

Simulated Consumer Response to Changes in Premiums

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Overview

- Examine the potential effect of fixed annual premium changes on participation in the individual market
 - Exchange and Non-Exchange policies
- Three different amounts of moderate *average annual change* were used to simulate response in the individual market

Methods

- The UC Berkeley and UCLA California Simulation of Insurance Markets (CalSIM) model was used
 - Version 1.7
 - “Base scenario” employed
 - Estimates are for 2019
- We tested the impact of premium changes of various sizes
 - 1% or lower change based on average premium
- Given rating rules in California, we assume that the changes are spread across plans in the Individual Market, whether or not the policies are purchased through the Exchange.

Assumptions for this Analysis

- We assume that insurance companies do not pass the decrease/increase equally onto each policy, but take into account allowed adjustment factors to community rating, maintaining the 1 to 3 ratio for premium dollars based on age category.
- Across the entire individual market insurance pool, the additional *average* annual cost per policy was changed by:
 - \$50, \$100, and \$200

CalSIM Version 1.7

Base Scenario

- Propensities for individuals to take up coverage are based on the best available data from the health economics literature
- Medi-Cal take-up for newly eligible is projected to match the current take-up rate in the state for the uninsured (61%), and 10% for previously eligible, but uninsured
- Exchange take-up is based upon previous insurance status, premium offered after potential subsidies versus cost of penalty for not purchasing qualified coverage
- Limited English Proficient (LEP) individuals will be less likely to enroll
- Phase-in of coverage expected to be complete by 2017

Insurance Coverage in 2019

- *Base Scenario* -

Coverage Type	Number of Californians
Employer-Sponsored Insurance	19.07
Medi-Cal	7.05
Healthy Families	0.61
Other Public	1.26
Exchange with Subsidies	1.75
Individual Market / Exchange without Subsidies	2.11
Uninsured – Eligible for Coverage	2.88
Uninsured – Not Eligible for Coverage due to Immigration Status	1.07

Source: UC Berkeley-UCLA CalSIM version 1.7

Response to Premium Changes, 2019

Average Annual Premium Change	Change in Enrollment due to Premium Increase	Change in Enrollment due to Premium Decrease	Rate of Change due to Increase (per 1,000 individually insured)	Rate of Change due to Decrease (per 1,000 individually insured)
+/- \$50	-3,000	+2,000	0.8	0.5
+/- \$100	-6,000	+5,000	1.6	1.3
+/- \$200	-11,000	+11,000	2.9	2.9

Source: UC Berkeley-UCLA CalSIM version 1.7

Closing Thoughts

- These three options represent a snapshot of moderate annual premium increases
 - Magnitude of change could be far greater for larger premium increases
- We modeled the effect of premium change on take-up in the entire individual market
 - Some shifts may occur within the individual market due to slight premium changes, such as movement from a silver plan to a catastrophic plan

Questions?

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Methods:

http://www.healthpolicy.ucla.edu/pubs/files/calsim_methods.pdf

Recent Reports and Regional Fact Sheets:

<http://www.healthpolicy.ucla.edu/pubs/Publication.aspx?pubID=559>