

# ACA Exchanges – Insights from BlueCross BlueShield of Tennessee

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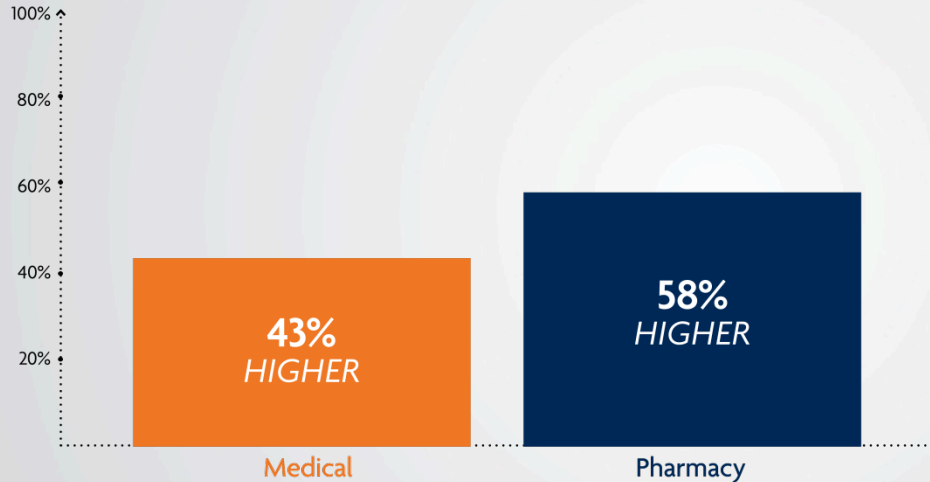
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# Our Experience in Tennessee: Overview

- BlueCross was fully committed from the start and was the only insurer to offer plans statewide for the first three years of the ACA Marketplace
- Our 3-year losses on ACA plans are approaching \$500 million
  - Fewer young, healthy members enrolled than expected, and the risk pool never grew large enough
  - The members who did enroll had far greater health needs than we anticipated
  - Medical utilization continued to increase and led to significant losses each year, even as we adjusted rates to close the gap between what we charge and what we pay out for care
- Continued losses and uncertainties about the law led to a difficult but necessary scale back in our 2017 ACA participation to 5 of 8 regions
  - We will be the only carrier in 57 of 95 Tennessee counties

# Our Experience in Tennessee: 2015 Health Insights

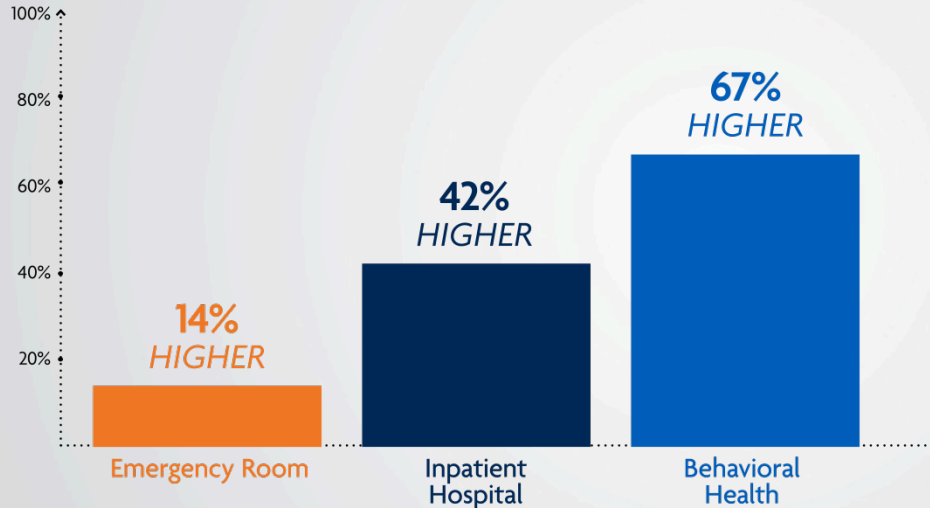
## 2015 AVERAGE INDIVIDUAL/MARKETPLACE CLAIMS COMPARED TO MEMBERS COVERED THROUGH WORK



2015 data shows that, compared to those who get coverage through employers, our Individual/Marketplace members had higher average claims costs.

# Our Experience in Tennessee: 2015 Health Insights

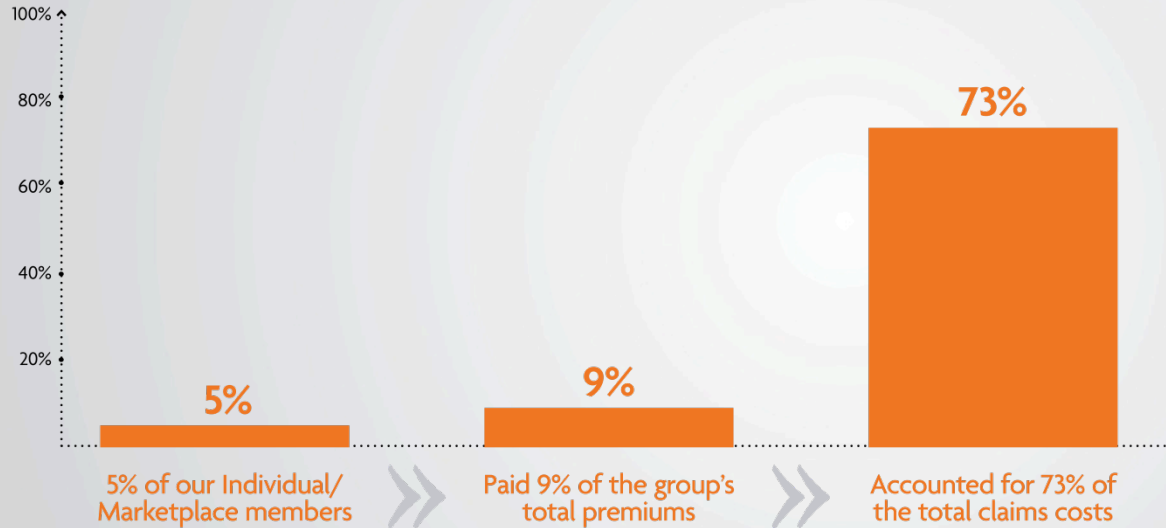
## 2015 INDIVIDUAL/MARKETPLACE HEALTH CARE UTILIZATION COMPARED TO MEMBERS COVERED THROUGH WORK



2015 claims data shows Individual/Marketplace members used health care services at higher rates than those with employer-sponsored coverage.

# Our Experience in Tennessee: 2015 Health Insights

## 2015 INDIVIDUAL/MARKETPLACE CLAIMS VS. PREMIUMS



# Stabilizing the ACA: Fulfill and Improve Risk Programs

- The ACA's three risk mitigation programs were designed to help insurers adjust to a new and uncertain market; they are key to winning back and retaining insurers experiencing significant financial losses



## Solutions:

- **Risk corridors** – Modeled after a successful Medicare Part D program, risk corridors are a necessary component of stabilizing a new, uncertain market
- **Risk adjustment** – Adjust and improve program methodology
- **Reinsurance** – The program is fully funded by private sector contributions; health plans lowered 2016 rates based on these rules and should receive payments due for high-cost claims

# Stabilizing the ACA: Promote Broad, Continuous Coverage

- A more balanced risk pool is necessary for long-term stability and affordability
- Rather than simply focusing on increased enrollment, promote continuous coverage



## Solutions:

- Require upfront verification for special enrollment periods
- Limit premium payment grace periods to align with state standards (31 days in Tennessee)
- Limit third party premium payments by organizations with vested financial interests

# Stabilizing the ACA: Address Rising Medical and Pharmacy Costs

- Remember the Medical Loss Ratio (MLR) provision
  - Health insurers must spend **80% of premiums on medical costs** or issue refunds
  - **No other health industry segments** have administrative costs and profits capped by law
  - **Direct medical costs** are the real premium drivers
- Prescription drug prices in particular are increasing costs for health plans and consumers



## Solutions:

- Increase drug cost transparency to consumers
- Limit direct-to-consumer advertising
- Give health plans greater flexibility to manage cost-effective formularies



## Key Takeaways

- **Cumulative impact of Marketplace uncertainties** have taken a toll on insurers who must mitigate risk to protect the financial security all their members rely on
- **Stabilization measures are required** to dissuade further erosion of ACA participation
- **Need to focus on key cost drivers** that add to Marketplace challenges for insurers and consumers alike