

# Market Reform and Policy Issues for Implementation of Health Reform in North Carolina

*TAG Meeting #12 – Pre-Meeting Webinar*  
January 24, 2013



MERCER

OLIVER WYMAN

- **Project Goal, Webinar Objectives and Value Statement**
- Age Curve Analysis
- Geographic Rating Areas Analysis
- Next Steps

# Project Goal and Webinar Objectives

***Project Purpose: Develop policy options and considerations and identify areas of consensus to inform the NC DOI actions and recommendations for Exchange-related market reform policies.***

*(pursuant to North Carolina Session Law 2011-391)*



“It is the intent of the General Assembly to establish and operate a State-based health benefits Exchange that meets the requirements of the [ACA]...The DOI and DHHS may collaborate and plan in furtherance of the requirements of the ACA...The Commissioner of Insurance may also study insurance-related provisions of the ACA and any other matters it deems necessary to successful compliance with the provisions of the ACA and related regulations. The Commissioner shall submit a report to the...General Assembly containing recommendations resulting from the study.”

-- Session Law 2011-391

## Objectives for Today’s Webinar

- Discuss disruption analysis conducted on both the HHS proposed age curve and the carrier proposed age curve and options for moving forward
- Discuss the geographic rating analysis conducted and the potential disruption in the market associated with moving to standardized geographic rating areas

**The TAG will seek to evaluate the market reform policy options under consideration by assessing the extent to which they:**

- Expand coverage;
- Improve affordability of coverage;
- Provide high-value coverage options in the HBE;
- Empower consumers to make informed choices;
- Support predictability for market stakeholders, competition among plans and long-term sustainability of the HBE;
- Support innovations in benefit design, payment, and care delivery that can control costs and improve the quality of care; and
- Facilitate improved health outcomes for North Carolinians.

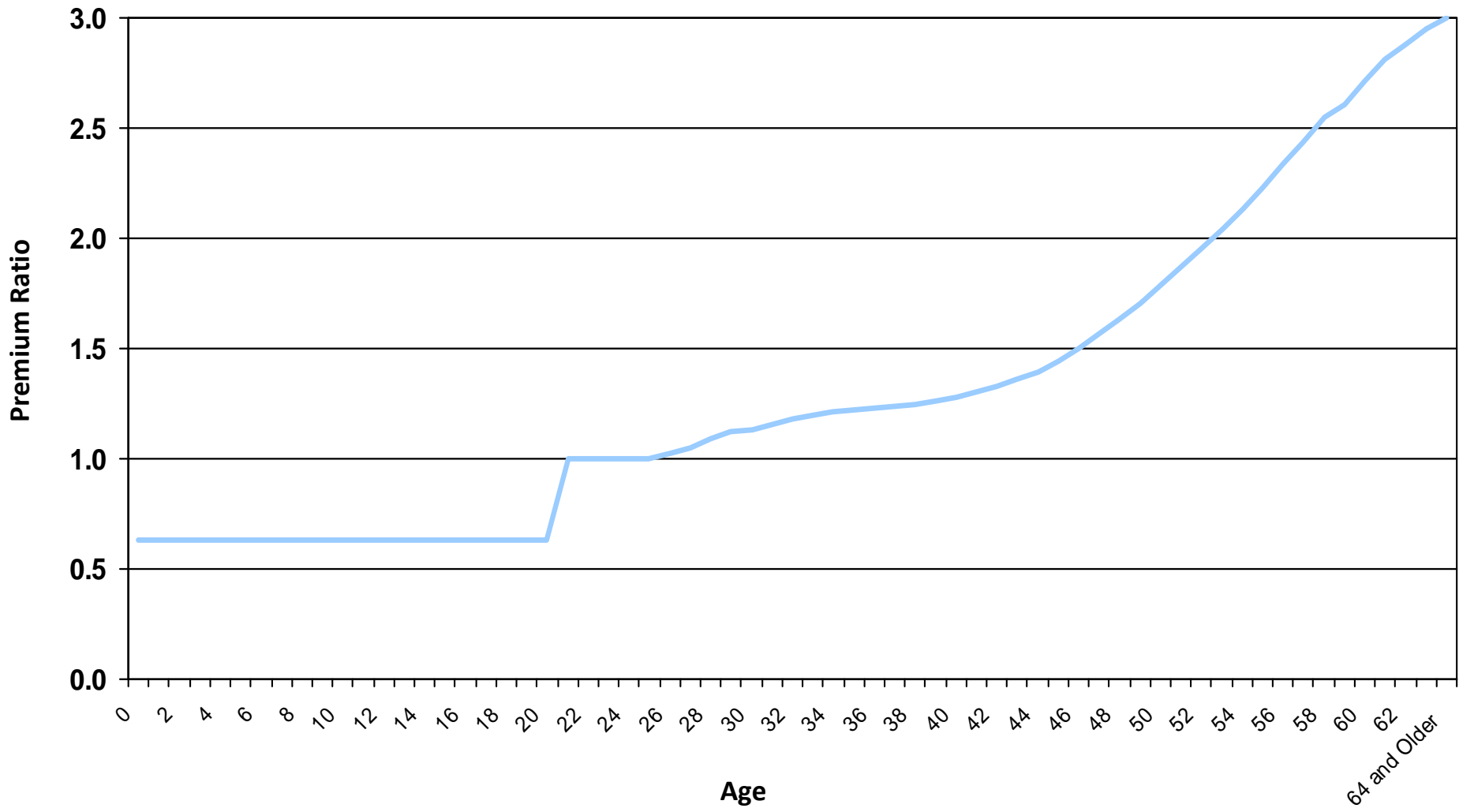
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- **Age Curve Analysis**
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# Relevant Laws and Regulations – Federal Age Bands and Factors

The proposed rules prescribe uniform age bands that all states and insurers must follow and offer a federal default age curve to implement the 3:1 ratio. States have the flexibility to submit their own rating curves.

- States must use the following standard age bands in the individual and small group markets for the purposes of age rating, subject to the rating rules of PHS Act Section 2701:
  - Children: A single age band covering children 0 to 20 years of age, where all premium rates are the same (rates must be actuarially justified and based on a standard population)
  - Adults: One year age bands starting at age 21 and ending at age 63
  - Older adults: A single age band covering individuals 64 years of age and older, where all premium rates are the same (*Insurance Market Rules NPRM §147.102*)
- Health insurance issuers within any market in a state must use a uniform age rating curve; the same rating curve applies to both the individual and small group market (*Insurance Market Rules NPRM §147.102*).
  - A state may apply the default age rating curve developed by CMS (see next slide), or may develop its own standard age rating curve
  - A state planning to use its own standard rating curve must submit the proposed curve to CMS no later than 30 days after publication of the Final Rule
- Age bands and age factors should be determined based on an enrollee's age on the first day of a plan or policy year (*Insurance Market Rules NPRM §147.102*).

# Proposed Federal Age Curve



# Federal Age Bands and Factors

*The federal age curve has a significant jump in premium at age 21.*

Age	Premium Ratio	% Increase	Age	Premium Ratio	% Increase	Age	Premium Ratio	% Increase
0-20	.635	N/A	35	1.222	0.7%	50	1.786	4.7%
21	1.000	57.5%	36	1.230	0.7%	51	1.865	4.4%
22	1.000	0.0%	37	1.238	0.7%	52	1.952	4.7%
23	1.000	0.0%	38	1.246	0.6%	53	2.040	4.5%
24	1.000	0.0%	39	1.262	1.3%	54	2.135	4.7%
25	1.004	0.4%	40	1.278	1.3%	55	2.230	4.4%
26	1.024	2.0%	41	1.302	1.9%	56	2.333	4.6%
27	1.048	2.3%	42	1.325	1.8%	57	2.437	4.5%
28	1.087	3.7%	43	1.357	2.4%	58	2.548	4.6%
29	1.119	2.9%	44	1.397	2.9%	59	2.603	2.2%
30	1.135	1.4%	45	1.444	3.4%	60	2.714	4.3%
31	1.159	2.1%	46	1.500	3.9%	61	2.810	3.5%
32	1.183	2.1%	47	1.563	4.2%	62	2.873	2.2%
33	1.198	1.3%	48	1.635	4.6%	63	2.952	2.7%
34	1.214	1.3%	49	1.706	4.3%	64 +	3.000	1.6%

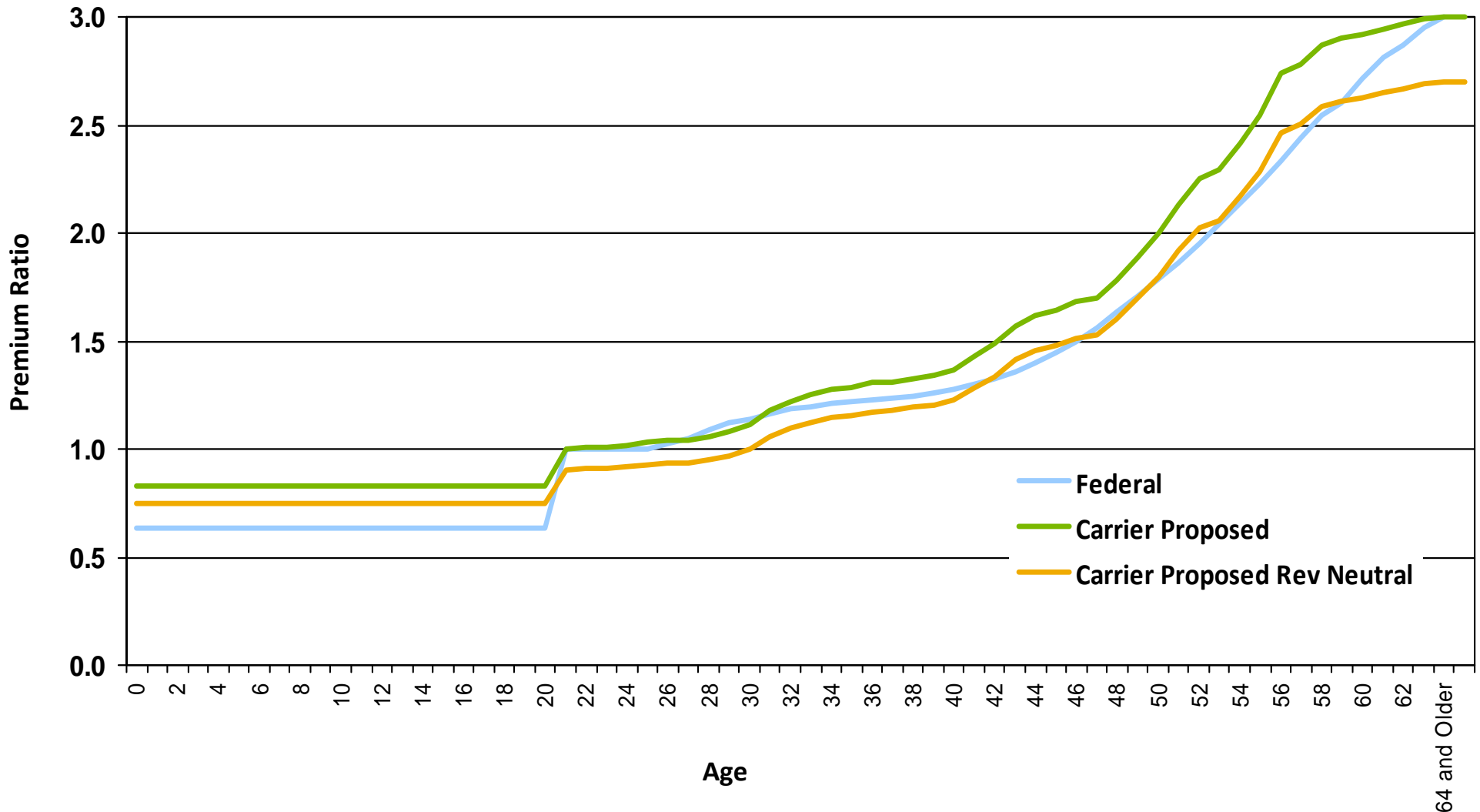
*Must start at 1.0 at age 21*

*Must end at 3.0 at age 64+*



# Proposed Federal Age Curve and Carrier Proposed Age Curve

An alternative age curve for North Carolina was proposed for consideration. The chart depicts the carrier proposed curve as well as a revised version of the proposed curve adjusted to be revenue neutral to the HHS curve.



# Federal Proposed Ratios Compared to Carrier Proposed and Carrier Proposed Revenue Neutral Ratios

Age	HHS Ratio	Carrier Proposed Ratio	Rev. Neutral Ratio	Age	HHS Ratio	Carrier Proposed Ratio	Rev. Neutral Ratio	Age	HHS Ratio	Carrier Proposed Ratio	Rev. Neutral Ratio
0-21	.635	.833	.749	35	1.222	1.288	1.158	50	1.786	1.997	1.796
21	1.000	1.000	.899	36	1.230	1.305	1.174	51	1.865	2.133	1.918
22	1.000	1.008	.907	37	1.238	1.311	1.179	52	1.952	2.250	2.024
23	1.000	1.009	.907	38	1.246	1.326	1.193	53	2.040	2.289	2.059
24	1.000	1.018	.916	39	1.262	1.342	1.207	54	2.135	2.411	2.168
25	1.004	1.033	.929	40	1.278	1.367	1.229	55	2.230	2.543	2.287
26	1.024	1.040	.935	41	1.302	1.428	1.284	56	2.333	2.738	2.462
27	1.048	1.043	.938	42	1.325	1.486	1.336	57	2.437	2.781	2.501
28	1.087	1.059	.952	43	1.357	1.570	1.412	58	2.548	2.871	2.582
29	1.119	1.078	.970	44	1.397	1.614	1.452	59	2.603	2.899	2.607
30	1.135	1.113	1.001	45	1.444	1.644	1.479	60	2.714	2.918	2.624
31	1.159	1.178	1.059	46	1.500	1.682	1.513	61	2.810	2.946	2.649
32	1.183	1.220	1.097	47	1.563	1.701	1.530	62	2.873	2.965	2.667
33	1.198	1.250	1.124	48	1.635	1.779	1.600	63	2.952	2.991	2.690
34	1.214	1.275	1.147	49	1.706	1.888	1.698	64 +	3.000	3.000	2.698

# Analysis Conducted- Methodology

*Analysis was conducted to determine which age curve (HHS or Carrier Proposed) would have the least disruption in the North Carolina market.*

Analysis was limited to the Individual market. The Small Group market data was not complete and consistent enough with sufficient detail to accurately analyze across carriers. In addition, the impact to any given small group will depend on the combination of employee ages and family composition within the group which was not requested.

For each carrier individually (and separately for products within a carrier if the age/gender factors varied by product), the rate impact by age/gender combination was calculated using the following process:

- Calculate the total current revenue by multiplying the covered lives in each age/gender combination by the applicable current age/gender factor from the data submissions, and summing across all age/gender combinations.
- Calculate the total preliminary revenue under the new age curve (HHS or Carrier Proposed) by multiplying the covered lives in each age/gender combination by the applicable proposed age factor, and summing across all age/gender combinations.
- Calculate a revenue neutrality adjustment equal to total current revenue (from first step) divided by total preliminary revenue (from second step).
- Calculate the percent rate impact for a given age/gender combination by multiplying the revenue neutrality adjustment by the proposed factor for that age, dividing by the current age/gender factor, and subtracting 1.

Results were summarized across carriers by age and gender, and by percent rate change.

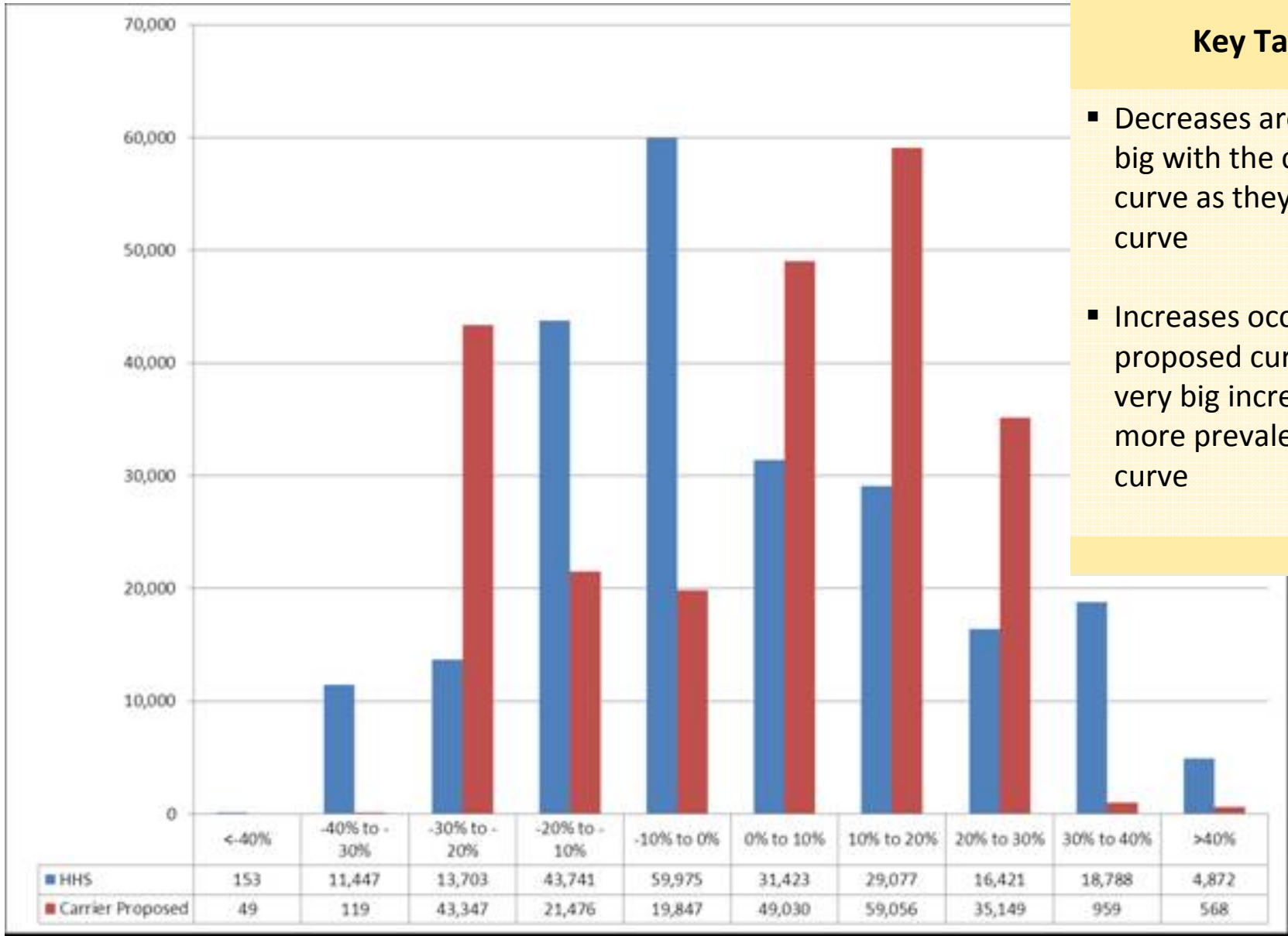
# Estimated Rate Impact of Carrier Proposed Age/Gender Curves

Individual Market Impact					
Gender	Age	HHS Curve	Proposed Curve	Covered Lives	Percent of Lives
M	0-1	-34%	-22%	3,448	2%
M	2-19	-5%	12%	31,224	14%
M	20-24	28%	21%	7,522	3%
M	25-29	40%	25%	10,037	4%
M	30-34	34%	23%	9,093	4%
M	35-39	24%	18%	8,705	4%
M	40-44	13%	14%	9,649	4%
M	45-49	11%	10%	9,037	4%
M	50-54	10%	13%	8,984	4%
M	55-59	14%	17%	8,025	3%
M	60-64	5%	-2%	7,287	3%
M	65+	-19%	-28%	260	0%
F	0-1	-34%	-22%	3,318	1%
F	2-19	-9%	7%	29,479	13%
F	20-24	-12%	-16%	7,181	3%
F	25-29	-13%	-22%	10,285	4%
F	30-34	-14%	-21%	9,388	4%
F	35-39	-17%	-21%	8,786	4%
F	40-44	-22%	-21%	9,524	4%
F	45-49	-17%	-18%	9,237	4%
F	50-54	-5%	-4%	9,296	4%
F	55-59	5%	8%	9,229	4%
F	60-64	10%	2%	10,228	5%
F	65+	-15%	-23%	359	0%

### Key Takeaways

- The carrier proposed curve tends to mitigate the rate changes relative to using the HHS Curve for many demographics
- The mitigation is achieved at the expense of big increases for kids from roughly age 2-15, who represent almost one-fifth of the total membership

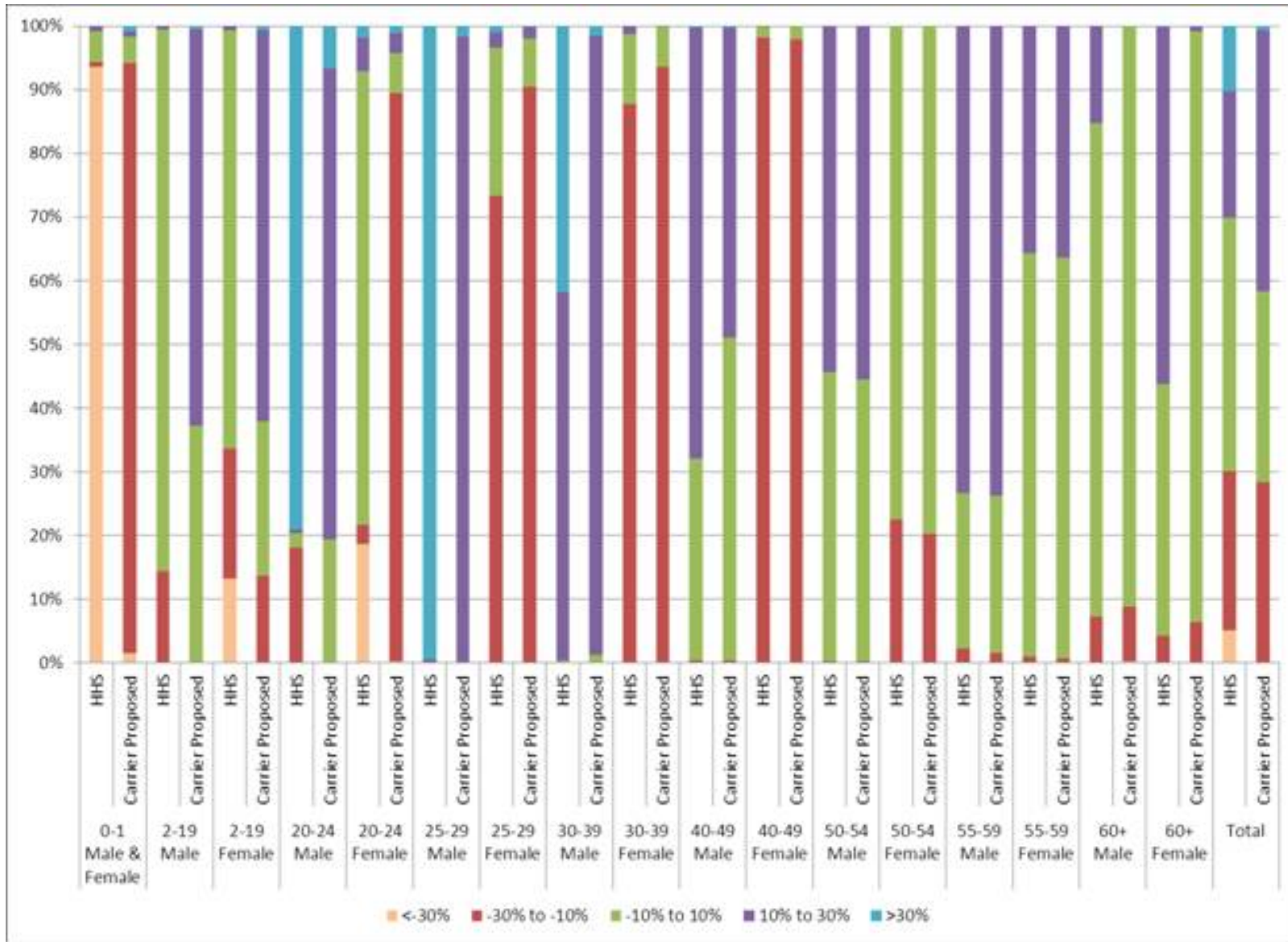
# Individual Market Members by Rate Impact



### Key Takeaways

- Decreases are generally not as big with the carrier proposed curve as they are with the HHS curve
- Increases occur with the carrier proposed curve more, although very big increases (>30%) are more prevalent with the HHS curve

# Percent of Individual Market Members by Age/Gender & Range of Rate Impact



## Key Takeaways

- Many more members ages 2-19 would see increases over 10% with the carrier proposed curve
- Very large increase (>30%) would occur in the HHS curve for males 20-29

# Considerations for Selecting the Carrier Proposed Age Curve

*Selecting the carrier proposed curve allow insurers to better set premiums for age based on North Carolina-specific experience which tends to mitigate significant rate changes. However, the rate mitigation is achieved through increases for children and may produce inconsistencies with risk adjustment.*

## Pros of Selecting the Carrier Alternative Age Curve

- Better customized to North Carolina experience
- Mitigates significant rate changes

## Cons of Selecting the Carrier Alternative Age Curve

- Increases rates for children
- Shortens insurer time frame to develop rates, which could start earlier if default age curve was used
- If risk adjustment does not reflect the state-specific curve, it could introduce inconsistencies into the methodology

# Age Curve Items for TAG Discussion

- Prior to TAG Meeting
  - Please perform carrier-specific analysis on the two proposed age curves, especially for the small group market
  - Prepare to provide comments on analysis conducted by the NC DOI and the additional analysis conducted at the TAG meeting
- During the TAG Meeting
  - Review of analyses conducted by carriers
  - Discussion on which age curve North Carolina should use (*see next slide*)



# Options for Selecting the Carrier Proposed Age Curve

*Question for TAG to consider at in person meeting:  
Should North Carolina submit the carrier proposed age curve?*

Options	Additional Details
<b>Yes</b>	<ul style="list-style-type: none"><li>• North Carolina should submit the carrier proposed age curve within 30 days of the final rule</li></ul>
<b>No</b>	<ul style="list-style-type: none"><li>• North Carolina should not submit the carrier proposed age curve within 30 days of the final rule and should accept the federal default age factors</li></ul>
<b>Other?</b>	<ul style="list-style-type: none"><li>• ?</li></ul>

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# Relevant Laws and Regulations – Geographic Rating Areas

The proposed rules set minimum requirements for geographic rating areas, while still permitting states to request flexibility on rating areas.

- In establishing geographic rating areas, a state may use one of three approved standards for geographic rating areas, or submit its own standard, subject to CMS approval. The three approved geographic rating area standards are:
  1. one rating area for the entire state;
  2. no more than seven rating areas based on counties or 3-digit zip codes (i.e., areas in which all zip codes share the first three digits); or
  3. no more than seven rating areas based on metropolitan statistical areas (MSAs) and non-MSAs
- A state may also propose to CMS for approval other existing geographic rating divisions on which to base rating areas, or a number of rating areas greater than seven (*Insurance Market Rules NPRM §147.102(b)*)
- All sections of a geographic rating area do not need to be geographically adjacent (*Insurance Market Rules NPRM, Fed Reg 70592*)
- If a state does not establish adequate rating areas or submit information to CMS on those rating areas, CMS will either impose one rating area or establish multiple rating areas within the state in accordance with the standards described above (*Insurance Market Rules NPRM §147.102(b)*)

NC Statute for small group market only: A carrier shall define geographic area to mean medical care system. Medical care system factors shall reflect the relative differences in expected costs, shall produce rates that are not excessive, inadequate, or unfairly discriminatory in the medical care system areas, and shall be revenue neutral to the small employer carrier. (*NCGS: 58-50-130(b)(7)*)

# Geographic Rating Areas

*The Rating Work Group further discussed the options for geographic rating after the proposed rules were issued in November and recommended to the TAG that NC DOI should seek CCIIO approval for using counties as geographic areas. The TAG agreed with this recommendation.*

## *Prior Consensus Points:*

- Workgroup members reached consensus that the state should seek CCIIO approval for using counties as geographic rating areas, based on a desire to enable efficient pricing, facilitate price transparency to drive delivery system competition and innovation, and ensure the availability of coverage options throughout the state.
- If not approved for the 100 counties approach, NC DOI should seek as much flexibility as possible to group counties in a way that seeks to minimize market disruption as much as possible.
- The NC DOI should conduct analysis in coming weeks to assess potential groupings that will minimize disruption.

# Analysis Conducted- Methodology

*Analysis was conducted to determine the level of disruption that would occur in the North Carolina market under various scenarios of geographic rating regions.*

Analysis was conducted to determine the assignment of counties to rating regions that resulted in the least overall disruption across both the individual and small group markets on a combined basis.

For carriers that currently rate by zip code, carrier membership by 3-digit zip was reallocated to counties using general population data by county within a 3-digit zip. The reallocated membership data for each 3-digit zip/county combination and the corresponding 3-digit zip area factors were used to calculate current county based area factors for each carrier.

For each of four scenarios, the following process was employed:

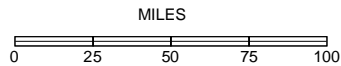
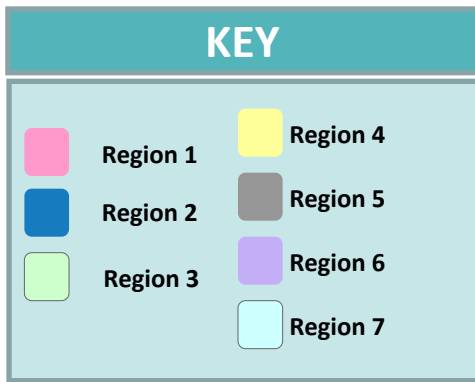
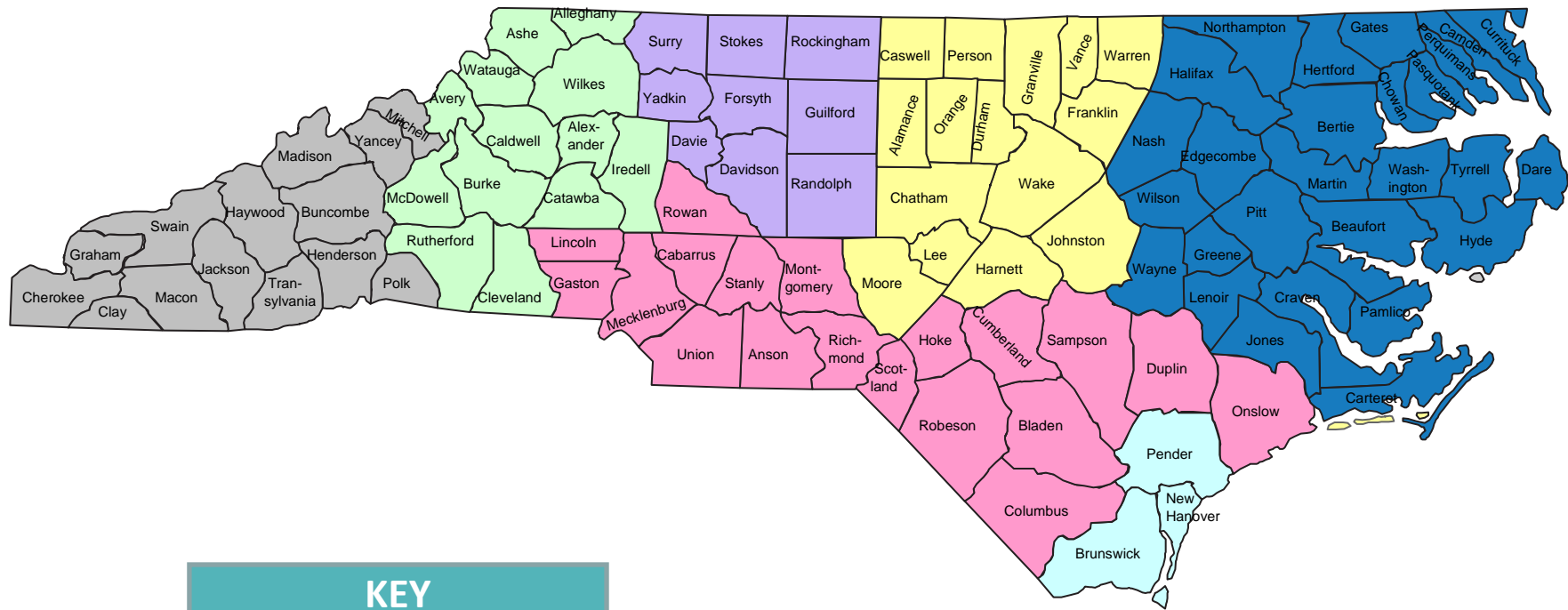
- Allocate counties to regions and calculate a set of new average region factors for each carrier as the member weighted average of the county factors for those counties assigned to the region
- Calculate the rate shock for each carrier and county by dividing the new factor assigned to the county by the old factor assigned to the county, and subtracting 1.
- Summarize the results by carrier and market, and across all carriers and markets.
- Repeat the steps above until the number of members experiencing a change within +/-2.5% was maximized when seven rating regions were used, or the number of rating regions was minimized when targeting a certain percentage of the population to experience a change within +/-2.5%

# Geographic Analysis Framework for Findings

Scenario	Rationale or Threshold	Number of Rating Areas
1	<ul style="list-style-type: none"> <li>Number of rating areas approved without obtaining an exception to CMS rules (based on proposed rules, only)</li> </ul>	7
2	<ul style="list-style-type: none"> <li>Number of regions needed so that at least 70% of the population in both the small group and individual markets would not have a change in premium (attributed to geographic rating) greater than 2.5% or less than -2.5%</li> </ul>	11
3	<ul style="list-style-type: none"> <li>Number of regions needed so that at least 98% of the population in both the small group and individual markets would not have a change in premium (attributed to geographic rating) greater than 2.5% or less than -2.5%</li> </ul>	49
4	<ul style="list-style-type: none"> <li>Number of regions needed so that at least 99% of the population in both the small group and individual markets would not have a change in premium (attributed to geographic rating) greater than 2.5% or less than -2.5%</li> </ul>	69

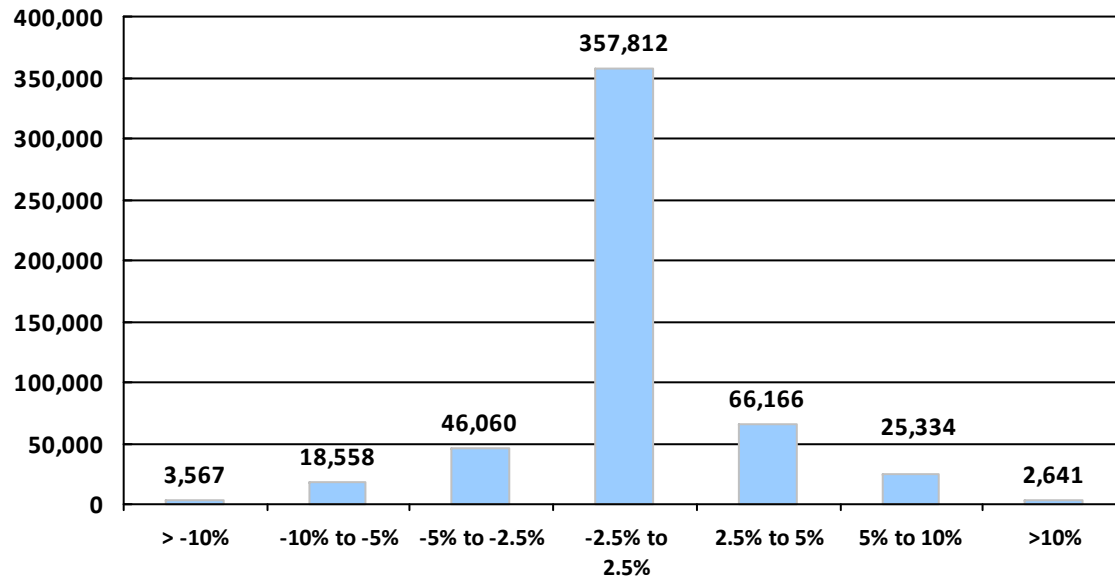
*A “plus” or “minus” threshold was used to mitigate the impact of either excessive or lower-than-expected premiums due to establishment of geographic rating areas. Amounts greater than 2.5% could result in significantly higher premiums to consumers (when considered with other rating changes) and amounts less than -2.5% could result in insurers not being able to compete within a specific geographic region.*

# Scenario 1: Seven Rating Areas



# Scenario 1: Seven Rating Areas Disruption Results

Distribution of Premium Impact Across the Small Group and Individual Market



Distribution Findings

Percent within +/- 2.5%	68.79%
Percent within +/-5%	90.36%
Percent within +/-10%	98.80%
Max Increase	76.06%
Max Decrease	-48.00%

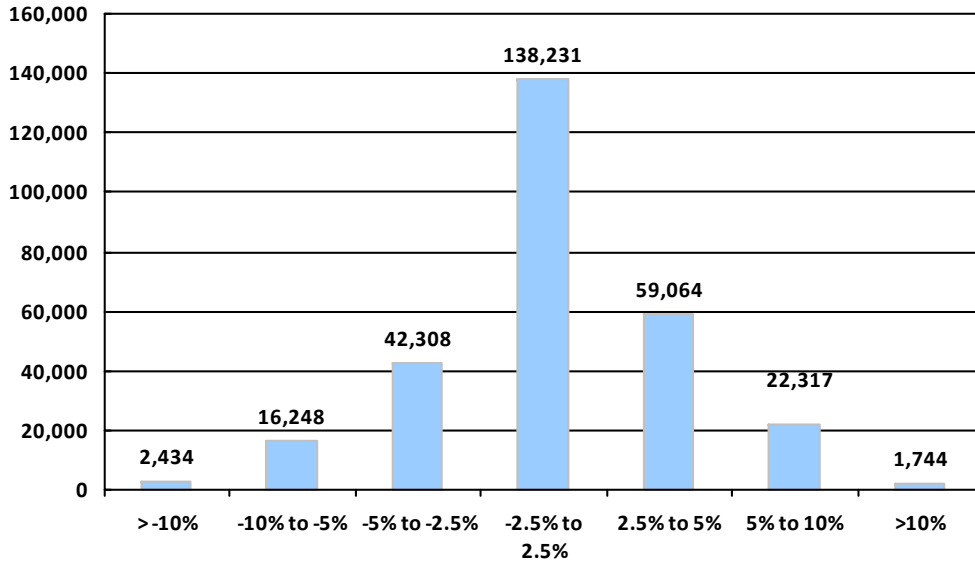
## Key Takeaways

- If North Carolina uses seven rating areas, approximately 31% of the eligible population would receive a premium change of greater than 2.5% and less than -2.5%, and approximately 10% of the population would have a change greater than 5% or less than -5%
- Much of the disruption is due to the impact of the small group market (*see next slide*)



# Scenario 1: Seven Rating Areas Disruption Results

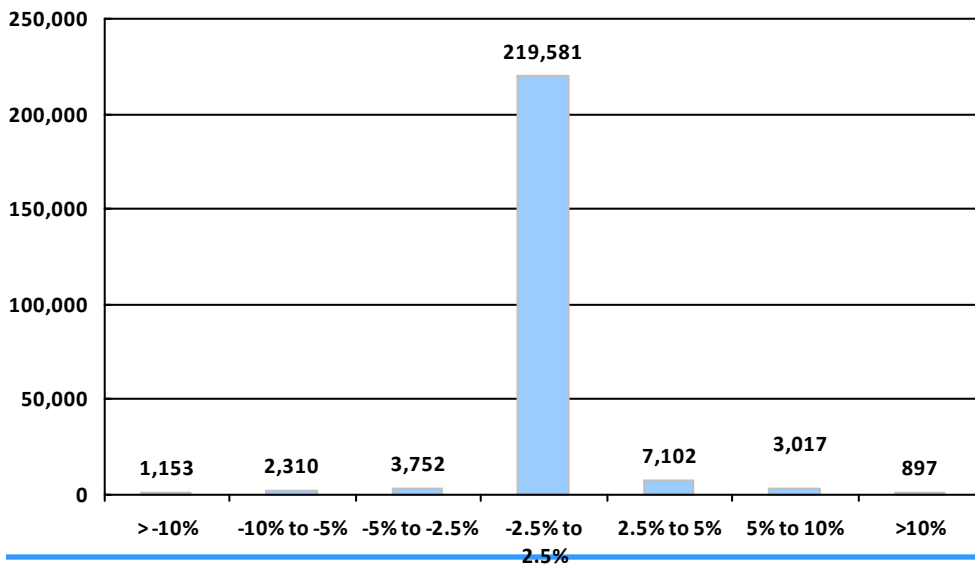
Distribution of Premium Impact Across the Small Group Market



Distribution Findings

Percent within +/- 2.5%	48.96%
Percent within +/- 5%	84.86%
Percent within +/- 10%	98.52%
Max Increase	79.06%
Max Decrease	-48.00%

Distribution of Premium Impact Across the Individual Market



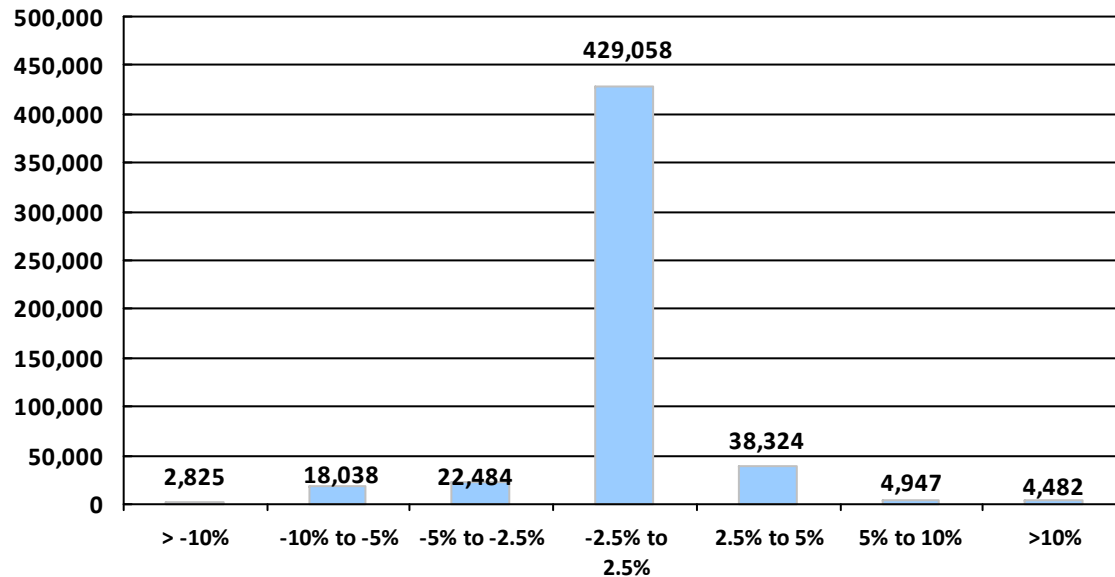
Distribution Findings

Percent within +/- 2.5%	92.33%
Percent within +/- 5%	96.90%
Percent within +/- 10%	99.14%
Max Increase	22.81%
Max Decrease	-25.08%



# Scenario 2: Eleven Rating Areas Disruption Results

Distribution of Premium Impact Across the Small Group and Individual Market



Distribution Findings

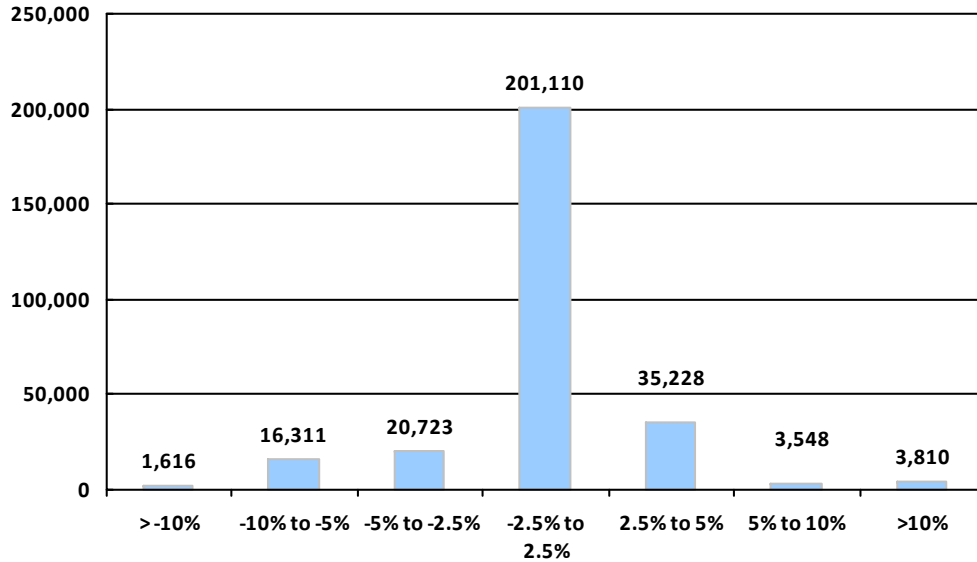
Percent within +/- 2.5%	82.49%
Percent within +/-5%	94.18%
Percent within +/-10%	98.60%
Max Increase	73.19%
Max Decrease	-48.00%

## Key Takeaways

- If North Carolina uses eleven rating areas, approximately 18% of the eligible population would receive a premium change of greater than 2.5% or less than -2.5%, and approximately 6% of the population would have a change greater than 5% or less than -5%
- Much of the disruption is due to the impact of the small group market (*see next slide*)

# Scenario 2: Eleven Rating Areas Disruption Results

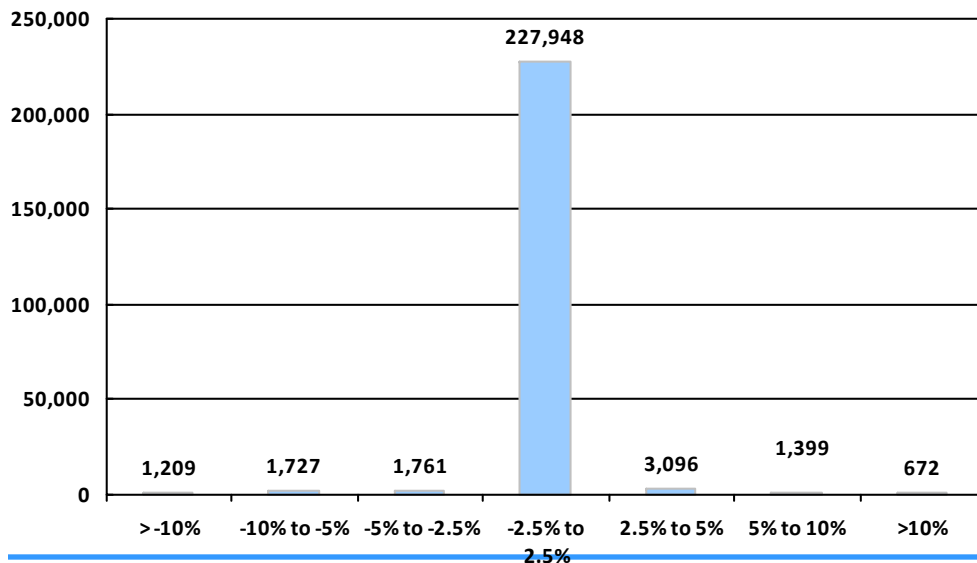
Distribution of Premium Impact Across the Small Group Market



Distribution Findings

Percent within +/- 2.5%	71.23%
Percent within +/-5%	91.04%
Percent within +/-10%	98.08%
Max Increase	73.19%
Max Decrease	-48.00%

Distribution of Premium Impact Across the Individual Market



Distribution Findings

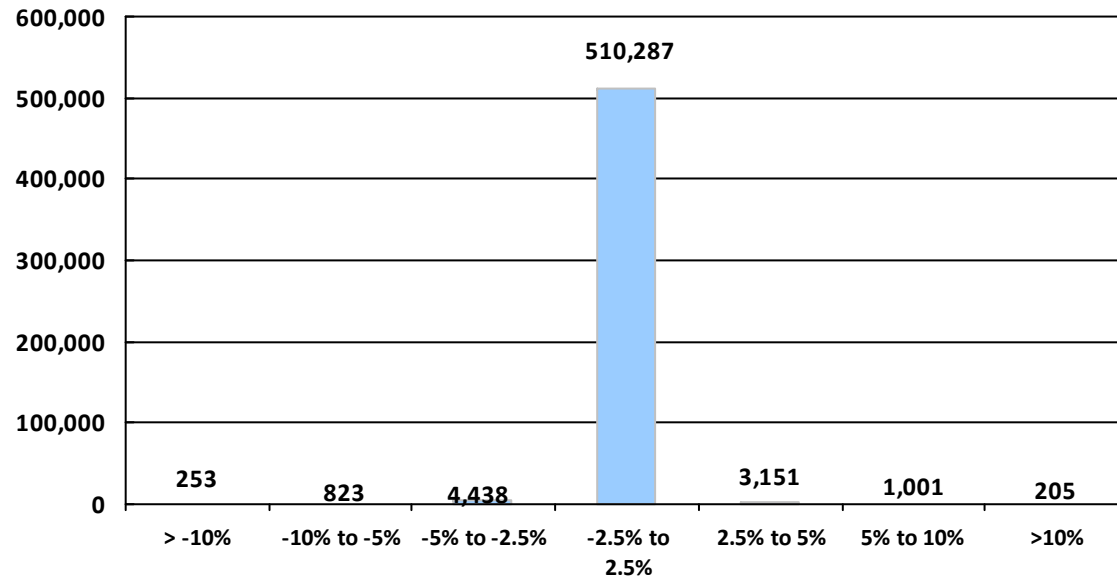
Percent within +/- 2.5%	95.85%
Percent within +/-5%	97.89%
Percent within +/-10%	99.21%
Max Increase	27.78%
Max Decrease	-25.00%

# Scenario 3: Forty-Nine Rating Areas

Region	County	Region	County	Region	County	Region	County
1	Onslow	16	Northampton	23	Cleveland	39	Macon
2	Cabarrus	16	Tyrrell	24	Alleghany	40	Cherokee
2	Stanly	16	Washington	24	Iredell	40	Haywood
2	Union	17	Beaufort	25	Ashe	40	Henderson
3	Hoke	17	Carteret	25	Watauga	40	Swain
3	Richmond	17	Craven	25	Wilkes	41	Jackson
4	Gaston	17	Hertford	26	Avery	41	Madison
4	Lincoln	17	Jones	26	Caldwell	41	Mitchell
5	Columbus	17	Pamlico	27	Catawba	42	Clay
6	Rowan	18	Edgecombe	28	McDowell	42	Graham
6	Scotland	18	Nash	28	Rutherford	42	Polk
7	Robeson	19	Greene	29	Harnett	43	Buncombe
8	Duplin	19	Halifax	29	Lee	43	Transylvania
9	Cumberland	20	Camden	30	Moore	43	Yancey
10	Bladen	20	Chowan	31	Granville	44	Davidson
10	Mecklenburg	20	Currituck	32	Vance	44	Surry
11	Anson	20	Pasquotank	32	Warren	45	Guilford
11	Montgomery	20	Perquimans	33	Caswell	45	Randolph
11	Sampson	21	Pitt	33	Person	46	Davie
12	Brunswick	21	Wayne	34	Alamance	46	Rockingham
13	Pender	22	Bertie	34	Durham	46	Stokes
14	New Hanover	22	Dare	35	Franklin	46	Yadkin
15	Lenoir	22	Gates	36	Johnston	47	Forsyth
15	Wilson	22	Martin	37	Orange	48	Alexander
16	Hyde	23	Burke	38	Wake	49	Chatham

# Scenario 3: Forty-Nine Rating Areas Disruption Results

Distribution of Premium Impact Across the Small Group and Individual Market



Distribution Findings

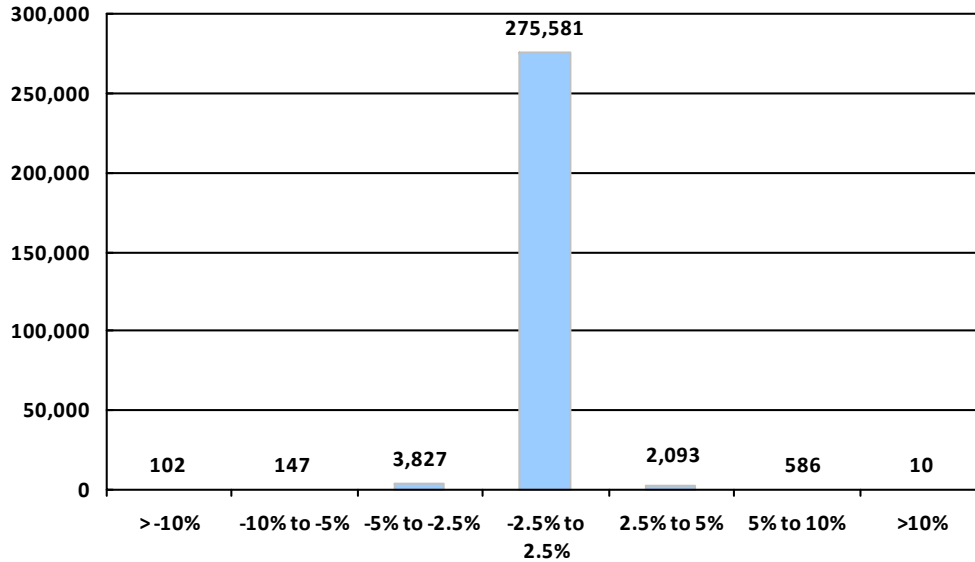
Percent within +/- 2.5%	98.10%
Percent within +/-5%	99.56%
Percent within +/-10%	99.91%
Max Increase	46.15%
Max Decrease	-48.00%

## Key Takeaways

- If North Carolina uses forty-nine rating areas, approximately 2% of the eligible population would receive a premium change of greater than 2.5% or less than -2.5%, and less than 1% of the population would have a change greater than 5% or less than -5%.

# Scenario 3: Forty-Nine Rating Areas Disruption Results

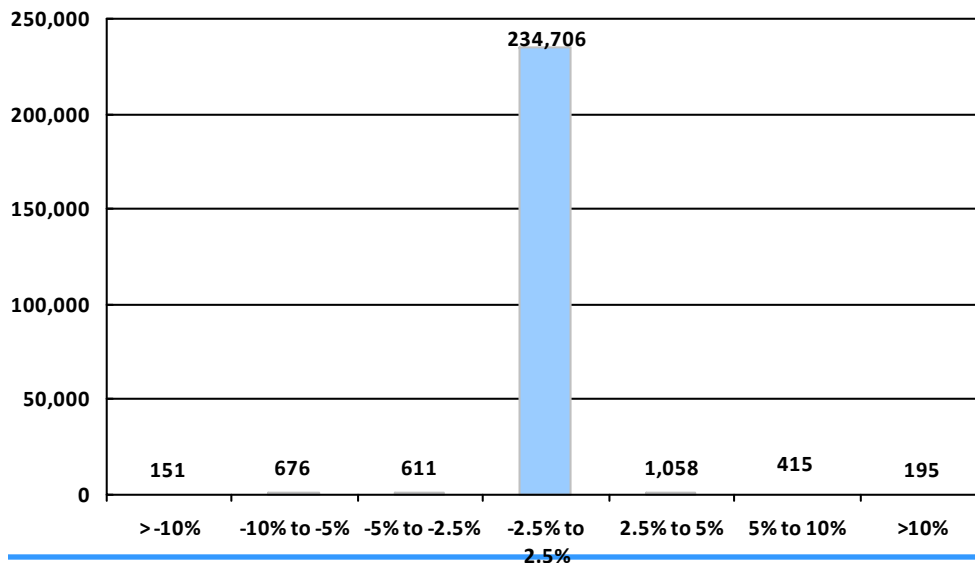
Distribution of Premium Impact Across the Small Group Market



Distribution Findings

Percent within +/- 2.5%	97.60%
Percent within +/-5%	99.70%
Percent within +/-10%	99.96%
Max Increase	46.15%
Max Decrease	-48.00%

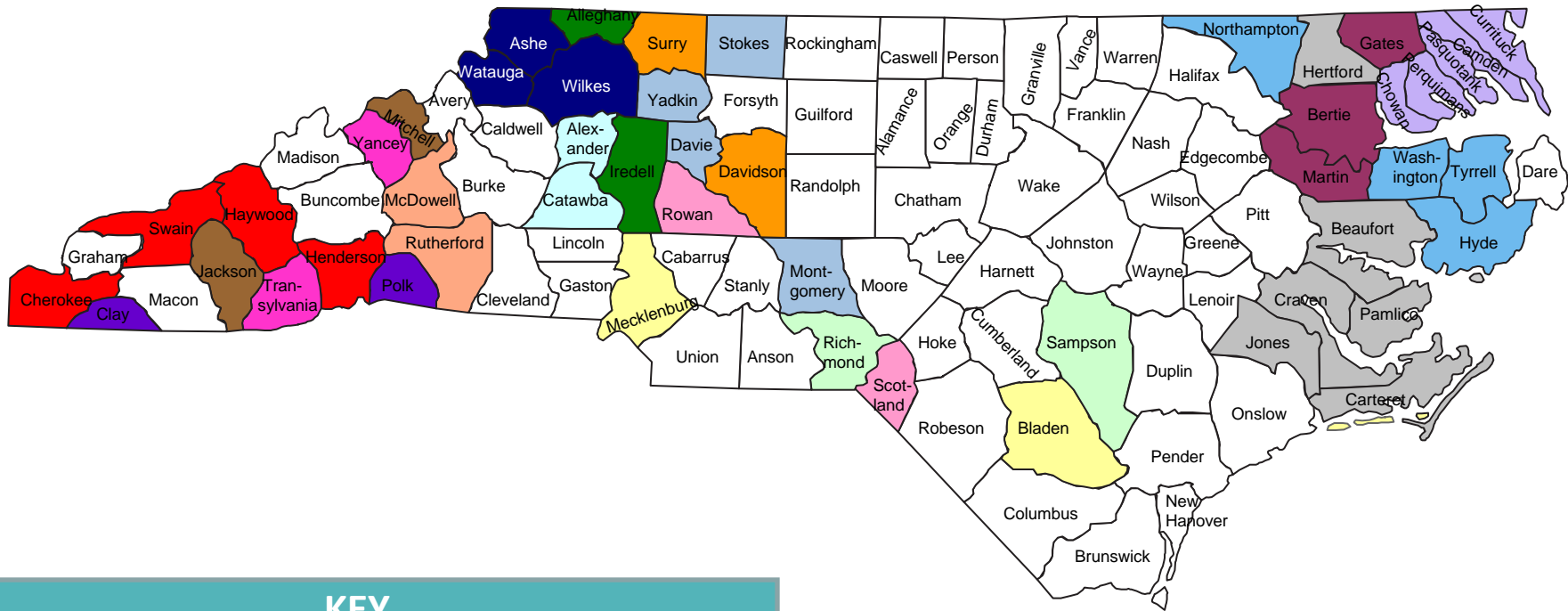
Distribution of Premium Impact Across the Individual Market



Distribution Findings

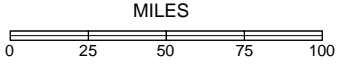
Percent within +/- 2.5%	98.69%
Percent within +/-5%	99.40%
Percent within +/-10%	99.85%
Max Increase	26.49%
Max Decrease	-22.50%

# Scenario 4: Sixty-Nine Rating Areas



**KEY**

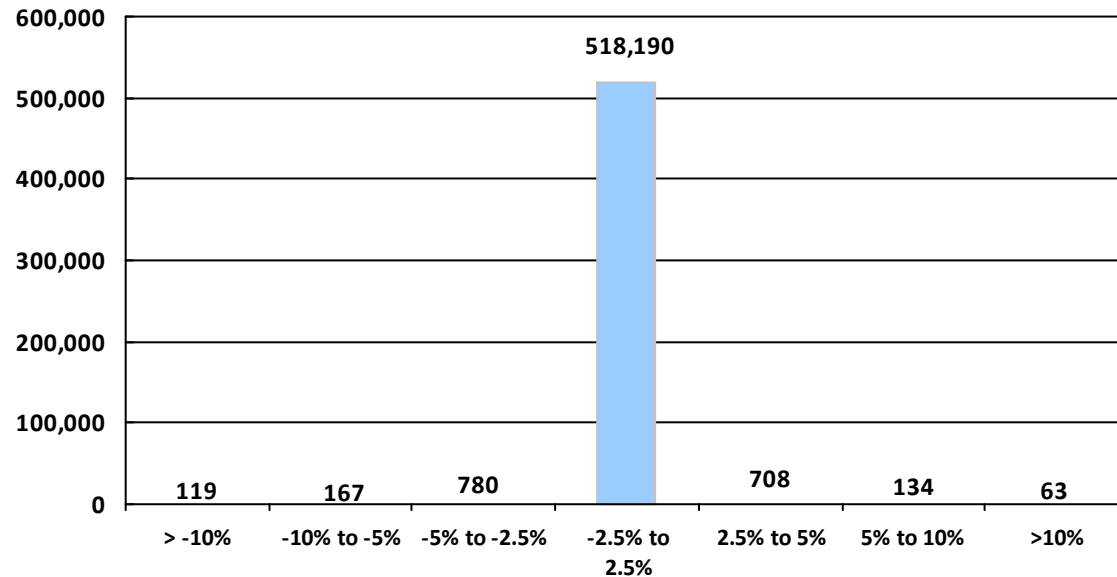
<span style="display:inline-block; width:15px; height:15px; background-color: #FFC0CB; border: 1px solid black;"></span> Reg. 10	<span style="display:inline-block; width:15px; height:15px; background-color: #A9A9A9; border: 1px solid black;"></span> Reg. 23	<span style="display:inline-block; width:15px; height:15px; background-color: #000080; border: 1px solid black;"></span> Reg. 36	<span style="display:inline-block; width:15px; height:15px; background-color: #8B4513; border: 1px solid black;"></span> Reg. 58	<span style="display:inline-block; width:15px; height:15px; background-color: #6495ED; border: 1px solid black;"></span> Reg. 69
<span style="display:inline-block; width:15px; height:15px; background-color: #FFFF00; border: 1px solid black;"></span> Reg. 14	<span style="display:inline-block; width:15px; height:15px; background-color: #CCCCFF; border: 1px solid black;"></span> Reg. 27	<span style="display:inline-block; width:15px; height:15px; background-color: #ADD8E6; border: 1px solid black;"></span> Reg. 39	<span style="display:inline-block; width:15px; height:15px; background-color: #8A2BE2; border: 1px solid black;"></span> Reg. 60	<span style="display:inline-block; width:15px; height:15px; background-color: #FFFFFF; border: 1px solid black;"></span> Each county shaded white is a separate rating area
<span style="display:inline-block; width:15px; height:15px; background-color: #90EE90; border: 1px solid black;"></span> Reg. 16	<span style="display:inline-block; width:15px; height:15px; background-color: #800040; border: 1px solid black;"></span> Reg. 32	<span style="display:inline-block; width:15px; height:15px; background-color: #FFA07A; border: 1px solid black;"></span> Reg. 40	<span style="display:inline-block; width:15px; height:15px; background-color: #FF00FF; border: 1px solid black;"></span> Reg. 62	
<span style="display:inline-block; width:15px; height:15px; background-color: #00CED1; border: 1px solid black;"></span> Reg. 22	<span style="display:inline-block; width:15px; height:15px; background-color: #008000; border: 1px solid black;"></span> Reg. 35	<span style="display:inline-block; width:15px; height:15px; background-color: #FF0000; border: 1px solid black;"></span> Reg. 57	<span style="display:inline-block; width:15px; height:15px; background-color: #FF8C00; border: 1px solid black;"></span> Reg. 65	





# Scenario 4: Sixty-Nine Rating Areas Disruption Results

Distribution of Premium Impact Across the Small Group and Individual Market



Distribution Findings

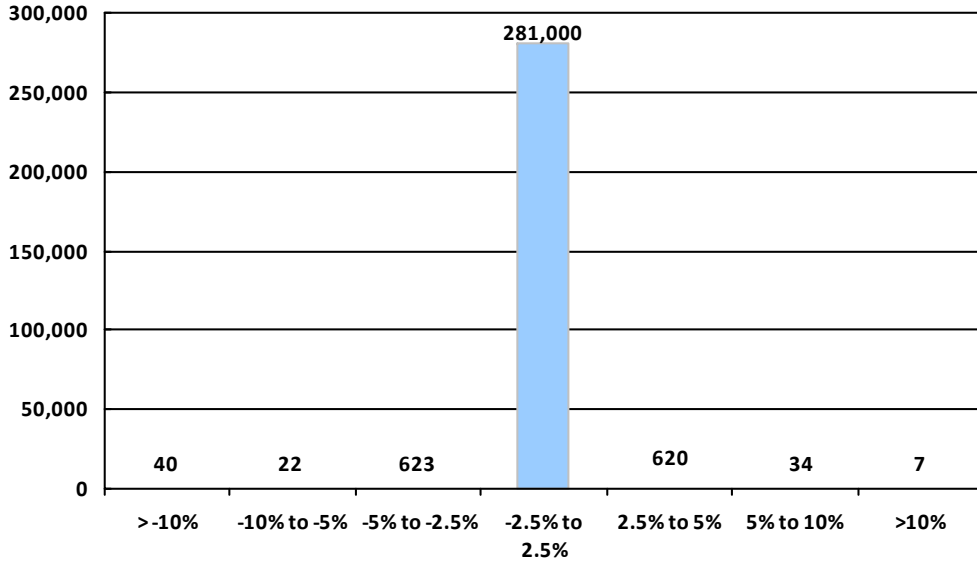
Percent within +/- 2.5%	99.62%
Percent within +/-5%	99.91%
Percent within +/-10%	99.97%
Max Increase	46.15%
Max Decrease	-48.00%

## Key Takeaways

- If North Carolina uses sixty-nine rating areas, less than .4% of the eligible population would receive a premium change of greater than 2.5% or less than -2.5%, and less than .1% of the population would have a change greater than 5% or less than -5%

# Scenario 4: Sixty-Nine Rating Areas Disruption Results

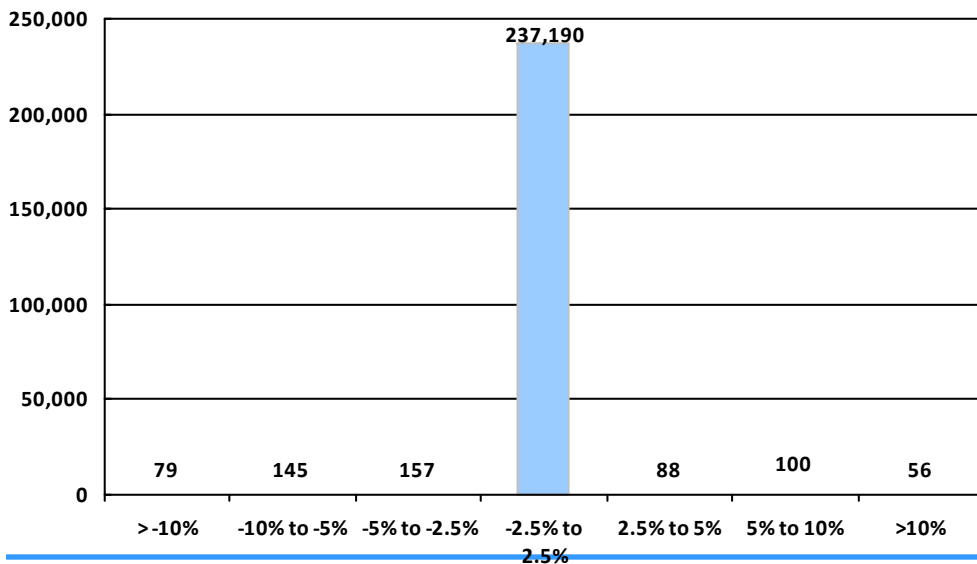
Distribution of Premium Impact Across the Small Group Market



Distribution Findings

Percent within +/- 2.5%	99.52%
Percent within +/- 5%	99.96%
Percent within +/- 10%	99.98%
Max Increase	46.15%
Max Decrease	-48.00%

Distribution of Premium Impact Across the Individual Market



Distribution Findings

Percent within +/- 2.5%	99.74%
Percent within +/- 5%	99.84%
Percent within +/- 10%	99.94%
Max Increase	26.49%
Max Decrease	-18.77%

# Results by Carrier – Individual (*blinded*)

Carrier	Scenario 1 7 Regions		Scenario 2 11 Regions		Scenario 3 (98%) 49 Regions		Scenario 4 (99%) 69 Regions	
	Within +/- 2.5%	Within +/- 5.0%	Within +/- 2.5%	Within +/- 5.0%	Within +/- 2.5%	Within +/- 5.0%	Within +/- 2.5%	Within +/- 5.0%
1	49.6%	77.8%	62.8%	81.1%	87.4%	89.4%	89.2%	90.5%
2	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
3	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
4	49.8%	97.2%	76.9%	95.5%	90.7%	97.4%	100.0%	100.0%
5	59.7%	69.5%	68.3%	84.8%	98.3%	100.0%	100.0%	100.0%
6	20.8%	59.0%	60.4%	72.6%	84.8%	92.2%	96.8%	98.8%
7	60.0%	92.8%	77.2%	92.8%	88.7%	95.3%	100.0%	100.0%
8	62.4%	84.0%	90.6%	91.2%	91.8%	94.2%	99.1%	99.1%
9	10.6%	41.3%	50.9%	59.2%	89.9%	92.1%	98.8%	99.0%
10	61.7%	77.6%	75.3%	83.6%	94.1%	97.3%	97.0%	98.8%
11	6.8%	45.3%	68.1%	68.2%	87.8%	88.7%	92.4%	92.4%

### Key Takeaway

- Several carriers will experience significant disruption in Scenario 1, while in Scenario 4 most carriers have less than 10% of their individual members receiving premium changes at greater than 2.5% or less than -2.5%

# Results by Carrier – Small Group (*blinded*)

Carrier	Scenario 1 7 Regions		Scenario 2 (70%) 11 Regions		Scenario 3 (98%) 49 Regions		Scenario 4 (99%) 69 Regions	
	Within +/- 2.5%	Within +/- 5.0%	Within +/- 2.5%	Within +/- 5.0%	Within +/- 2.5%	Within +/- 5.0%	Within +/- 2.5%	Within +/- 5.0%
1	69.8%	81.4%	70.4%	85.7%	91.4%	98.7%	99.8%	100.0%
2	40.5%	54.7%	47.9%	67.2%	76.5%	88.4%	90.7%	96.8%
3	52.9%	80.8%	63.4%	86.0%	93.8%	98.7%	99.0%	99.0%
4	60.7%	76.8%	67.9%	82.2%	92.9%	96.5%	92.9%	96.5%
5	84.5%	97.2%	89.2%	98.2%	97.8%	100.0%	99.0%	100.0%
6	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
7	83.0%	100.0%	97.3%	100.0%	100.0%	100.0%	99.6%	100.0%
8	53.2%	86.7%	74.2%	94.9%	99.5%	99.9%	99.3%	100.0%
9	89.9%	94.9%	90.9%	96.7%	93.6%	99.7%	100.0%	100.0%
10	36.0%	90.1%	64.0%	84.6%	98.8%	100.0%	100.0%	100.0%
11	26.7%	82.2%	64.2%	86.1%	97.5%	100.0%	100.0%	100.0%

### Key Takeaway

- Virtually all carriers will experience significant disruption in Scenario 1, while in Scenario 4 all carriers have less than 10% of their small group members receiving premium changes at greater than 2.5% or less than -2.5%

# Geographic Rating Areas Items for TAG Discussion

- TAG discussion to include:
  - Review of key marketplace comments to make in Exception request, in light of analysis conducted
  - Review of policy points for Exceptions request
  - Updates, if available, on final market rules and insight into the use of a large number of rating areas with the risk adjustment model
  - Exceptions request timeline

- Project Goal, Webinar Objectives and Value Statement
- Age Curve Analysis
- Geographic Rating Areas Analysis
- **Next Steps**

- **Carriers can follow up with NCDOI if they want to know their individual carrier results in the geographic analysis**
  - Email requests to [lauren.short@ncdoi.gov](mailto:lauren.short@ncdoi.gov).
- **Consider Information Provided for Discussion for TAG #12**
  - Consider analysis presented and please come prepared with comments and additional carrier-specific analysis of the age curve, specifically for the small group market.
  - At next In-Person TAG Meeting, we will briefly review each area and quickly move into a discussion of age and geography, as well as other items.
  - Email Lauren Short if there are questions on the analysis conducted.
- **Review TAG #11 Meeting Notes**
  - Final notes will incorporate all changes and be sent via email
- **Attend TAG #12 In-Person Meeting**
  - February 11, 2013 from 9:00 AM – 12:00 PM at the NC Institute of Medicine

*Questions?*

# Scenario 1: Seven Regions

Region	County	Region	County	Region	County	Region	County
1	Anson	2	Currituck	3	Burke	5	Cherokee
1	Bladen	2	Dare	3	Caldwell	5	Clay
1	Cabarrus	2	Edgecombe	3	Catawba	5	Graham
1	Columbus	2	Gates	3	Cleveland	5	Haywood
1	Cumberland	2	Greene	3	Iredell	5	Henderson
1	Duplin	2	Halifax	3	McDowell	5	Jackson
1	Gaston	2	Hertford	3	Rutherford	5	Macon
1	Hoke	2	Hyde	3	Watauga	5	Madison
1	Lincoln	2	Jones	3	Wilkes	5	Mitchell
1	Mecklenburg	2	Lenoir	4	Alamance	5	Polk
1	Montgomery	2	Martin	4	Caswell	5	Swain
1	Onslow	2	Nash	4	Chatham	5	Transylvania
1	Richmond	2	Northampton	4	Durham	5	Yancey
1	Robeson	2	Pamlico	4	Franklin	6	Davidson
1	Rowan	2	Pasquotank	4	Granville	6	Davie
1	Sampson	2	Perquimans	4	Harnett	6	Forsyth
1	Scotland	2	Pitt	4	Johnston	6	Guilford
1	Stanly	2	Tyrrell	4	Lee	6	Randolph
1	Union	2	Washington	4	Moore	6	Rockingham
2	Beaufort	2	Wayne	4	Orange	6	Stokes
2	Bertie	2	Wilson	4	Person	6	Surry
2	Camden	3	Alexander	4	Vance	6	Yadkin
2	Carteret	3	Alleghany	4	Wake	7	Brunswick
2	Chowan	3	Ashe	4	Warren	7	New Hanover
2	Craven	3	Avery	5	Buncombe	7	Pender



# Scenario 2: Eleven Regions

Region	County	Region	County	Region	County	Region	County
1	Anson	2	Washington	5	Madison	9	Carteret
1	Bladen	2	Wayne	5	Mitchell	9	Craven
1	Cumberland	3	Alexander	5	Polk	9	Edgecombe
1	Duplin	3	Alleghany	5	Swain	9	Hertford
1	Gaston	3	Avery	5	Transylvania	9	Hyde
1	Lincoln	3	Caldwell	5	Yancey	9	Lenoir
1	Mecklenburg	3	Catawba	6	Davidson	9	Nash
1	Montgomery	3	McDowell	6	Davie	9	Northampton
1	Richmond	3	Rutherford	6	Forsyth	9	Pamlico
1	Robeson	4	Alamance	6	Guilford	9	Pasquotank
1	Rowan	4	Caswell	6	Randolph	9	Tyrrell
1	Sampson	4	Chatham	6	Rockingham	9	Wilson
1	Scotland	4	Moore	6	Stokes	10	Durham
2	Bertie	4	Orange	6	Surry	10	Franklin
2	Camden	4	Vance	6	Yadkin	10	Granville
2	Chowan	4	Wake	7	Brunswick	10	Harnett
2	Currituck	4	Warren	7	New Hanover	10	Johnston
2	Dare	5	Buncombe	7	Pender	10	Lee
2	Gates	5	Cherokee	8	Cabarrus	10	Person
2	Greene	5	Clay	8	Columbus	11	Ashe
2	Halifax	5	Graham	8	Hoke	11	Burke
2	Jones	5	Haywood	8	Onslow	11	Cleveland
2	Martin	5	Henderson	8	Stanly	11	Iredell
2	Perquimans	5	Jackson	8	Union	11	Watauga
2	Pitt	5	Macon	9	Beaufort	11	Wilkes

# Scenario 4: Sixty-Nine Regions

Region	County	Region	County	Region	County	Region	County
1	Onslow	22	Northampton	34	Burke	54	Orange
2	Union	22	Tyrrell	35	Alleghany	55	Wake
3	Cabarrus	22	Washington	35	Iredell	56	Macon
4	Stanly	23	Beaufort	36	Ashe	57	Cherokee
5	Hoke	23	Carteret	36	Watauga	57	Haywood
6	Richmond	23	Craven	36	Wilkes	57	Henderson
7	Lincoln	23	Hertford	37	Caldwell	57	Swain
8	Gaston	23	Jones	38	Avery	58	Jackson
9	Columbus	23	Pamlico	39	Alexander	58	Mitchell
10	Rowan	24	Edgecombe	39	Catawba	59	Madison
10	Scotland	25	Halifax	40	McDowell	60	Clay
11	Robeson	26	Nash	40	Rutherford	60	Polk
12	Duplin	27	Camden	41	Harnett	61	Graham
13	Cumberland	27	Chowan	42	Lee	62	Transylvania
14	Bladen	27	Currituck	43	Moore	62	Yancey
14	Mecklenburg	27	Pasquotank	44	Granville	63	Buncombe
15	Anson	27	Perquimans	45	Warren	64	Rockingham
16	Montgomery	28	Dare	46	Vance	65	Davidson
16	Sampson	29	Wayne	47	Person	65	Surry
17	Brunswick	30	Pitt	48	Caswell	66	Guilford
18	Pender	31	Greene	49	Alamance	67	Randolph
19	New Hanover	32	Bertie	50	Franklin	68	Forsyth
20	Wilson	32	Gates	51	Johnston	69	Davie
21	Lenoir	32	Martin	52	Durham	69	Stokes
22	Hyde	33	Cleveland	53	Chatham	69	Yadkin