with bronze coverage and risk adjustment," America's Health Insurance Plans spokesperson Clare Krusing said April 29. "Those rules aren't even finalized at this point so we'll have to wait until the final."

For bronze plans, insurance companies pay 60 percent of total health spending on essential benefits -- the second-lowest actuarial value sold on the exchange. CMS said in a recent slideshow on its risk adjustment findings that plans with higher actuarial values generally had higher risk scores.

"The risk transfer formula neutralizes some of the effect of the higher risk scores through higher transfers, on average, to higher AV plans," CMS said. "However, within each metal level, there were still transfers from issuers with low-risk enrollment to issuers with high-risk enrollment."

Regardless of an issuer's size, bronze plans caused companies to pay in between approximately \$20 and \$110 per-member, per-month under risk adjustment, according to CMS data on the 2014 plan year.

Another industry consultant noted that while they haven't seen companies broadly planning to move away from bronze plans if silver coverage is more profitable, a Virginia CareFirst BlueCross BlueShield subsidiary could be signaling what's to come.

Group Hospitalization and Medical Services, Inc. (GHMSI) will transform its bronze plans into silver-level plans for 2017 and stop selling bronze plans altogether, according to recent documents on 2017 Virginia exchange filings obtained by ACAsignups.net. GHMSI is asking for an average 31.6 percent premium rate hike for 2017, and said the range of rate increases -- from 7 percent to 72 percent across its products -- is largely due to the decision to sunset bronze plans.

"The primary drivers of this variation are benefit changes for the portion of the pool currently in bronze plans in 2016, who are being uniformly modified into silver plans in 2017," GHMSI wrote. "The 2016 bronze plans ... will have significantly lower deductibles on average (\$2,500 vs \$4,500), and offer a greater number of services not subject to a deductible. ... As a result of the richer benefits and the changes to our induced demand assumptions, members who are uniformly modified from bronze to silver will see rate increases of around +72%."

The actuarial memo estimates that approximately 9,000 customers will be affected by rate increases. Claims are expected to rise 0.4 percent if people use their insurance more often as the pool's average deductible decreases, due to bronze plans turning into silver coverage.

GHMSI was the fourth-largest health insurer in Virginia in 2014 with 6.25 percent market share, according to state data from June 1, 2015. Brad Boban, a CareFirst actuary listed as the point of contact on the rate document, and company spokespeople did not respond to a request for comment or to confirm the documents' veracity.

Sources say this is the first example they've seen of an issuer moving away from bronze and could set a bad precedent for the industry. But they cautioned that anecdotal evidence does not necessarily mean danger is coming.

Connexio CEO Roman Gurule isn't surprised by CareFirst's decision and believes issuers will drop bronze plans in markets where they are not profitable.

"Since [advanced premium tax credits] offset consumer costs at the higher metal levels, those plans are still competitive enough with bronze plan pricing while offering consumers lower deductibles, better benefits (in theory), etc.," he said in an email.

Gurule, former director of operations at the Center for Consumer Information and Insurance Oversight, added that smaller issuers might step in to fill the void created by UnitedHealthcare's departure from nearly three dozen exchange markets, and offer bronze plans in an effort to be competitive from the outset and ensure sufficient enrollments.

The CHOICES coalition -- Consumers for Health Options, Insurance Coverage in Exchanges in States -- of small, new and fast-growing plans told CMS in an April 22 letter that a risk adjustment program that discourages insurers from selling bronze-level products is bad for competition and adequate risk pooling. "It is reasonable to expect that the lower-cost Bronze plans will attract lower risk enrollees that result in a payment into the program," the coalition said.

"However, our concern is that the calculation of transfer payments are overstated for two primary reasons: 1.) initial program results suggest that risk scores for individuals with no [Hierarchical Condition Category] diagnoses tend to understate the true relative cost for this category of members, while the scores for those with one or more HCC diagnoses tend to overstate actual relative costs; and 2.) similar to a prior concern, since Bronze plans will almost always have a premium lower than the market average, the net result will be an excessive negative transfer payment."

Stakeholders are mixed on whether CMS' proposed risk assessment changes could avert the potential departure of bronze options. The consultant who asked to remain unnamed believes the proposed changes are largely useless and -- with the possible exception of adding drug use data -- won't sway the market in a new direction.

Adding preventive services and drug-use data to the risk adjustment formula may help make healthier people more attractive, according to Tim Jost, a former health law professor at Washington and Lee University. He's skeptical insurers would want to ditch bronze plans altogether.

"It seems to me that if bronze attracts healthier individuals, insurers would stay with them unless the risk adjustment payments more than compensate for the lower costs of coverage," Jost said. "I also understand that bronze is more popular in the out-of-exchange market, which is probably an attractive market for insurers." -- *Rachel S. Karas*