



## Member Movement Impact

### Plans Need to Start Gauging Member Movement Impact

Under health care reform, roughly 32 million Americans will be entering the health insurance risk pool primarily through participation in either an expanded Medicaid program or in health benefit exchanges. As health insurance plans prepare to accommodate this impending new member influx and shifts in the types of coverage sought by these individuals, they will need to anticipate and plan for future market dynamics.

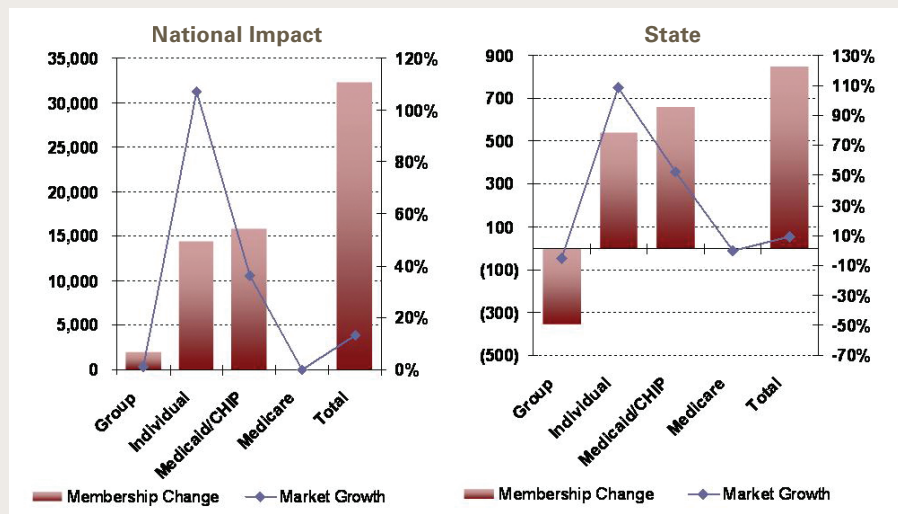
To better understand what the member landscape will look like and where the risks and benefits of different options will take their business in the coming years, plans need to address a number of key questions, according to Ingenix Consulting experts, who spoke at a Nov. 17, 2010, Webinar, "Evaluating Member Movement in a Post-reform Environment." This Webinar is part of a series of health care reform discussions hosted by Ingenix Consulting.

"Now is the time to begin looking at the various scenarios and outcomes of health care reform. Plans need to both take advantage of the opportunities that exist for them as well as prepare to deal with the threats that may be on the horizon" said Holly Michaels Fisher, Vice President, Government Programs Strategy, Ingenix Consulting. "Reform raises many fundamental and strategic questions for health plans."

#### Market Predictions Vary by Region

According to The Lewin Group's Health Benefits Simulation Model, the impact of reform under the Affordable Care Act will vary depending on geography (see chart at left). As noted, different regions will present different opportunities and risks.

When contrasting a specific state's market projections with national expectations, as indicated here, the state experiences a roughly 5-percent decrease to the group market, while the nation as a whole experiences a slight increase in group coverage. Ingenix Consulting can help plans perform county, metropolitan statistical area, multi-state or national analyses to understand the various geographic outcomes.



These adjustments are not trivial, according to David Tuomala, FSA, Director, Fisher told attendees that these pivotal questions include:

- Where are the revenue and profitability growth opportunities?
- What are the threats to capital under different scenarios?
- Should the plan pursue becoming a qualified health plan in a health benefit exchange? If so, which exchange?
- What will the population that actually enrolls look like?
- Will there be “churn” and what is the potential impact of that?
- How few or how many of the newly eligible Medicaid population will enroll?
- What will be the impact of movement, for example, between the subsidized exchange and Medicaid?
- What is the average risk of these new populations and how can that risk either be managed or selected through different strategies?

Although the potential answers to these questions are far from clear today and the overall shape and direction of health exchanges are still being formulated, plans must begin working toward the implementation of reform in the absence of definitive data. Under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (ACA), health exchanges are mandated to be in place in each state by Jan. 1, 2014; by Jan. 1, 2012, the federal government will be evaluating each state’s level of readiness.

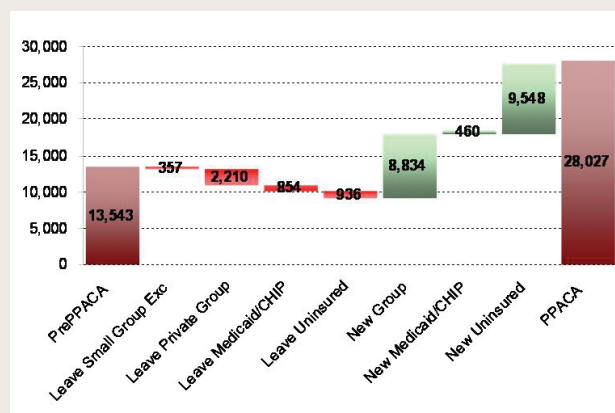
“We are very early in our understanding about the overall shape and direction of health exchanges, but at the same time, we know that 2014 is not very far away,” Fisher noted.

### Modeling process provides comprehensive snapshot

Plans essentially are trying to determine which markets they should be in under reform, and compelling reasons for why they want to be there. “But getting to this determination is not easy,” said Jay Hazelrigs, Senior Consultant, Actuarial Consulting, Ingenix Consulting. “It’s very complicated and there are many moving parts.”

To help plans make sense of this complicated subject, Ingenix Consulting has teamed up with The Lewin Group, an Ingenix company. This collaboration makes use of The Lewin Group’s Health Benefits Simulation Model (HBSM), which utilizes micro-simulation and econometric price elasticity sensitivities to project out the size of newly covered populations, their likely sources of insurance, shifts in the coverage of individuals who have existing coverage, and the cost impact of these options on key stakeholder groups.

The HBSM is a robust modeling process that covers all populations, including individual, group and Medicaid participants. Based on certain assumptions—which can be adjusted—the HBSM generates member counts and costs for a variety of scenarios and can simulate employer and individual decisions to offer, continue or discontinue coverage based on population profiles and premium costs. The chart below depicts the market movement from pre-ACA enrollment to ACA implementation.



“It is essential to test the key assumptions and results for reasonability and model other scenarios in order to understand possible outcomes,” Hazelrigs said. By using a “What-if?” approach, “we can pull various levers to see how specific changes alter the results.”

When the ACA is fully implemented, the HBSM projects that roughly 144 million people will continue to have employer-sponsored coverage on the commercial market outside of exchanges, and that an additional 8.5 million people will be covered through the small group exchange. “Therefore, the total number of individuals covered through employer-based coverage would increase by roughly 1 percent—or 2 million individuals—after we include the small groups on the exchange,” Fisher told Webinar attendees.

In terms of the individual market, which currently covers approximately 13.5 million people with coverage in the private market, the future projections under reform have to be carefully understood. The HBSM projects that a total of 28.1 million individuals will have coverage as individuals, which represents an increase of about 15 million individuals. However, Fisher explained, where they obtain coverage will not necessarily be from the traditional private market. That market actually may shrink to approximately 6 million from its current 13.5 million, and the remaining 22 million individuals will obtain coverage through the exchanges, either with or without a subsidy, she indicated.

Further, the expanded individual market will have characteristics that are very different from the characteristics of the population that today is privately insured in the non-group market. The new individual market will be made up of three major components: (1) the existing population (20 percent); (2) individuals subsidized through the exchange (this group will include a large number of individuals who either had no insurance or participated in Medicaid in the past) (65 percent); and (3) individuals who elect to obtain coverage without a subsidy through the exchange (a group that largely was uninsured in the past) (15 percent).

Ingenix Consulting experts advised attendees to look not only at changes in enrollment in each scenario, but also at the changes in cost when reviewing the HBSM projections.

“When talking about member movement, it may seem clear to say that group coverage will increase by roughly 2 million people, but when you look more closely, you will see that a number of people are both coming and going into the various segments, so when you peel the onion back you get a better idea of population shift characteristics and costs,” Hazelrigs noted.

Dave Tuomala, Director, Actuarial Consulting, Ingenix Consulting, concurred, adding that “growth change in membership doesn’t necessarily tell the whole story.” The Ingenix Consulting experts reviewed a number of different scenarios during the Webinar, including individual subsidy impact, individual coverage expansion and market characteristics, national membership post-reform (and allowed PMPM), group market movement and demographics, Medicaid/CHIP market movement and the impact of reform exchanges.

### Using data to predict future implications

Although there are many unknown factors, the HBSM provides a sound baseline for plans’ business decisions. When blended with a plan’s proprietary data, the process yields financial profitability and risk-based analyses that help shape strategy decisions.

“Every cell and every piece of data in this model require analysis, interpretation and an understanding of the implications on a market-by-market basis,” Fisher said. “The insights gained by examining different member movement scenarios through HBSM are invaluable, because they can help to determine, depending on the line of business a health plan is in today, whether or not they will view the projections as a risk or an opportunity,” Fisher stated. “We certainly know that the future risk composition of the market will look very different.”

Ingenix Consulting can use the modeling process to help plans understand where population growth and market opportunities exist. Then, based on this process, its experts can apply their knowledge and experience to work with plans to drive and adjust business strategies and make decisions about specific markets and lines of business. These capabilities give plans invaluable insights for reporting to management and functioning successfully in a post-reform environment.

“This sound process uses data to address policy changes and their impact on market opportunities and risks,” Hazelrigs said. “Ingenix Consulting has the depth and breadth of expertise to help plans navigate through reform. This type of collaboration makes the future real and allows plans to visualize tomorrow and prepare their businesses appropriately.”

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