

Looking Ahead to 2020: Insights From An Actuarial Perspective

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Looking Ahead to 2020: Insights From An Actuarial Perspective

Agenda

- Looking ahead to 2020
- Impact on Medicare Supplement Pricing
- Future of Medicare Supplement

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Public Law 114-10 – April 16, 2015

- Referred to as “MACRA”
 - Medicare Access and CHIP Reauthorization Act of 2015
- Section 401. Limitation on certain Medigap policies for newly eligible Medicare Beneficiaries

*<https://www.congress.gov/114/plaws/publ10/PLAW-114publ10.pdf>

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Sec. 401

“(1) IN GENERAL.—Notwithstanding any other provision of this section, on or after **January 1, 2020**, a medicare supplemental policy that **provides coverage of the part B deductible**, including any such policy (or rider to such a policy) issued under a waiver granted under subsection (p)(6), **may not be sold or issued to a newly eligible Medicare beneficiary**.

*<https://www.congress.gov/114/plaws/publ10/PLAW-114publ10.pdf>

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Sec. 401

“(2) NEWLY ELIGIBLE MEDICARE BENEFICIARY DEFINED.— In this subsection, the term ‘newly eligible Medicare beneficiary’ means an individual who is **neither** of the following: “(A) An individual who has attained age 65 before January 1, 2020. “(B) An individual who was entitled to benefits under part A pursuant to section 226(b) or 226A, or deemed to be eligible for benefits under section 226(a), before January 1, 2020.

*<https://www.congress.gov/114/plaws/publ10/PLAW-114publ10.pdf>

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What is the key implication of Subsections 1 & 2?

- Beginning in 2020, Med Supp Plans C & F can not be sold or issued to newly eligible Medicare beneficiaries

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How will this be implemented?

- Model Regulation 651, Sections 9.1 and 9.2
- Key additional details:
 - New eligibles can elect Plans D & G in GI situations
 - Changes are required in all states
 - Carriers can offer a High Deductible Plan G

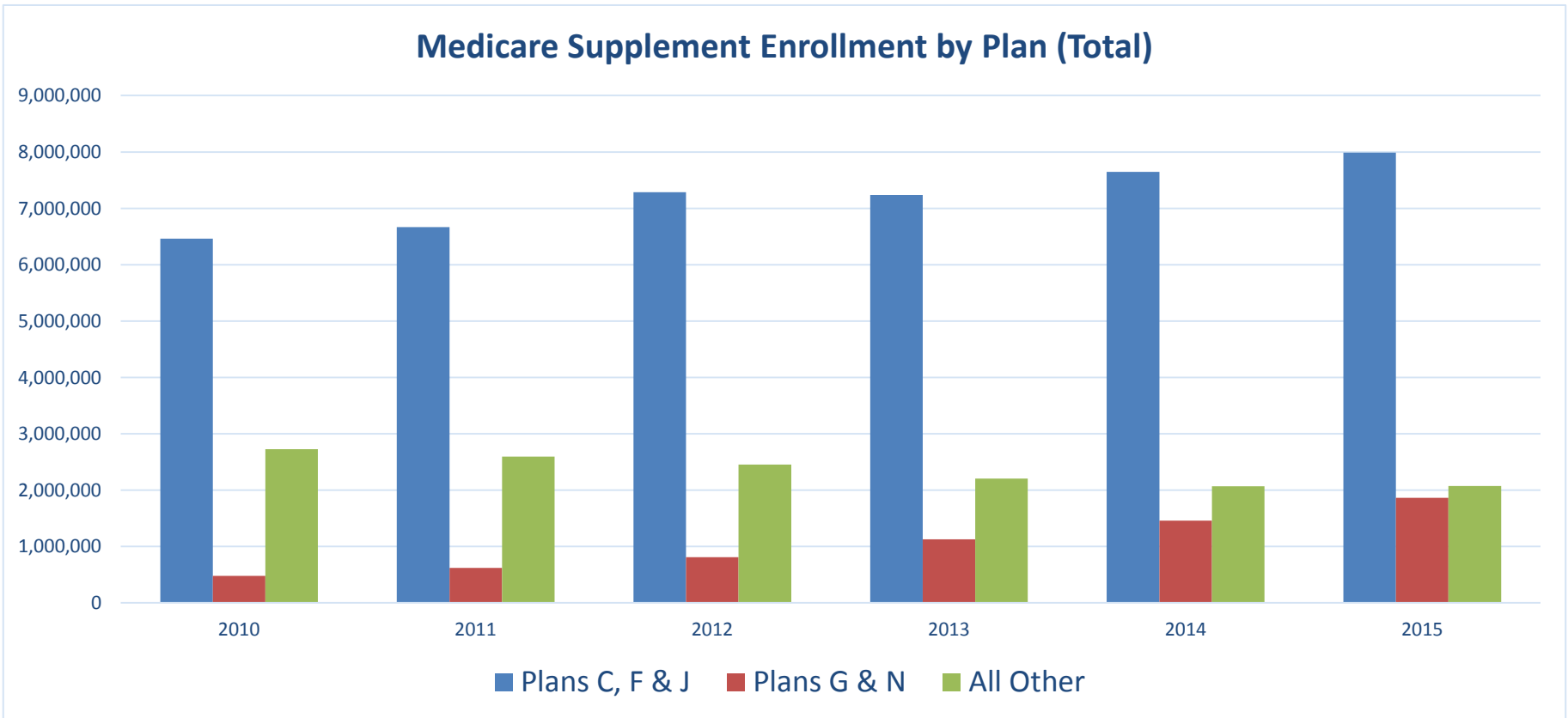
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Impact of Plan C & F Limitations

- What plan(s) will take Plan F's place?
- How could this effect pricing?

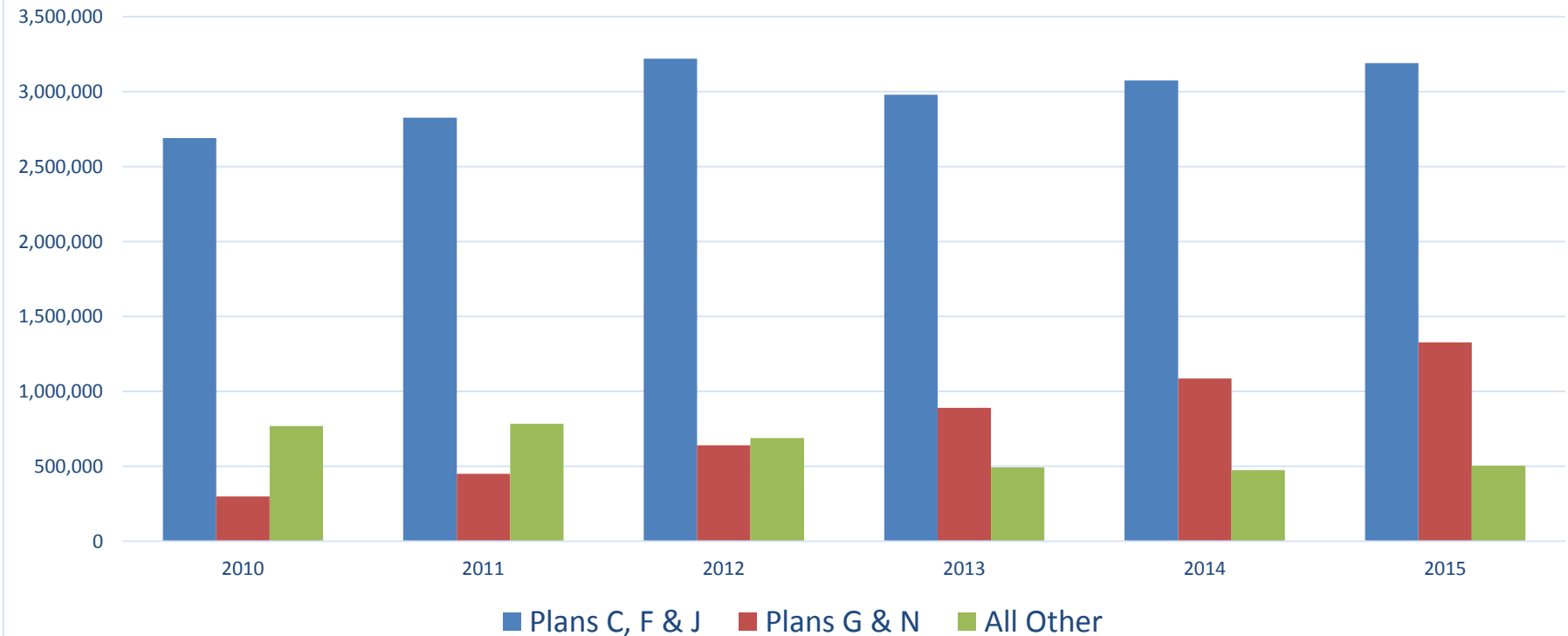
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Medicare Supplement Enrollment by Plan (Total)



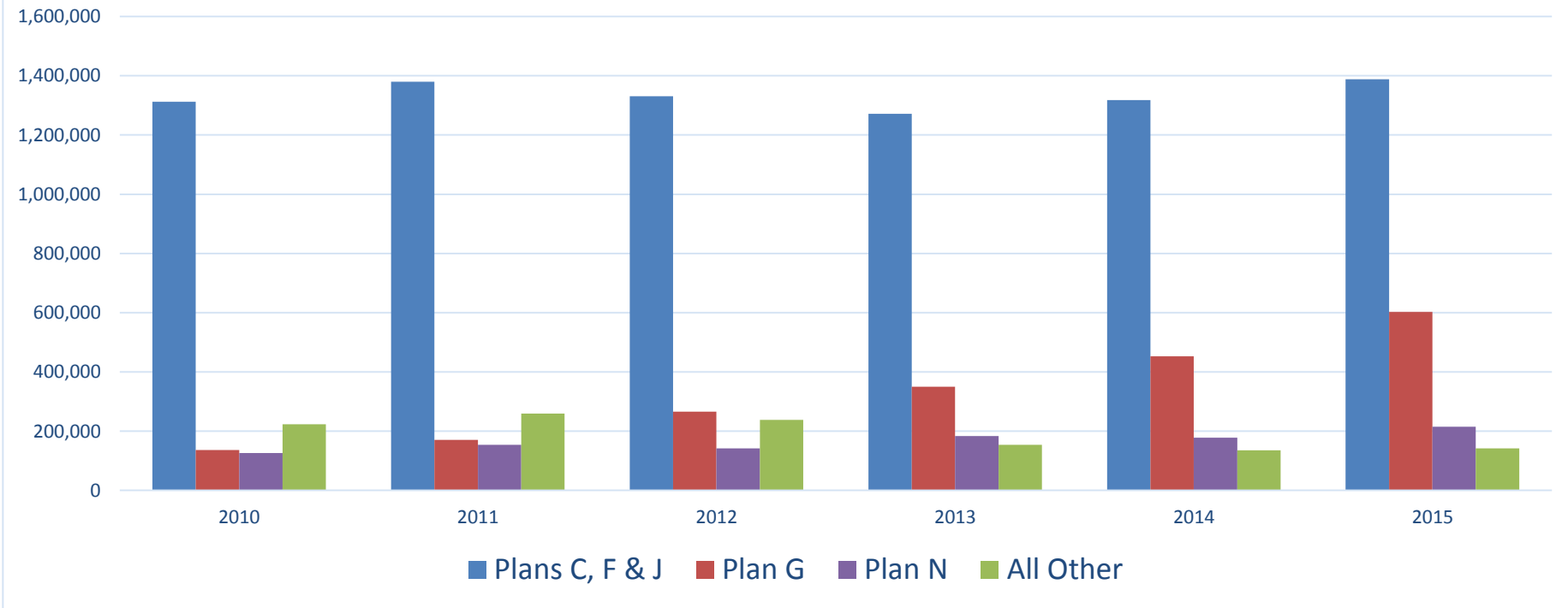
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Medicare Supplement Enrollment by Plan (Most Recent 3 Years)



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Medicare Supplement Enrollment by Plan (Most Recent 3 Years)
Excludes: United Healthcare and BCBS Organizations



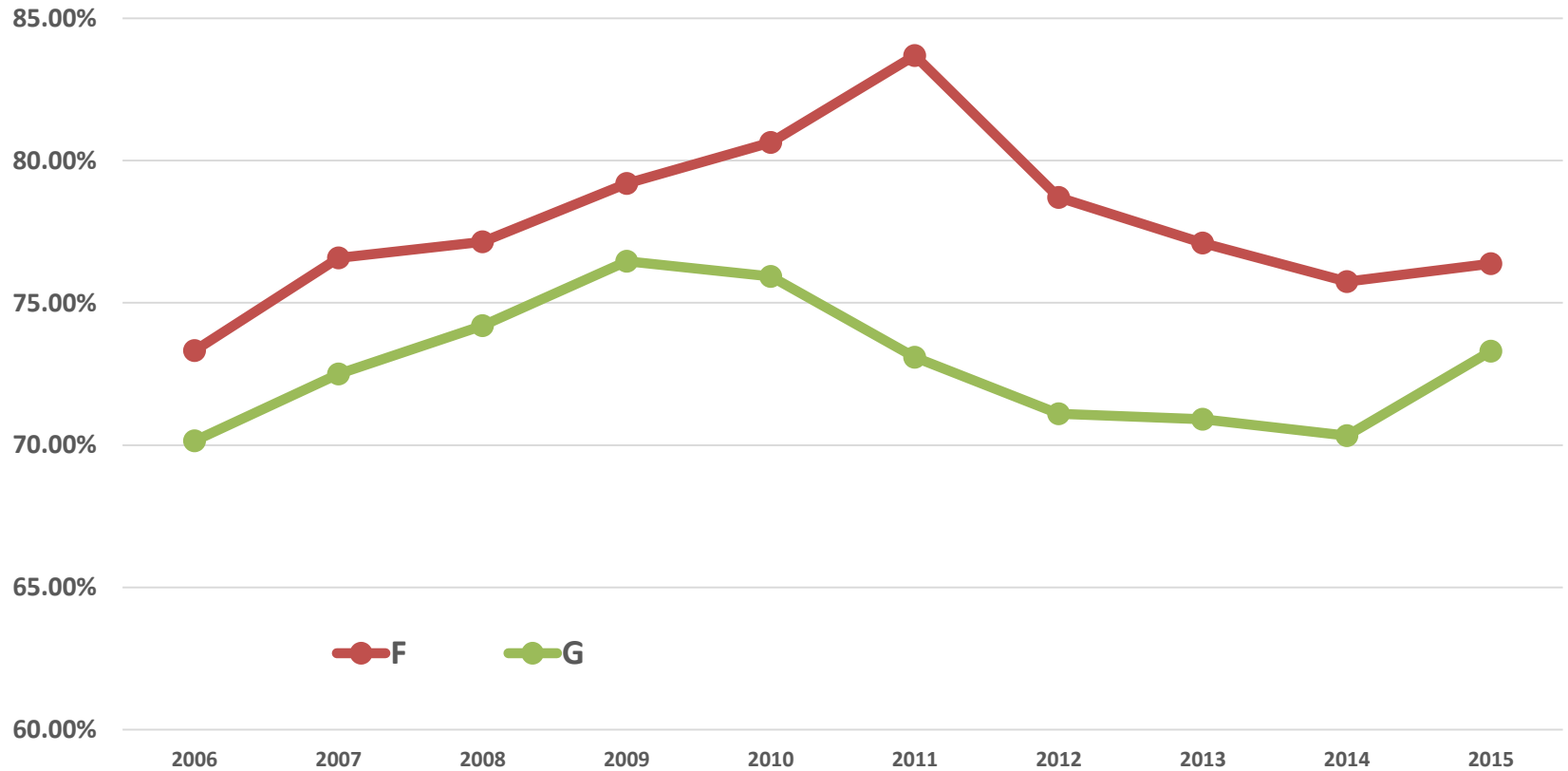
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Current Plan G vs. Plan F

- Only benefit difference is Part B Deductible (\$166)
- For companies offering both, Plan G premium rates average \$420 less than Plan F premium rates, \$325 if extreme differences are excluded
- Current Plan G experience and pricing reflects both benefit differences and plan G positive selection (healthier individuals)

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Loss Ratios by Plan (Most Recent 3 Years)



*NAIC data excluding United Healthcare

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One likely scenario:

- Plan G will become the most popular plan for newly eligibles
- Current level of positive selection will not be sustained
- Plan N (or another cost-sharing plan) will become plan of choice for healthier newly eligibles

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Plan G Pricing Example

	Plan F	Plan G	Difference	G/F Ratio
Claim Cost	1,520	1,354	166	89%
Positive Selection	0%	0%		
Loss Ratio	75%	75%		
Att. Age Premium	2,027	1,805	221	89%

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Plan G Pricing Example

	Plan F	Plan G	Difference	G/F Ratio
Claim Cost	1,520	1,354	166	89%
Positive Selection	0%	10%		
Loss Ratio	75%	75%		
Att. Age Premium	2,027	1,625	402	80%

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Plan G Pricing Example

	Plan F	Plan G	Difference	G/F Ratio
Claim Cost	1,520	1,354	166	89%
Positive Selection	0%	5%		
Loss Ratio	75%	75%		
Att. Age Premium	2,027	1,715	312	85%

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- Plan G new business premium rate may need to go up 5-15%
 - Will vary by carrier due to current rate level and mix of business
 - Does not include trend
- Need to consider impact on inforce block

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How will total Annualized New Business Premium be affected?

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Not Much!

- Those eligible for Medicare prior to 1/1/2020 will still be able to purchase Plans C and F
- The impact on the 2020 Newly Eligible Beneficiaries won't be significant

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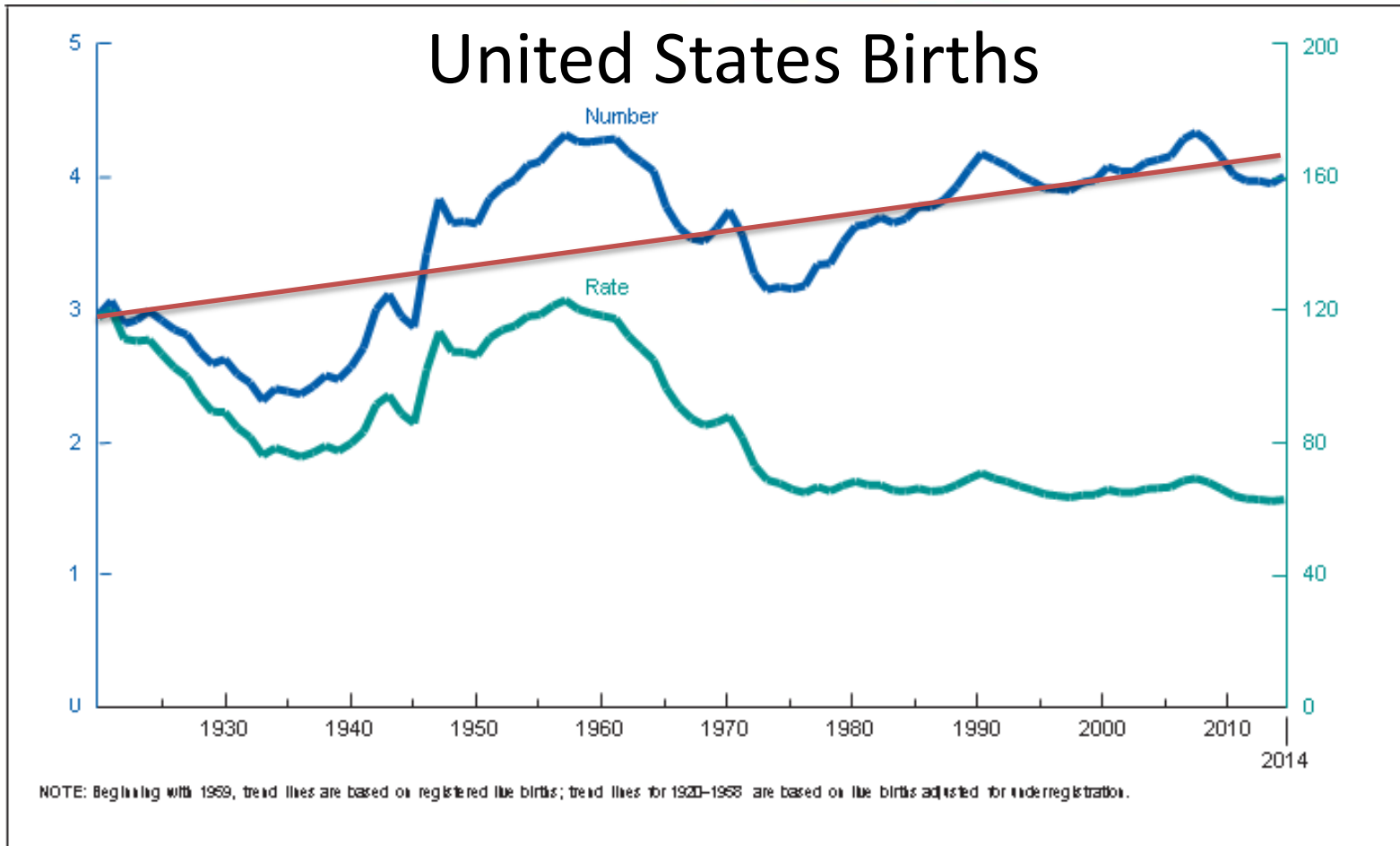
Potential impact on the newly eligible market

Current Market			
	Policy Mix	Avg Premium	ANBP
Plan F	4,500	2,350	10,575,000
Plan G	3,500	1,880	6,580,000
Plan N	2,000	1,645	3,290,000
Sales:	10,000		20,445,000
2020 New Eligible Market			
	Policy Mix	Avg Premium	ANBP
Plan F	0	2,350	0
Plan G	7,500	2,115	15,862,500
Plan N	2,500	1,645	4,112,500
Sales:	10,000		19,975,000
			-2%

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Future of Medicare Supplement

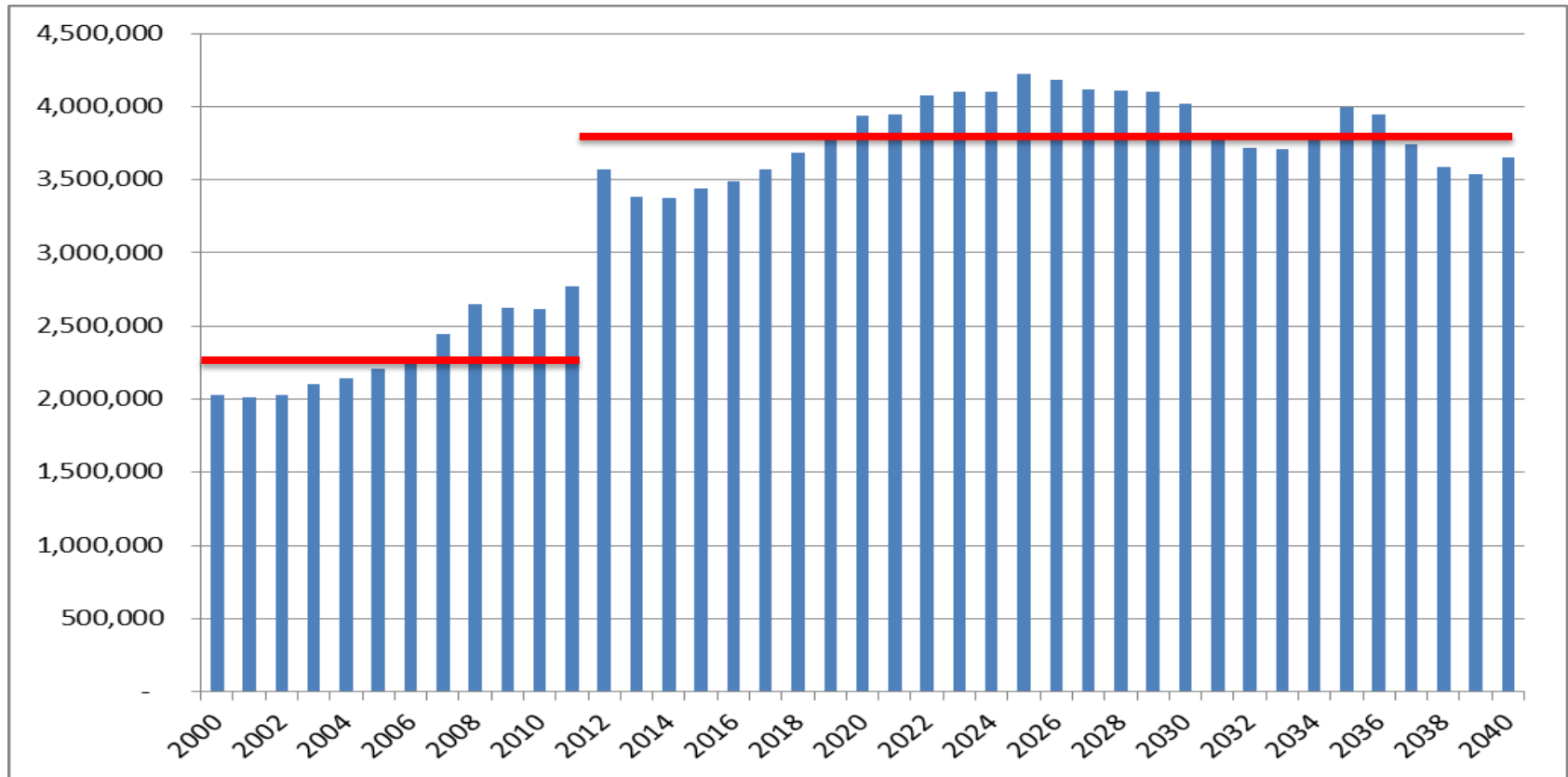
Medicare Supplement Market Update



The chart is from National Vital Statistics Reports, Vol. 64, No. 12, December 23, 2015, page 3

Medicare Supplement Market Update

Turning Age 65 by Year

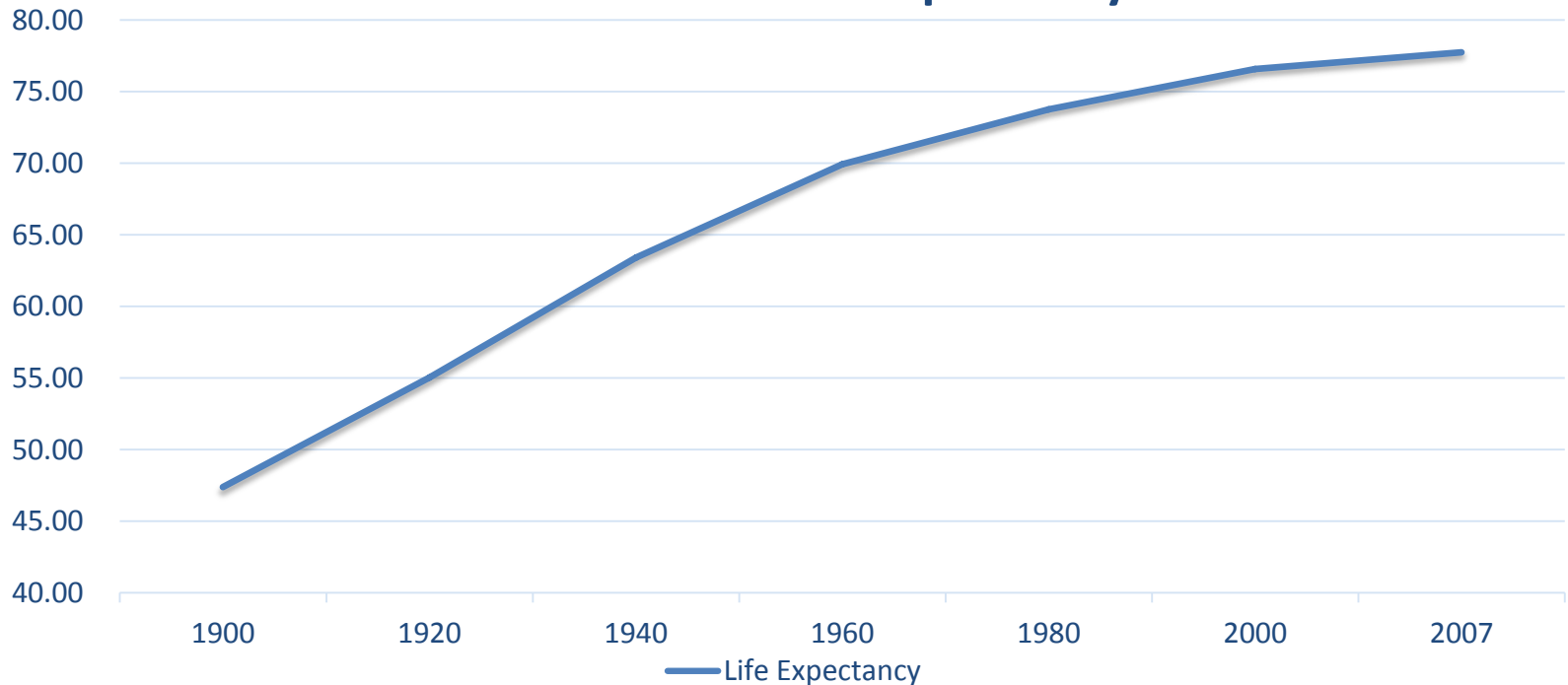


Source: census.gov – 2000 and 2010 census information

Medicare Supplement Market Update

Mortality Improvements

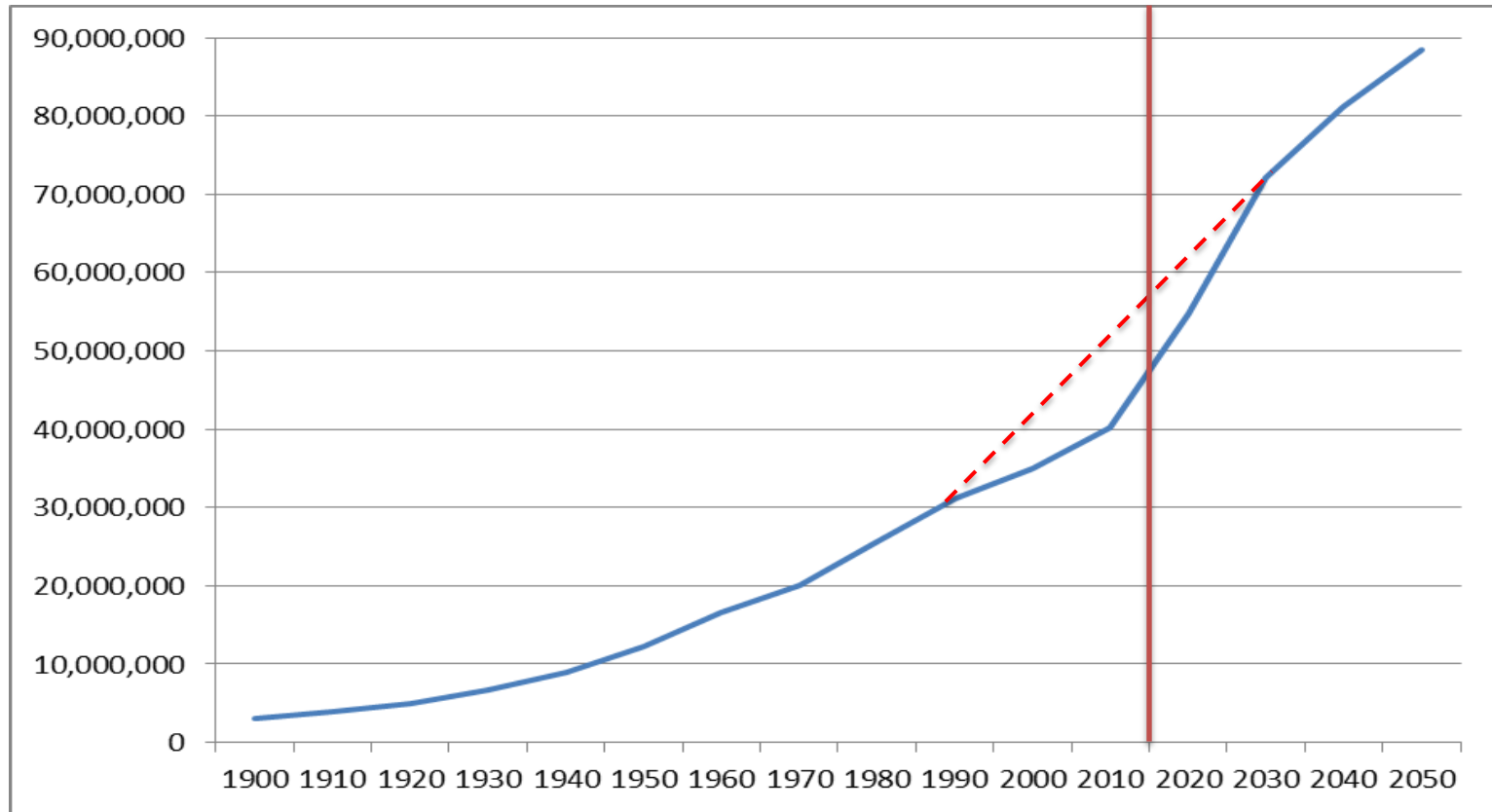
United States Life Expectancy



Source: SSA Mortality Rates for the period 1900-2007

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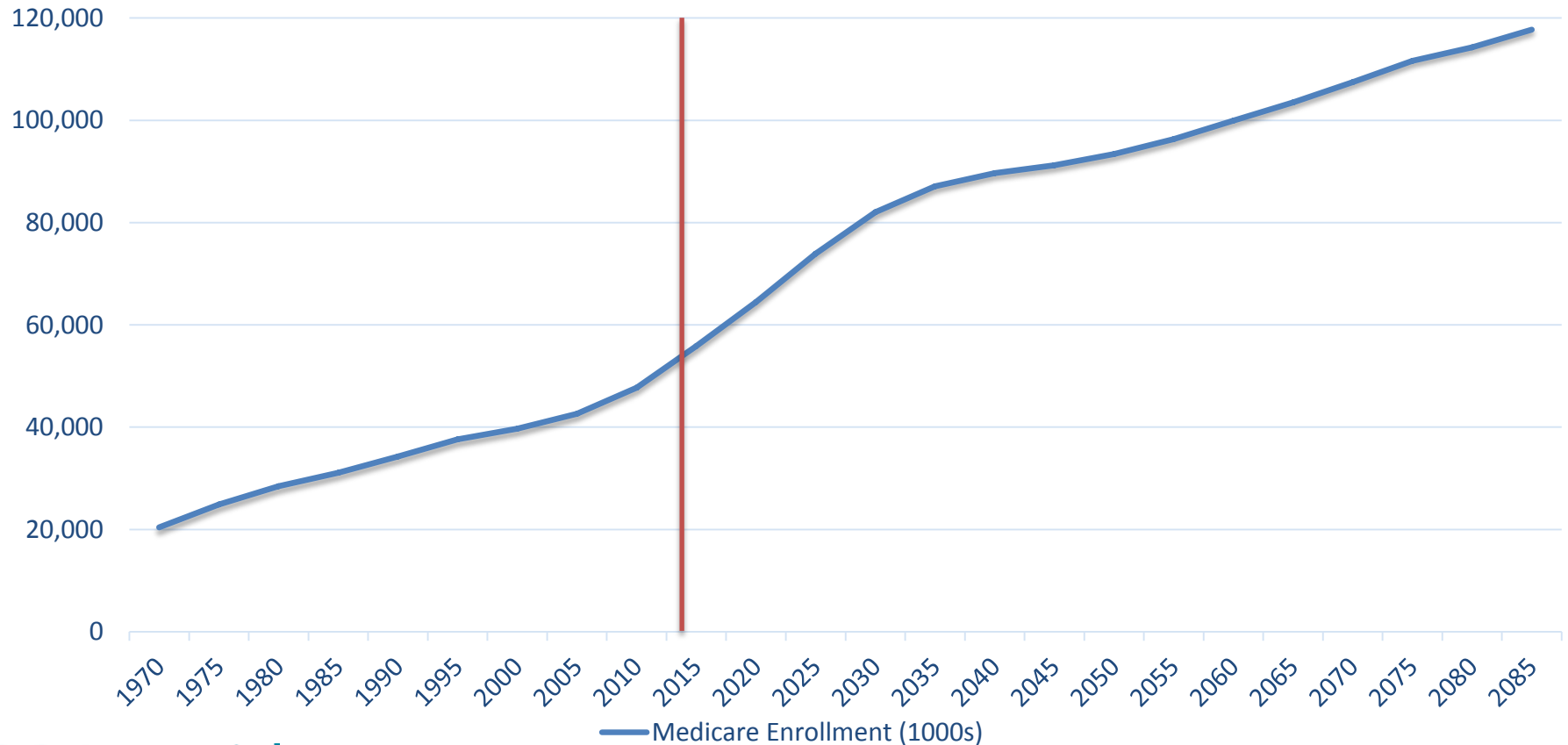
Age 65+ Population



Source: census.gov

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Medicare Enrollment Past and Future

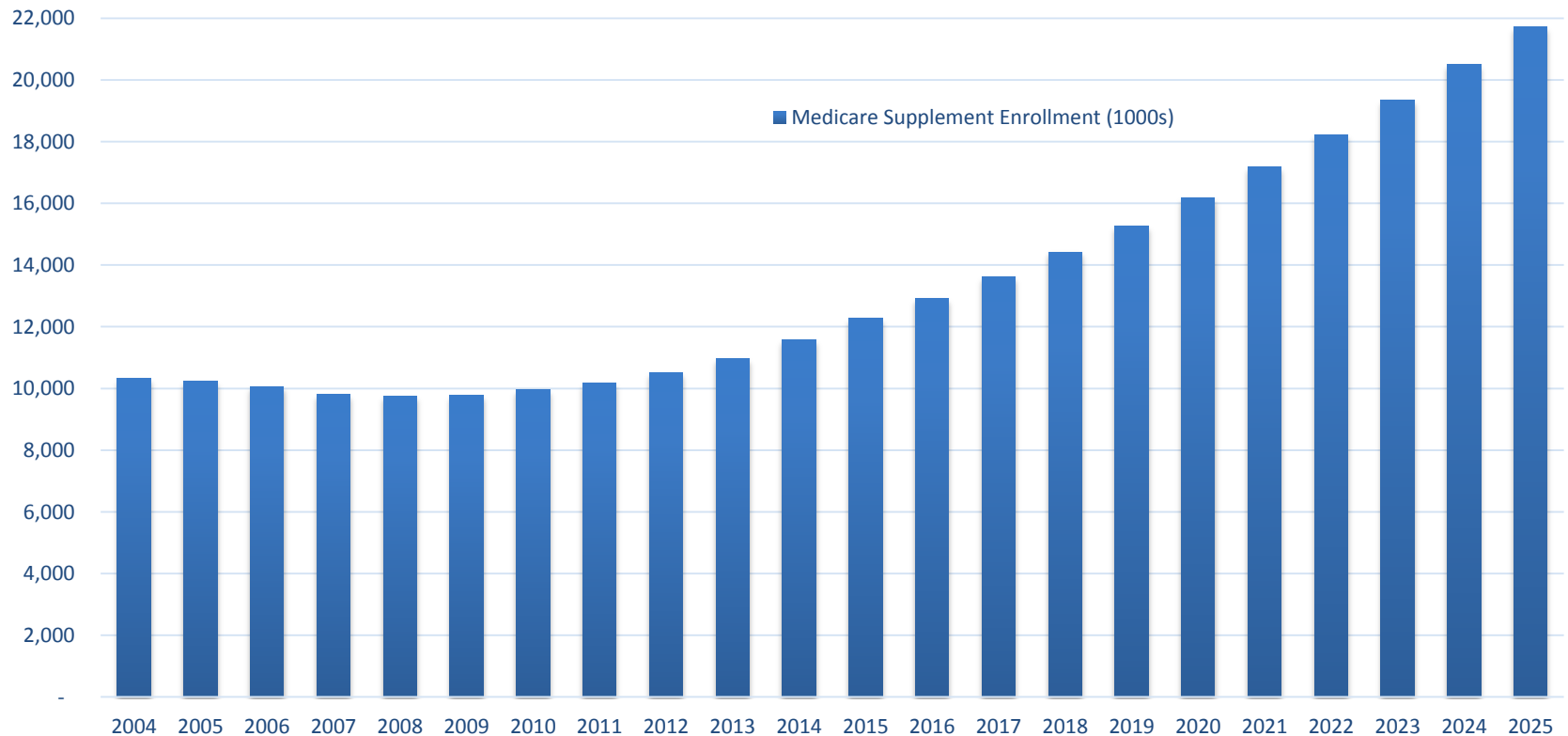


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Based on these underlying demographics, and no major changes to Medicare Supplement regulations, CSG projects....

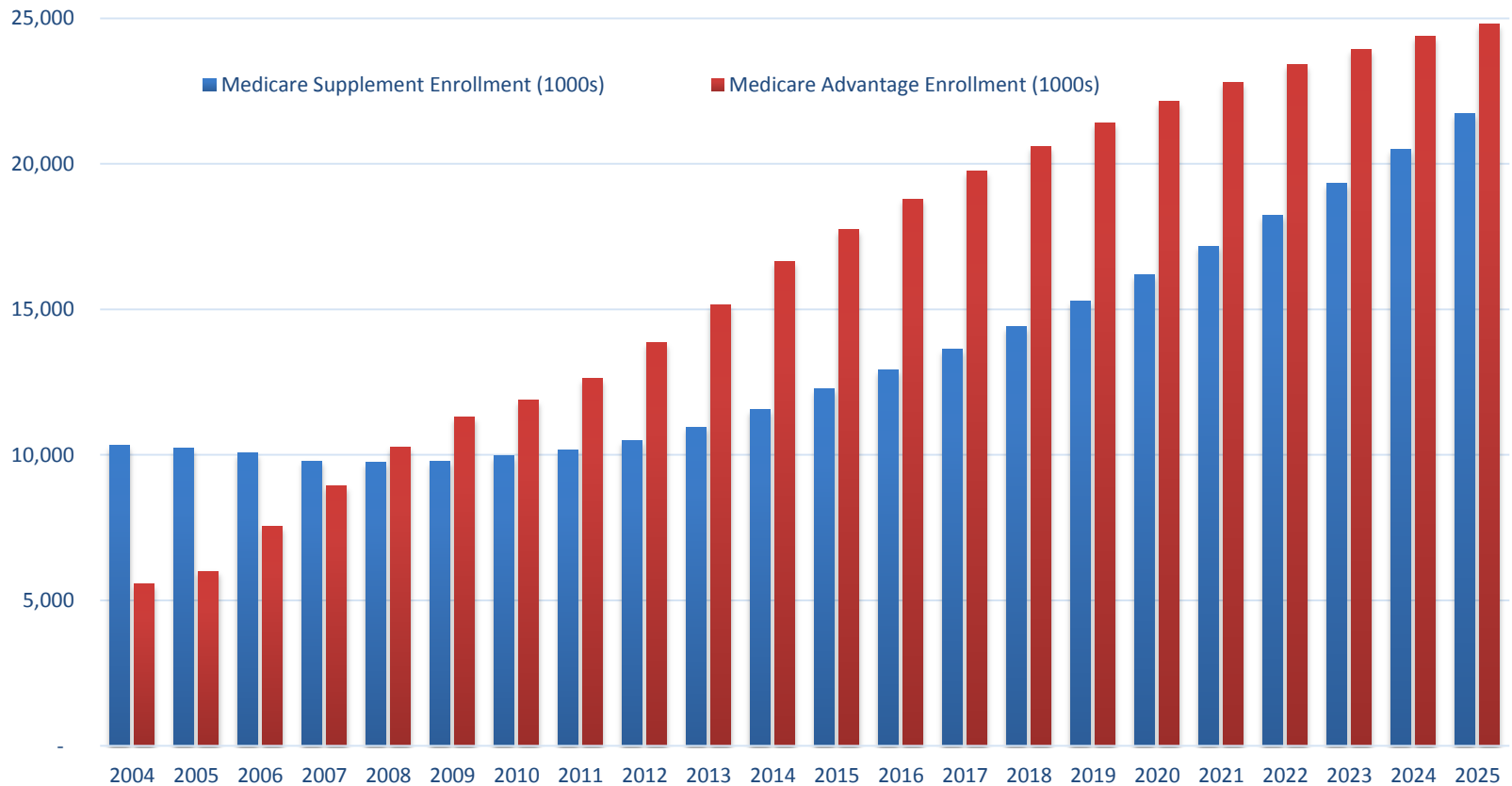
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Past & Projected Medicare Supplement Enrollment



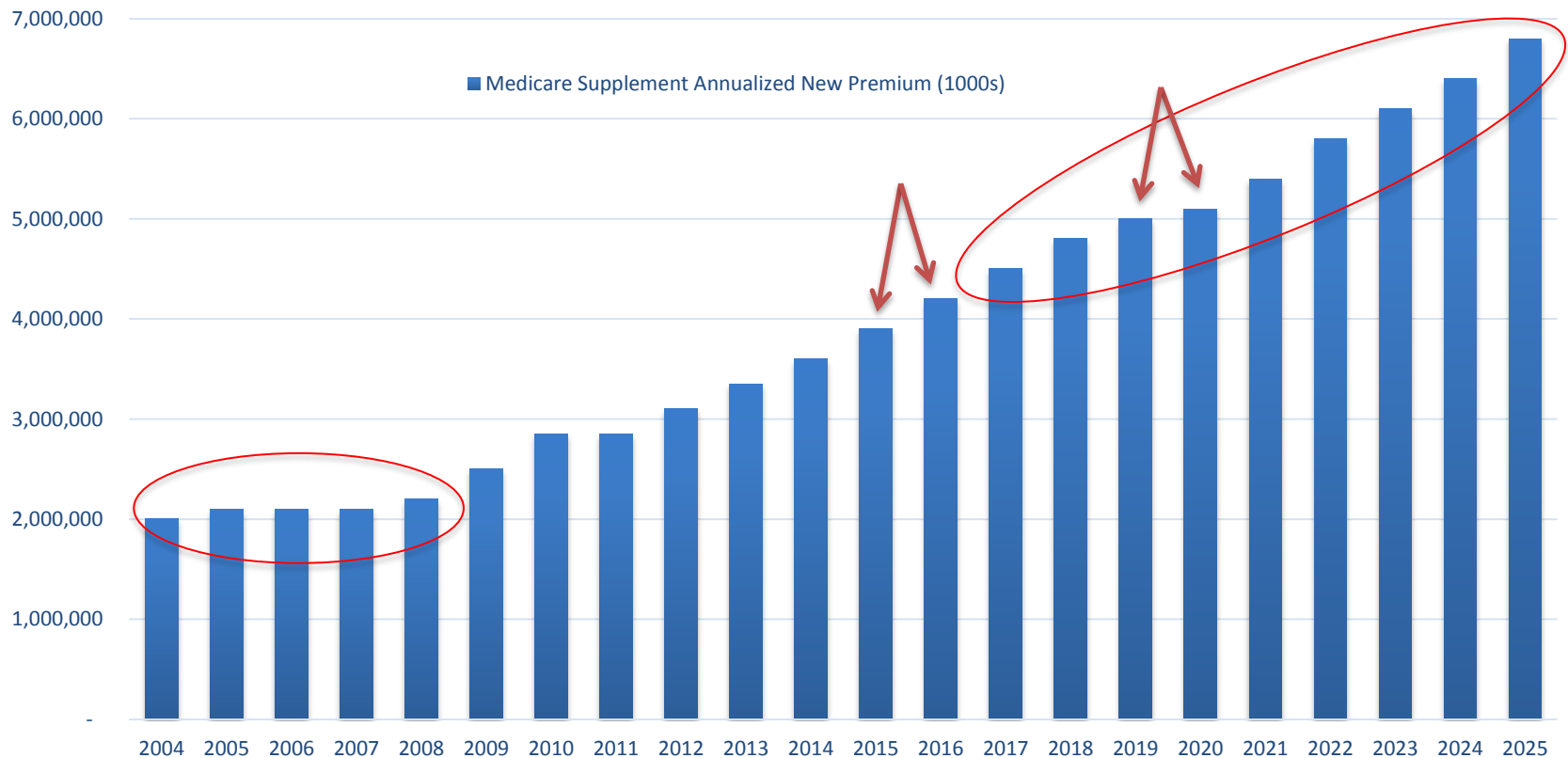
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Past & Projected Medicare Supplement & Medicare Advantage Enrollment



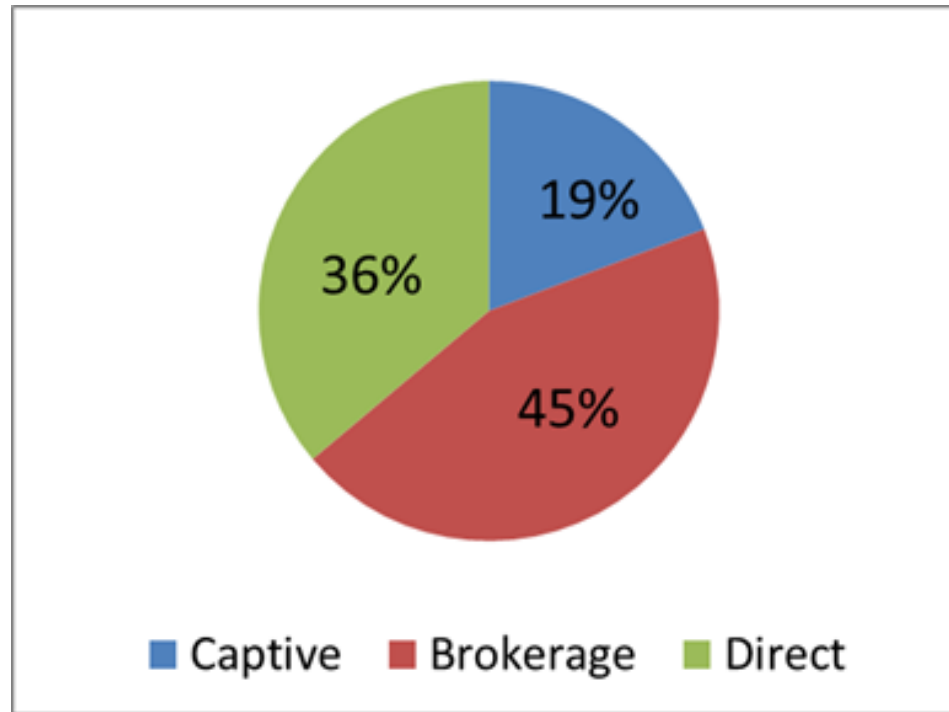
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Past & Projected Medicare Supplement Annualized New Premiums



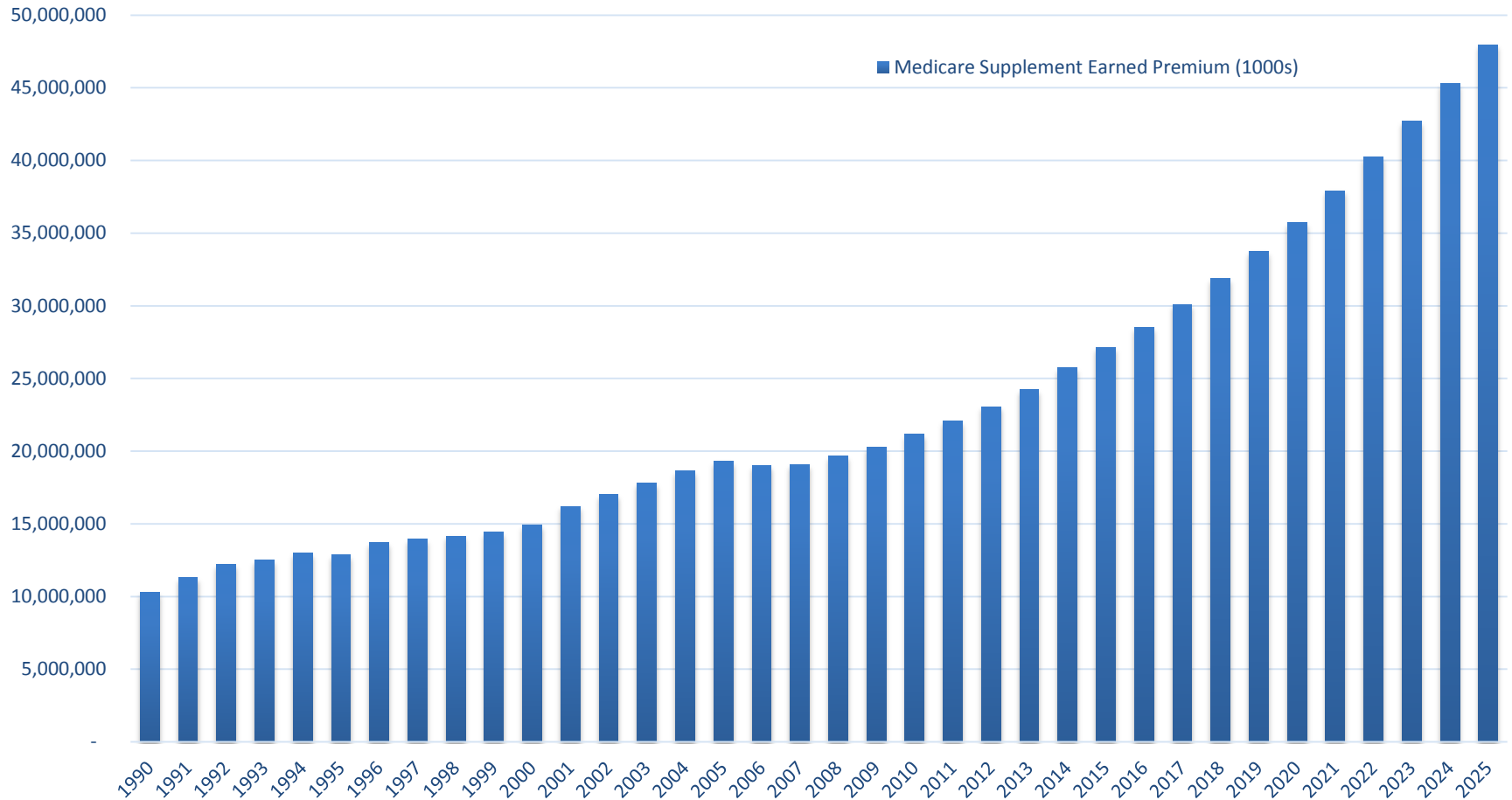
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Projected 2015 Medicare Supplement Annualized New Premiums by Source



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Past & Projected Medicare Supplement Earned Premiums

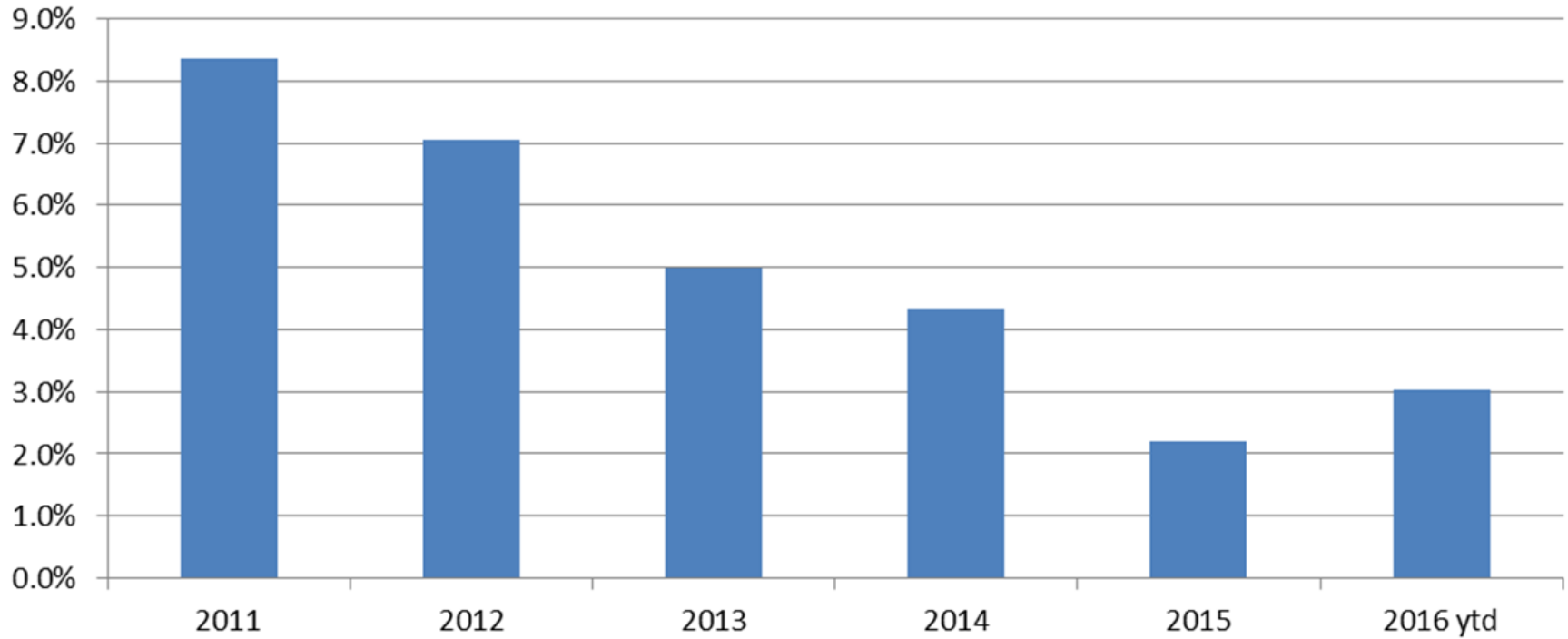


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What about future Medicare Supplement rate increases?

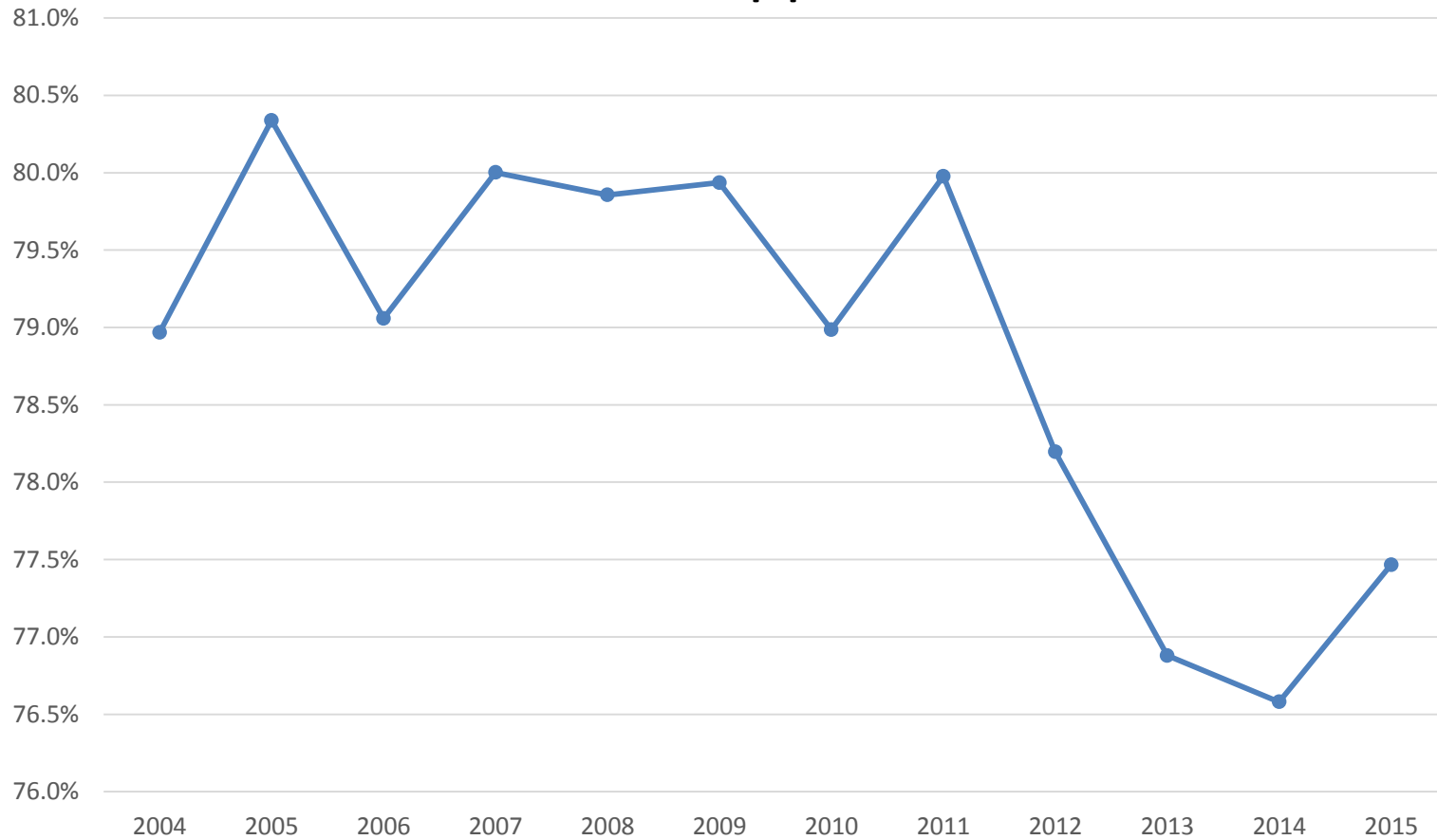
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Medicare Supplement Average New Business Premium Rate Increases



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Total Medicare Supplement Loss Ratios



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- Technology
 - Being used in the entire product life cycle
 - Consumer Education
 - Lead Generation
 - Applications
 - Underwriting
 - Claims Processing
 - Retention

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Medicare Supplement Household Discounts

- More than 50 different companies using HHDs
- Discount percentages have increased, norm has increased from 5% to 7%, some above 10%
- 26 companies now using looser “cohabitation” definition in at least some of the states
- State insurance departments are starting to pay closer attention to these discounts
- Expect this trend to continue to expand in future

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Positive signs in the Medicare Supplement market are attracting continued “new” activity

- New rates (rate decreases / adding household discounts, etc)
- New companies in pipeline
- New paper

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- For more information:
 - csgactuarial.com
 - 6th Annual Medicare Supplement Market Projection paper coming this summer
 - and much more

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Questions?

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