

South Carolina Senate Banking and Insurance Committee

Impact of the Affordable Care Act (ACA) on Health Insurers
and Their Customers

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The ACA Will Dramatically Alter the Health Insurance Marketplace and Significantly Increase Insurer Risk

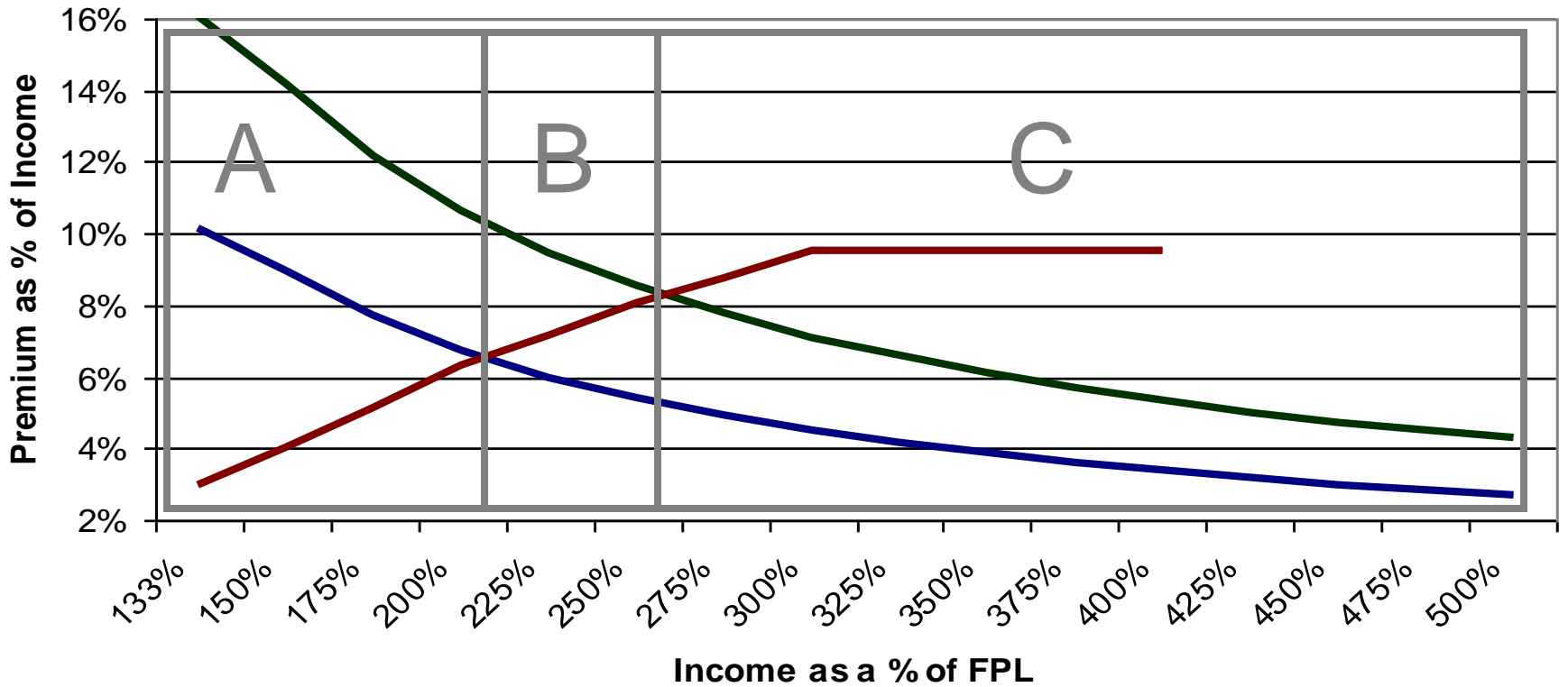
- Guaranteed Issue
- Weak Mandate
- Federally Prescribed Rate Slope
- Federally Prescribed Benefits
- Changes to the ACA requirements through Federal regulation
- Exchanges
- Complete Change in Marketing Methods and Timing
- Shift of Coverage from Group to Individual and Medicaid
- Potential Influx of Some Currently Uninsured
- Federal Oversight
- Significant New Administrative Costs to Comply with Requirements but Pressure to Reduce Cost
- Federal Audits
- New Taxes/Fees
- Risk Adjusters/Risk Corridors/Mandatory Reinsurance – Tremendous Complexity
- Very Little, if Anything, to Control Healthcare Cost

The ACA Will Also Have a Negative Impact on Individuals In South Carolina

- Premiums will be higher
- Product choices will be limited
- Annual product changes may be required
- Even with an Exchange, individuals will encounter some complexity and uncertainty due to the operation of premium and benefit subsidies
- Some employers will have a financial incentive to drop coverage for their employees

Post 2014 ACA Impact on Individual Premiums After Subsidy

Silver Plan Premium Current (Blue) vs 2014 Equivalent (Green) vs. Subsidized Premium Limit (Red)
Male Aged 24



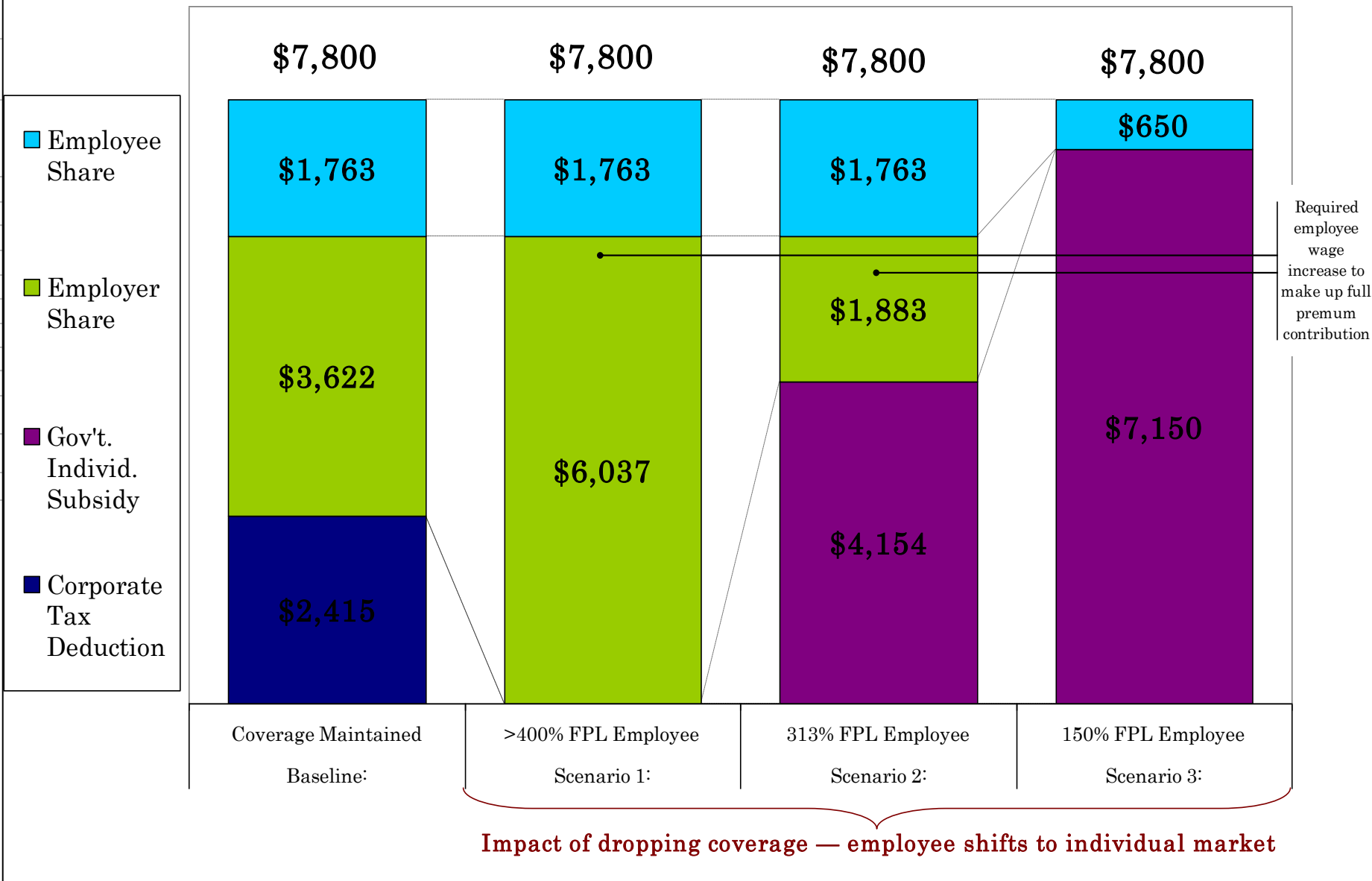
Post 2014 ACA Impact on Individual Premiums After Subsidy

- Area A: Individuals who will pay less than the premium for the equivalent benefit today as a result of the Federal subsidy – in this example, individuals between 133% and 200% of FPL
- Area B: Individuals who are eligible for a subsidy but whose premium will be greater than the premium for the equivalent benefit today even after the Federal subsidy – in this example, individuals between 200% and 250% of FPL
- Area C: Individuals who will not receive a subsidy and whose premium will be greater than the premium for the equivalent benefit today – in this example, individuals above 250% of FPL

Impact of Eliminating Coverage for Low Income Workers

Employers with low income workers have strong economic incentive to drop coverage even if they increase wages to make employees "whole."

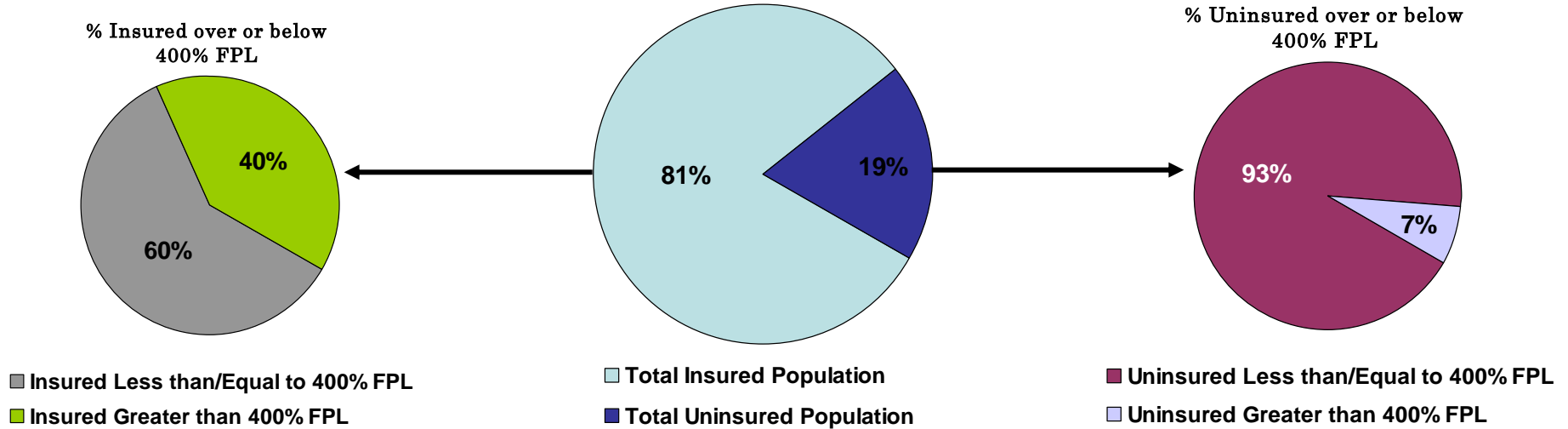
Average annual single premium, 2016



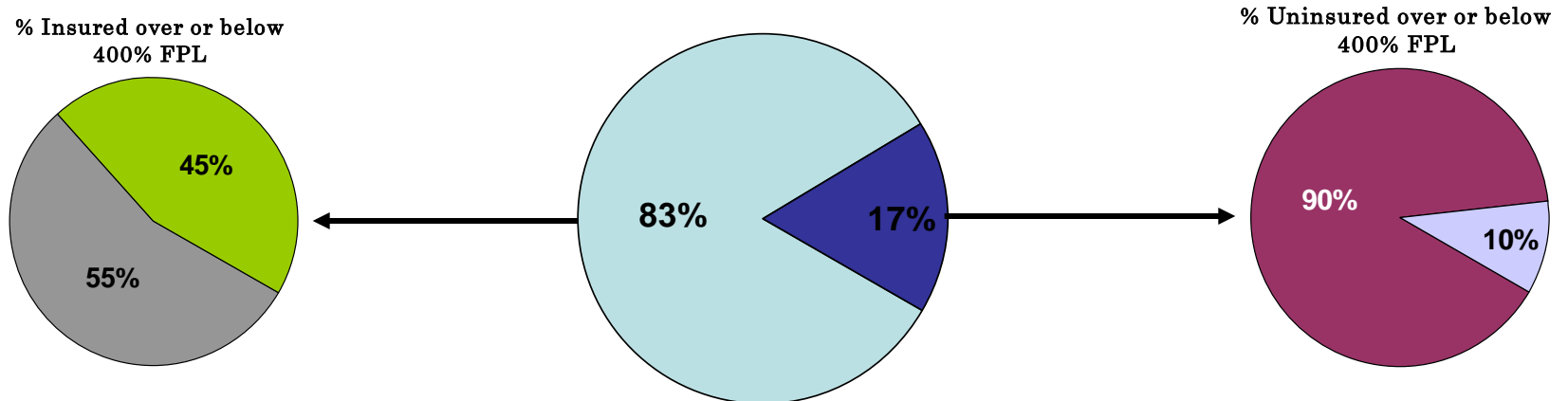
Appendix

Insurance Coverage in SC and the US

Insurance Coverage in SC

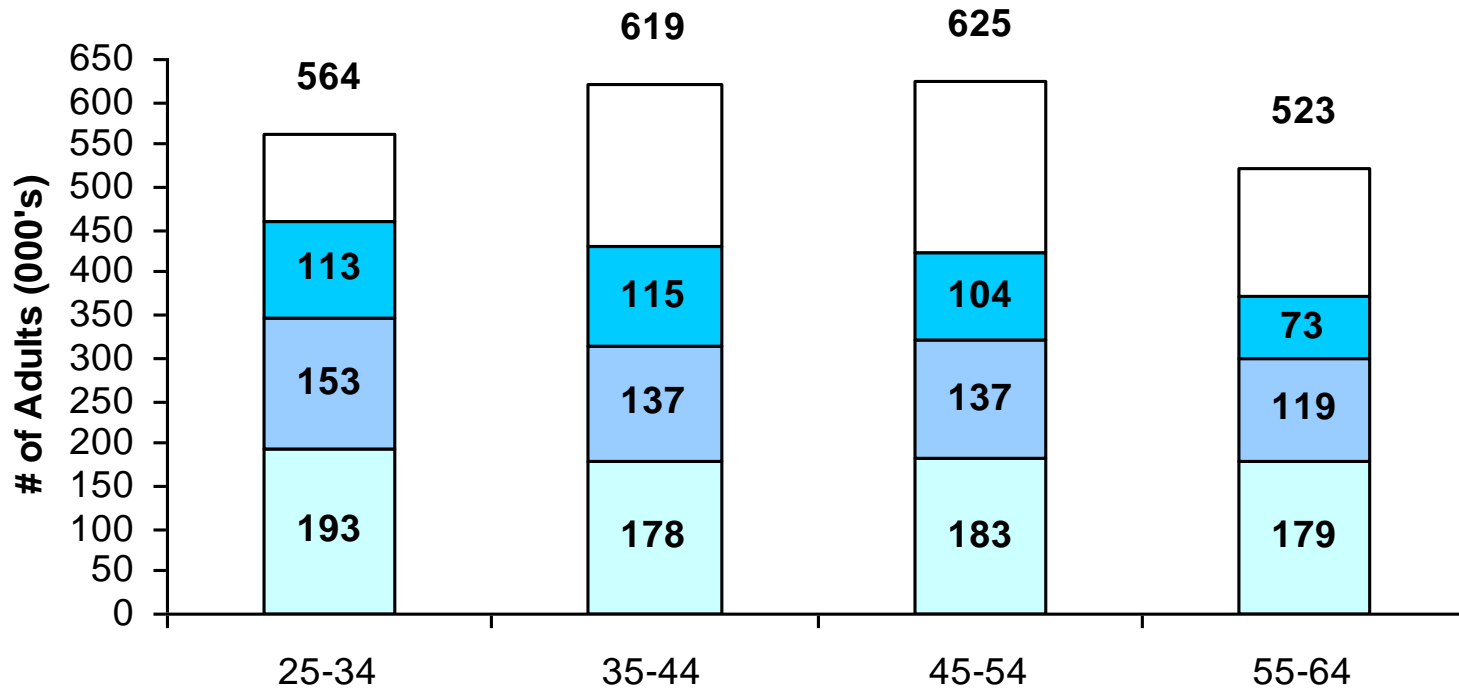


Insurance Coverage in the US

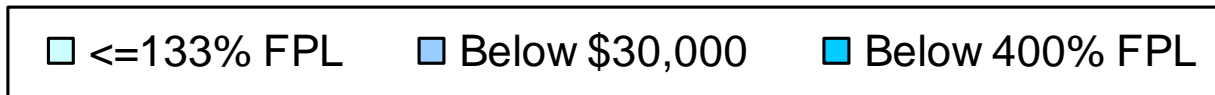


Source: Kaiser State Health Facts, 2007-'08 data

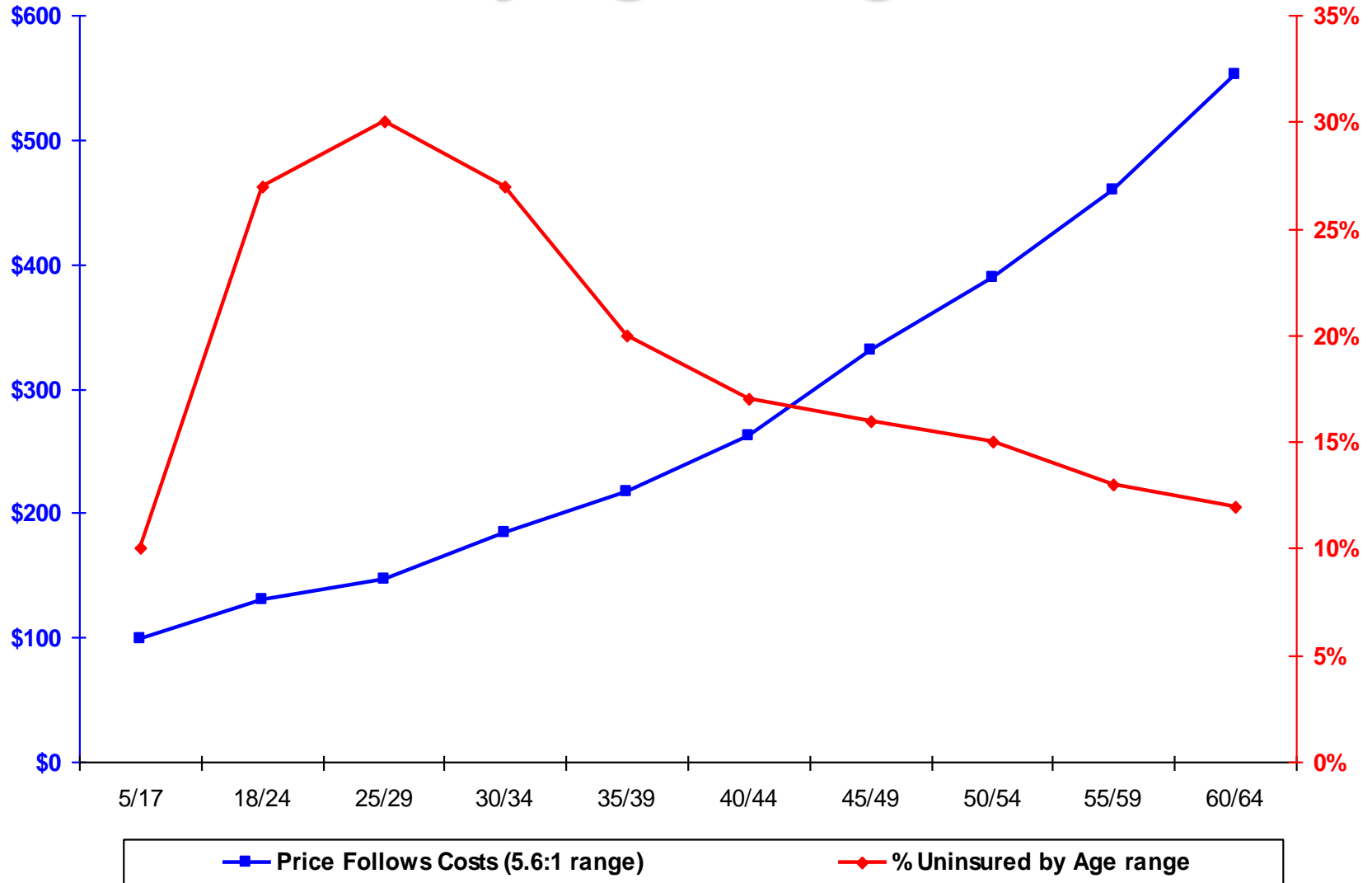
Income by Age - South Carolina



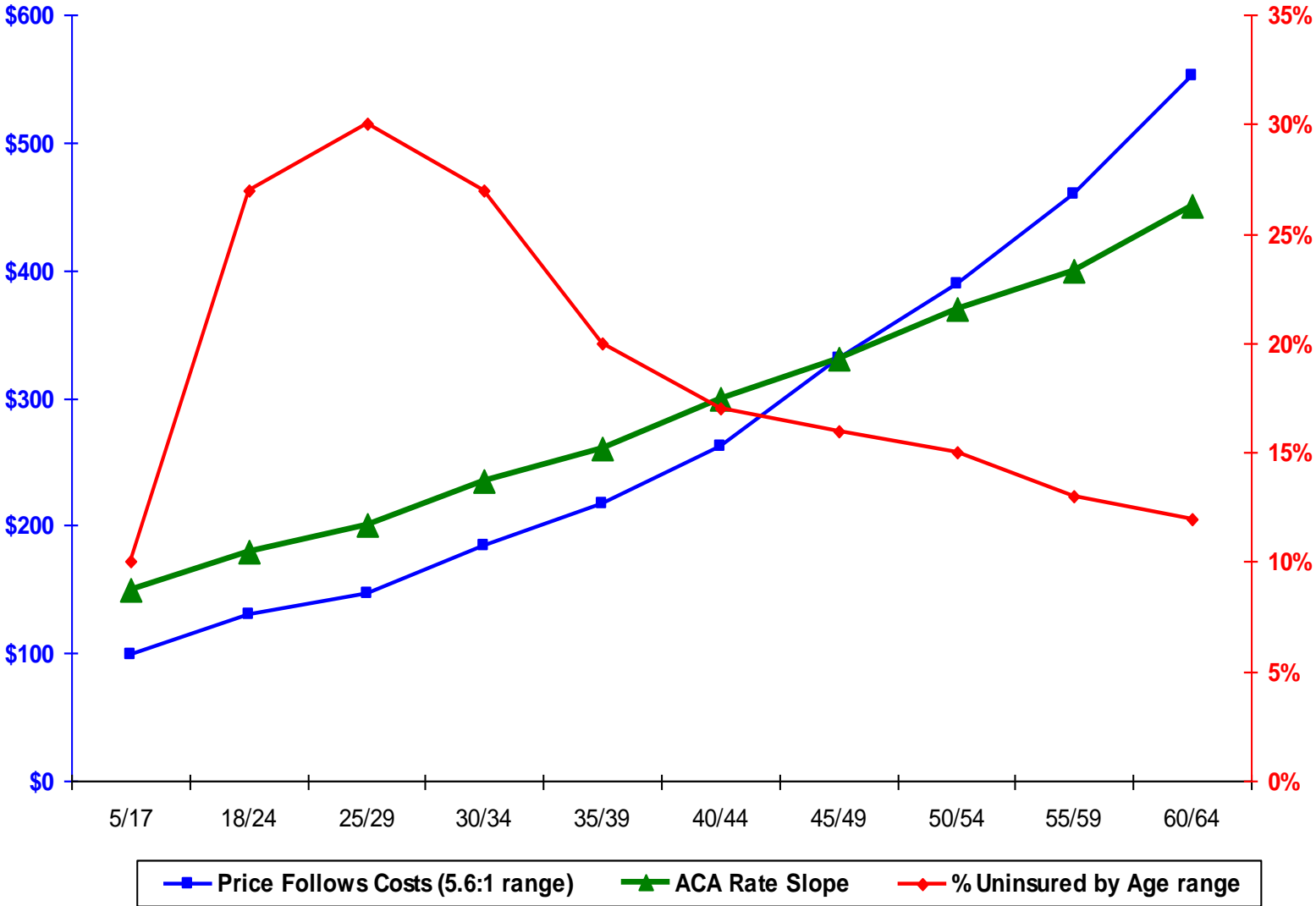
Source: American Community Survey (ACS) 2006-2008



Current Price vs. % Uninsured by Age Range



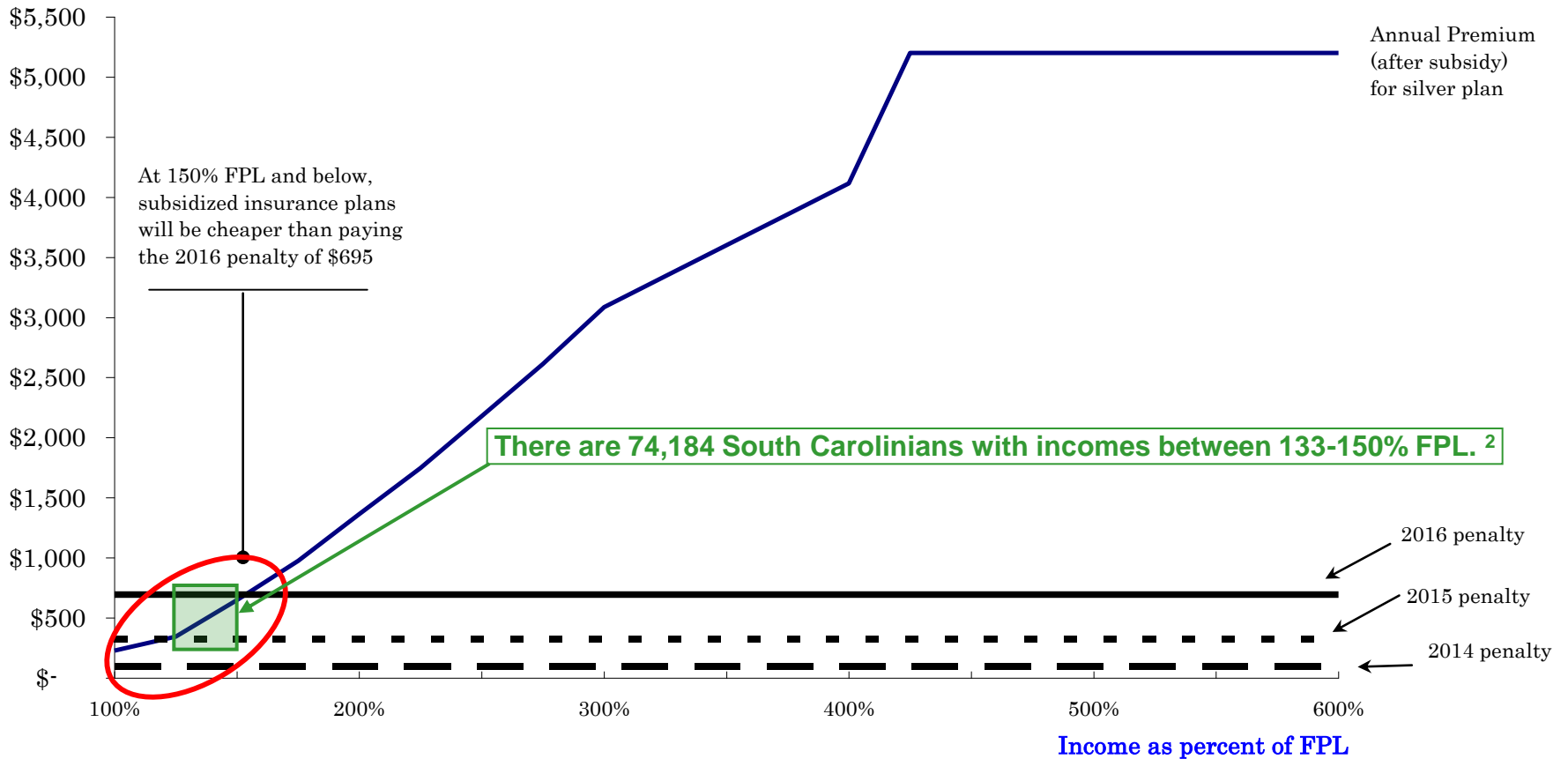
Affordable Care Act Rate Compression



The Tipping Point for Insurance Purchase

Individuals between 133-150% FPL will be more likely to purchase insurance given that subsidized insurance will be cheaper than paying the penalty

Annual single premium after subsidization, 2016 ¹

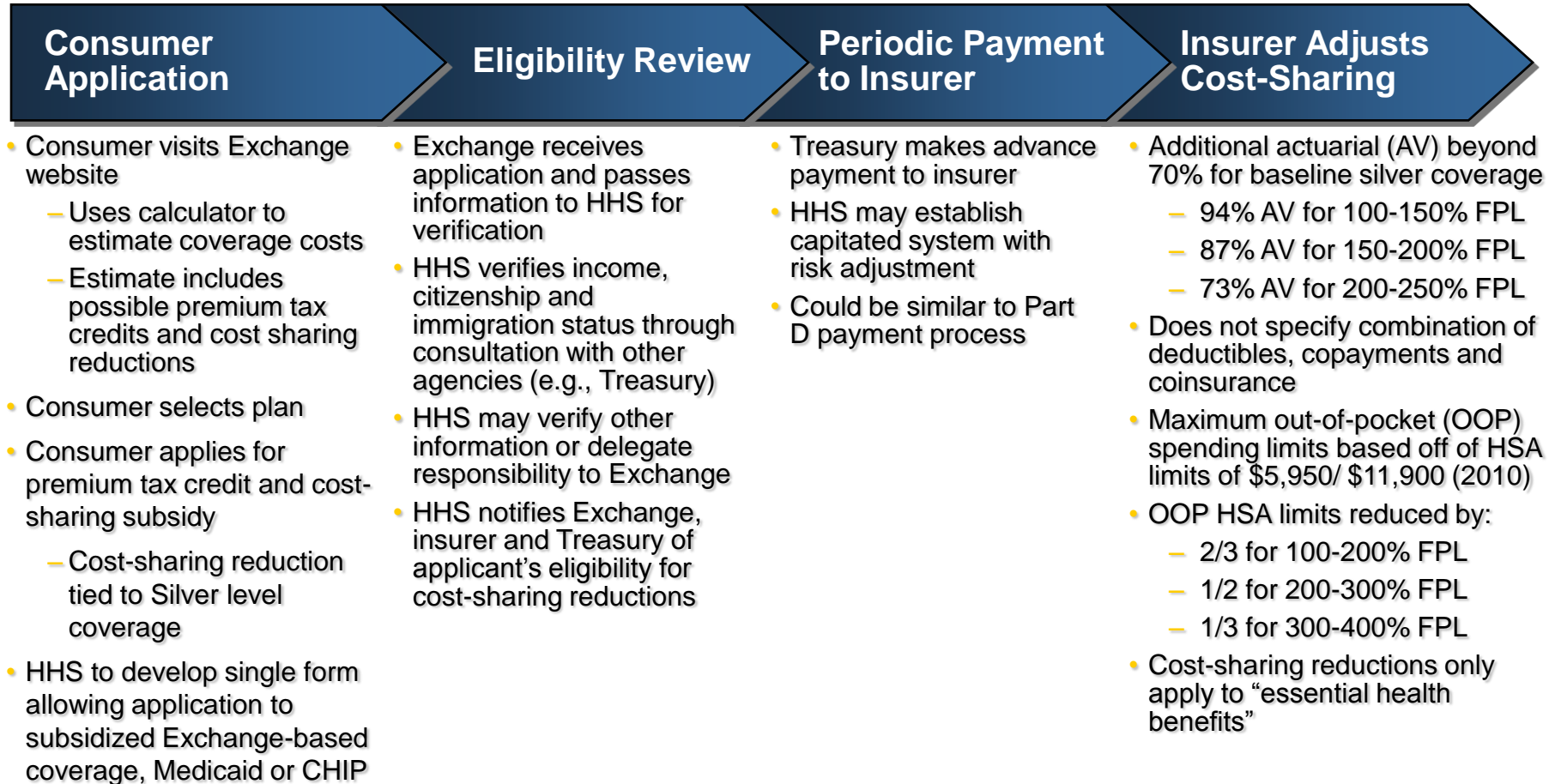


¹ Based on Patient Protection and Affordable Care Act; applies sliding scale of 3.0 - 9.5%

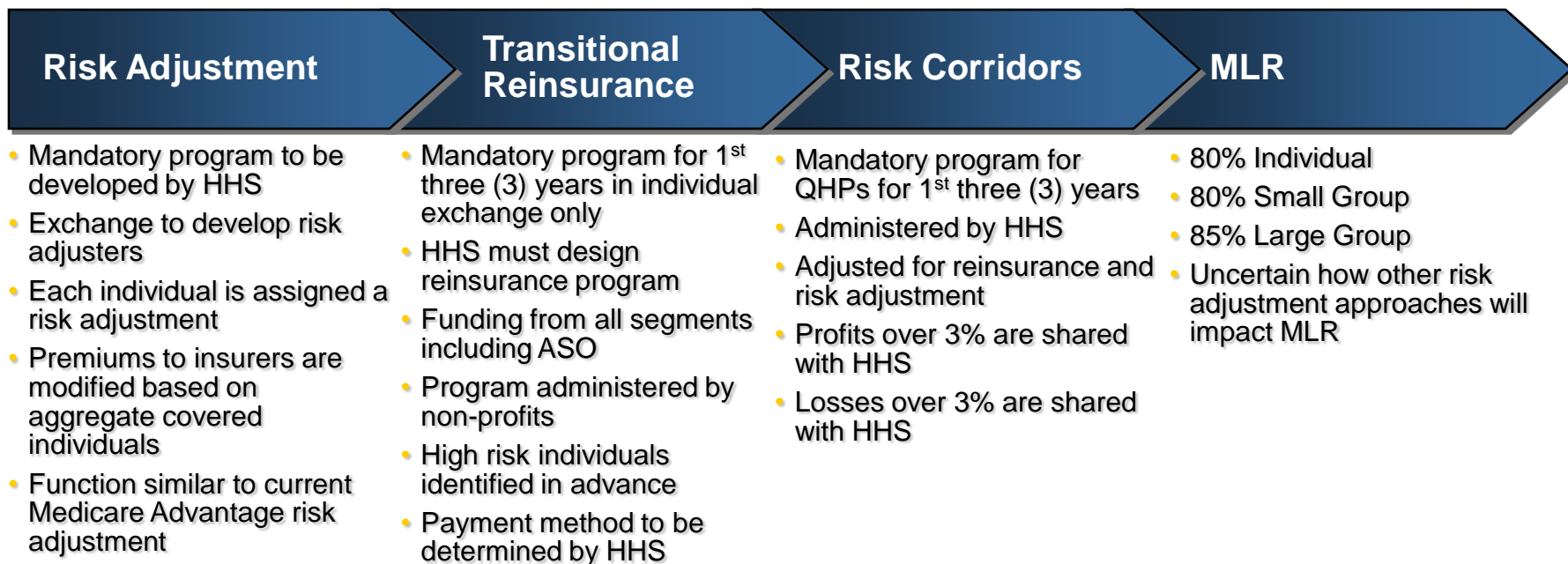
² Census, American Community Survey Data, 2006-2008

Individual Exchange: Process for Cost-Sharing Subsidies and Risk Modification

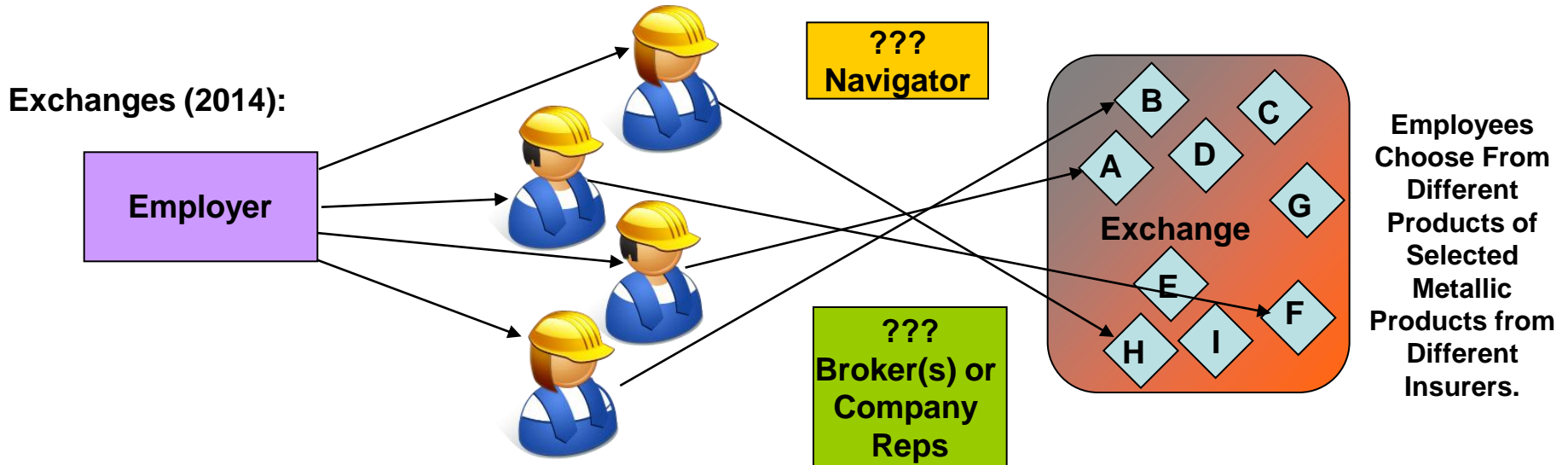
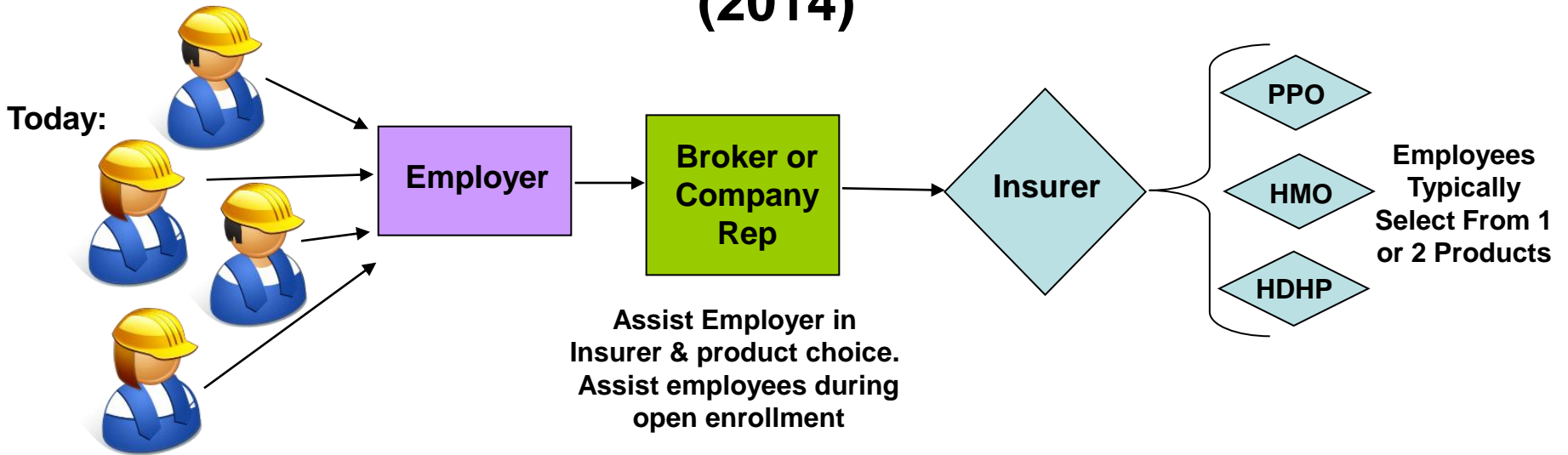
Preliminary process subject to change based on actual regulations



Individual Exchange: Process for Cost-Sharing Subsidies and Risk Modification

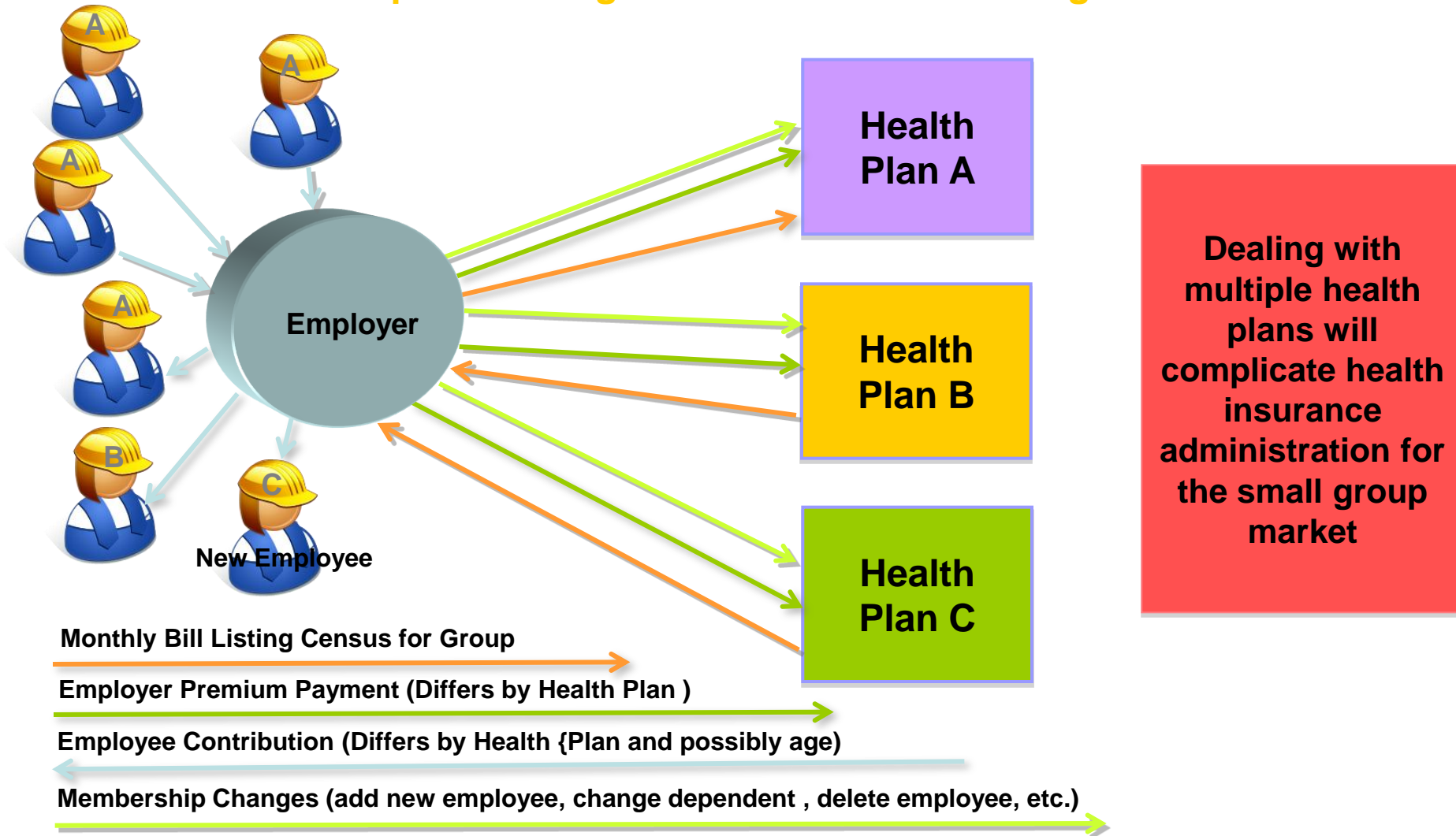


Exchanges: Potential Changes to How Small Employers (and Their Employees) Buy Coverage (2014)

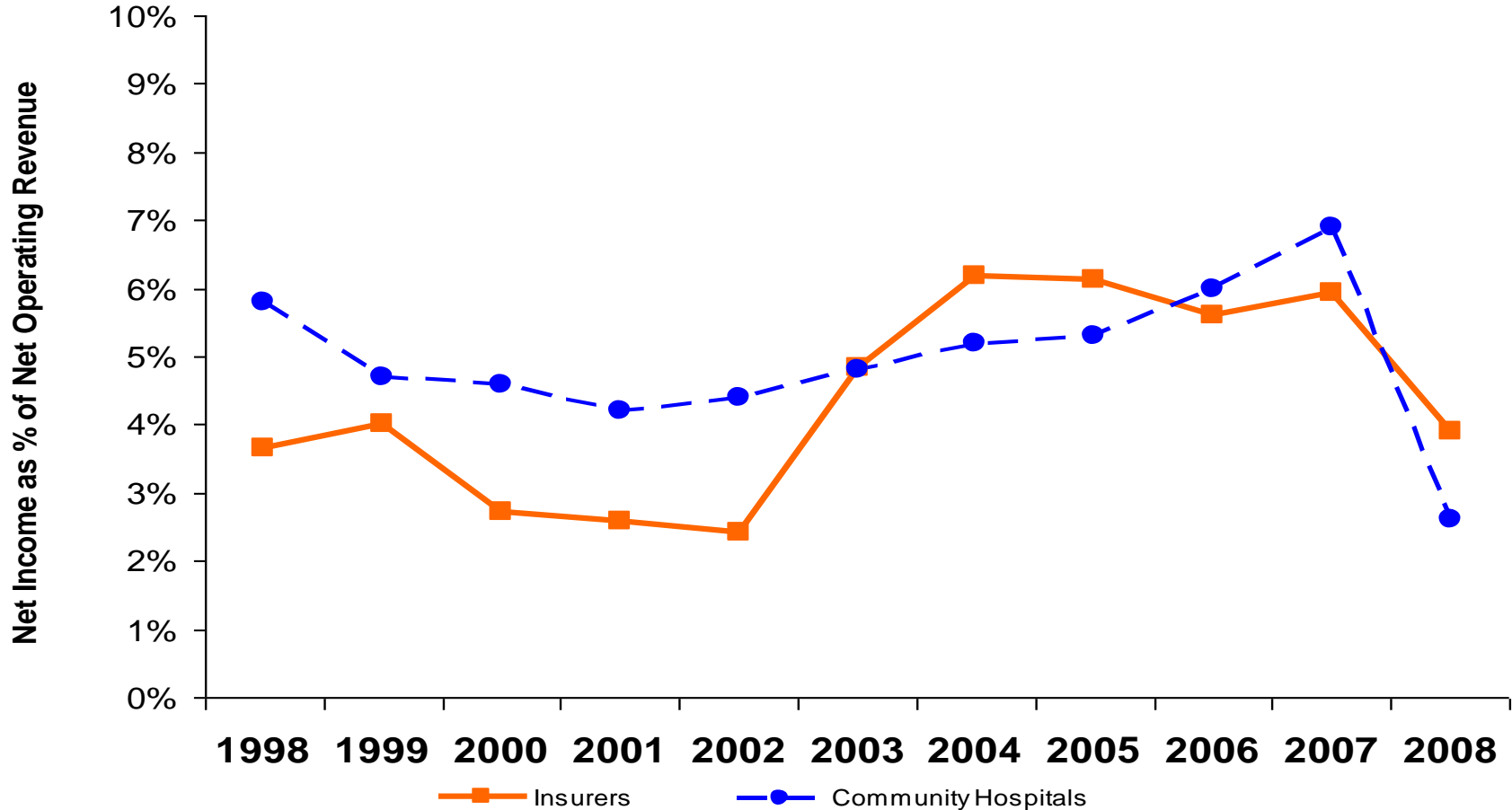


Small Employer Administrative Complexity

Membership and Billing Transactions for Exchange Enrollees



Profit Margins for For-Profit Insurers and Hospitals



Source: Commercial Insurers' Average is the annual average of the 5 largest commercial insurers, calculated using 10-K statements from the SEC. Community Hospital Margins are from the AHA Trendwatch Chartbook 2009, "Trends Affecting Hospitals and Health Systems", Table 4.1, Appendix 4, pg. A-32.