

# AB 1810 AFFORDABILITY WORKGROUP INTRODUCTORY MEETING

October 5, 2018



## AGENDA

- I. Welcome and Introductions
- II. Project Overview
- III. Microsimulation Modeling Overview
- IV. Proposed Affordability Options Framework
- V. Wrap-up and Next Steps



## AB 1810 AFFORDABILITY WORKGROUP MEMBERS

Alicia Kauk..... National Health Law Program  
Amber Kemp..... California Hospital Association  
Beth Capell..... Health Access  
Bill Wehrle..... Kaiser Permanente  
Catrina Reyes..... California Medical Association  
Dave Brabender..... California Association of Health Underwriters  
Jen Flory..... Western Center on Law and Poverty  
Kimberly Chen..... California Pan-Ethnic Health Network  
Marjorie Swartz..... California State Senate – Office of the President Pro Tempore  
Mary June Flores.... Health Access  
Mike Odeh..... Children Now  
Robert O'Reilly..... Molina Healthcare  
Robert Spector..... Blue Shield  
Teri Boughton..... California Senate Health Committee  
Wendy Soe..... California Association of Health Plans

### Board Members

Dr. Sandra Hernandez  
Jerry Fleming



## GOALS FOR TODAY'S SESSION

- Introduce the affordability project team
- Understand the analytic tools available for project
- Review proposed analytic framework
- Prepare for the first working session



## AB 1810 AFFORDABILITY OPTIONS REPORT

- [AB 1810](#) Trailer Bill requires Covered California to develop an Affordability Options Report to the Legislature, Governor, and the new Council on Health Care Delivery Systems
- Covered California must:
  - Consult with stakeholders, Department of Health Care Services, and the Legislature and develop options for providing financial assistance to help low and middle-income Californians access health care coverage.
  - Include options to assist low-income individuals paying a significant percentage of income on premiums, even with federal financial assistance, and individuals with annual income of up to 600 percent of federal poverty level.
  - Consider maximizing all available federal funding and determine whether federal financial participation for Medi-Cal would otherwise be jeopardized.
- Report due by February 1, 2019



## AB 1810 AFFORDABILITY PROJECT

- Leverage existing analytical support contract with economists Wesley Yin and Nicholas Tilipman
- Consult with workgroup on affordability options in three working sessions
- Present options to Board at January meeting (date TBD)
- Publicly release report on February 1, 2019



## MICROSIMULATION: AN OVERVIEW

- **Goals of the microsimulation:**
  - To model the potential impacts of various policy proposals on total enrollment, enrollment by socio-demographics and plan type, consumer health spending, and public spending.
- **Basics of the microsimulation model:**
  - Using enrollment data from Covered California from 2014-2018 and cutting-edge econometrics to estimate how consumers respond to past changes in premiums, subsidies and penalty implementation
  - Similarly, estimate how plan premiums respond to past changes in subsidies, penalty and consumer choice
  - Use consumer and plan responses to forecast how consumers and plans would respond to new policy proposals in 2019 and beyond.
  - The model is based on “micro” data on individual consumers, so outcomes can be characterized at the aggregate level, and separately by different types of consumers (e.g. income groups, age, risk).
    - Distinct from “macro” data, which can only look at aggregates (e.g. overall enrollment)



6

## MICROSIMULATION: A DEEPER DIVE

- **Consumer model**
  - Based on Covered California administrative data on plan offerings, premiums and consumer plan choice; and publicly available ACS data on individuals who do not enroll in a plan
  - Past changes in premiums and plan offerings allows us to identify how consumers respond to changes in a plan’s net-of-subsidy-premium, given what other plans are available. These responses are the “price elasticities” economists often estimate.
- **Plan premium setting model**
  - The model assumes plans set premiums to maximize profits, factoring in consumer price elasticities and plan competition in the region. We use past premiums, estimated elasticities, and plan competition to estimate each insurer’s “optimal” premiums.
- **Forecasting outcomes**
  - With consumer and plan behavior fully characterized, we can model how premiums and consumers respond to new hypothetical policies.



7

## MICROSIMULATION: POLICY TYPES THAT CAN BE STUDIED

- Policies that alter premium subsidies, through fair share percentages, plan-linked subsidy setting, new phase out design, or other reforms that target pre-specified demographic groups.
- Policies that alter cost-sharing subsidies
- Policies that affect premiums, through community rating or reinsurance
- Policies that affect coverage penalties
- Policies that affect the level of plan competition, through entry or exit of carriers from a particular region



8

## MICROSIMULATION: MODEL OUTCOMES

- Outcomes
  - The model would allow us to estimate the impact on enrollment choices, premiums, out-of-pocket spending, and risk selection.
  - The model is based on micro data on individual consumers, so outcomes can be characterized at the aggregate level, and separately by different types of consumers (e.g. income groups).
- In past projects, we have accurately modeled the impact of:
  - Cost-sharing reduction subsidy loss
  - New APTC designs (e.g. changes in the amount of subsidy or changes in subsidy income eligibility)
  - Plan exit and changes in competition



9

## PROPOSED AFFORDABILITY OPTIONS FRAMEWORK

- Model enhancements to existing affordability mechanisms and/or build on structures from the Affordable Care Act such as:
  - Enhanced tax credits for individuals between 138 and 400 percent of the federal poverty level as well as increased eligibility ceiling above 400 percent
  - Expanded eligibility for cost-sharing reduction plans
  - State coverage mandate and penalty
  - State reinsurance program
- Evaluate options based on enrollment impact, premium contribution requirements, and budget impact.
- Stage the analysis in two steps:
  1. Model discrete options
  2. Model combinations of options and trend model impacts over a five-year period
- Consult with workgroup prior to each step and review results after each step



10

## PROPOSED AGENDA FOR FIRST WORKGROUP MEETING

- I. Presentation on take up of coverage in the individual market and remaining uninsured
- II. Discussion of affordability challenges
- III. Input on proposed affordability options framework
  - Request for first workgroup meeting: send feedback on proposed framework to [policy@covered.ca.gov](mailto:policy@covered.ca.gov) by Wednesday, October 17th



11

## MEETING SCHEDULE AND NEXT STEPS

- Planned meeting schedule:
  - October 22, 2018
  - November 16, 2018
  - December 17, 2018
- Meeting dates/times, agendas, and presentation slides available online:  
[https://hbex.coveredca.com/stakeholders/AB\\_1810\\_Affordability\\_Workgroup/](https://hbex.coveredca.com/stakeholders/AB_1810_Affordability_Workgroup/)
- Questions and/or feedback on today's presentation can be sent to  
[policy@covered.ca.gov](mailto:policy@covered.ca.gov)

