

A Note On The Information Provided

Because of the proprietary and confidential nature of the material submitted by these companies, committee staff has redacted identifying information from this report and the accompanying supporting documentation. Publicly identifying the authors of these materials could disrupt the process by which insurers are required to file their proposed premium rates, especially considering that some of the information could change.¹ The committee requested the insurance companies produce their most recent existing analyses rather than create new materials when responding to the committee's requests. The committee did so in order to capture the most realistic portrait of the PPACA's effect on premiums. Because the committee requested that insurers submit original analyses, the statistical information is not of a uniform nature.²

A number of the health insurers provided information on the nature of the materials they submitted to the committee. Essentially, in the words of one insurer: "[A]ny document produced that estimate what premiums will ultimately be, in whole or in part, are just that—estimates." We note that insurers provided the following caveats to the information provided:

- A. "As you review the requested materials, it is important to keep in mind that these are estimated premium projections, generally completed in 2012, that are NOT representative of actual [REDACTED] pricing for 2014. The enclosed estimates differ from actual pricing because they:
1. Used representative plan offerings in different states (often a non-[REDACTED] plan) as the reference point;
 2. Were completed before many relevant final ACA regulations were issued; and
 3. Did not fully reflect a number of factors that could further increase [REDACTED] 2014 premiums, such as the composition of [REDACTED]'s risk pool in a given state as compared to currently covered market population; state-specific impact (rather than national average impact) of guaranteed issue and community rating; the full scope of current plan design offerings; other enrollee demographics; final Actuarial Value model-based product offerings; and other underwriting factors"³
- B. "The documents provided reflect [REDACTED] estimates, at the time of preparation, with respect to premium impacts in 2014. Final actual rates will vary for a variety of reasons including, but not limited to, additional federal and state guidance on rates, refinements in assumptions regarding population morbidity and other actuarial factors."⁴

¹ Several insurers made the point that they are doing their best to guess what the market will look like on January 1, 2014. This is difficult considering (as one insurer remarked) that they have to complete these analyses while the administration has yet to issue many "relevant final ACA regulations."

² Some insurers calculated premium increases by age and sex, others calculated an average for each state they serve, while others tried to estimate the premium increases for a representative plan in the market.

³ Exhibit C.

⁴ Exhibit H.

- C. “Please also note that relevant regulations applicable to developing most of the information provided in the production were issued only weeks ago. As such, the information produced represents [REDACTED] projection at this time, under its initial understanding of those regulations and their impacts. These projections should therefore be treated as estimates only, which are subject to change as new information or guidance becomes available.”⁵
- D. “...it is important to note that the documents being produced by [REDACTED] in response to the Committee’s request do not purport to predict or estimate the overall impact of these provisions. Rather, these documents have been produced in the ordinary course of business, and address the potential impact of certain specific components of PPACA. As the Committee is also aware, regulations and guidance regarding the implementation of PPACA continue to be released, and each of these will have an impact on the ultimate costs associated with PPACA. Thus, documents and estimates created before the promulgation of certain regulations or guidance will not reflect any changes in assumptions that might be influenced by these pronouncements. Consequently, it is important to note that any documents produced that estimate what premiums will ultimately be, in whole or in part, are just that—estimates. They will not necessarily reflect premiums that may be charge in the marketplace, which are shaped not only by PPACA, but by the multiple other factors influencing premiums, including both unit cost and utilization trends.”⁶
- E. “The rate impact shown in the attached exhibit represent [REDACTED] best estimate at this time...The representations herein are based on [REDACTED] current information and belief.”⁷
- F. The rate increases (and decreases) identified in this document were best estimates at the time of this document’s creation in early 2013 and were based upon information and projections available at that time (i.e., best assumptions of new rating requirements and scope, prior to the release of ACA regulations). The bid development process involves myriad inputs and is an evolutionary process up until the point when bids are finalized and filed for purposes of QHP application. As such, it would be incorrect to assume that the rate projections in this document are a true proxy for the 2014 rates that [REDACTED] will file in the respective states The document only estimates rates increases (and decreases) for certain products in certain markets within the specific states. Thus, taking the estimates identified in this document and attempting to

⁵ Exhibit F.

⁶ Exhibit G.

⁷ Exhibit K.

extrapolate them to an entire suite of products offered within a state would not be justified and actually would be statistically invalid... This estimate only relates to a specific product in the jurisdictions examined by [REDACTED] in [that state], and cannot be extrapolated to the entire State [REDACTED].⁸

Representatives from this insurer informed the committee that the “state total” line in the materials provided represents the average change in the new business rate for on-exchange products from Q4 2013 to Q1 2014, so does not included expected rate changes for off-exchange products or renewal business.⁹

- G. “...we are providing the Committee with documents that provide a high level, preliminary analysis of the impact that the provisions of PPACA that have not yet gone into effect could have on our products and rates in 2014.”¹⁰
- H. “Please note, all of the analyses provided are considered to be our best estimates of the anticipated impacts of PPACA based upon the rules and regulations released and the information available at the time the materials were prepared.”¹¹

⁸ Communication from Representatives of Exhibit I. The Committee has identified in the report which data were calculated under these guidelines.

⁹ *Id.*

¹⁰ Exhibit L.

¹¹ Exhibit E.