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AGENDA ITEM

[X] **For Possible Action**

[ ] **Information Only**

Date: February 9, 2017

Item Number: VI

Title: Adopting 2018 Per Member Per Month Fees

PURPOSE

The purpose of this report is to provide the Board with information regarding adopting the 2018 Per Member Per Month Exchange fees at today's publicly noticed hearing.

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ADOPTION OF 2018 PMPM FEES

PREVIOUS FEE:

On February 11, 2016, the Exchange board voted to set the PMPM fees charged to insurance carriers participating on the Exchange for calendar year 2017 at 3.15% for QHP's, and 3.15% for Standalone Dental plans.

PROPOSED FEE AND FFM COMPARISON:

Staff proposes to set the PMPM fee for calendar year 2018 unchanged at 3.15% of the pre-subsidized premium generated by QHPs and Standalone Dental plans sold through the Exchange.

Plan Type	Total Premium 2016	6% increase in Premium in 2017	Percent of Premium	Percent as a Dollar PMPM	FFM (3.5% of Premium)
Qualified Health Plan	$318,549,779	$337,662,765	3.15%	$10,636,377	$11,818,197
Standalone Dental Plan	$2,565,402	$2,719,326	3.15%	$85,658	$95,176

BASIS FOR SETTING PROPOSED FEE:

The Exchange is required to develop an annual fee which, in the opinion of the Board, allows our agency to perform all duties imposed by state or federal statute without unnecessarily increasing the premiums paid by Nevadans for health plans.

For the past three years, the Exchange has relied upon federal technology and infrastructure through healthcare.gov to assist in the enrollment of our consumers. For Plan Year 2017, CMS issued a Notice of Benefit and Payment Parameters which sets user fees for state-based marketplaces which utilize the federal eligibility and enrollment infrastructure at 1.5% of the pre-subsidized premium generated by QHPs and Standalone Dental plans sold through the Exchange. For Plan Year 2018, CMS has set the user fee at 2%.

Staff has reviewed our legislatively approved budget, existing and projected cash reserves, the most recent enrollment figures, historical year-to-year premium adjustments, and anticipated expenses to develop the recommended fee of 3.15% of the pre-subsidized premium generated by QHPs and Standalone Dental plans sold through the Exchange. We believe remaining at 3.15% for another year allows the Exchange to not simply survive, but to continue its important state-based work at unchanged fees from last year. Moreover, our fee structure will remain significantly lower than that of the federally facilitated marketplace and would be projected to save Nevada's consumers nearly $1.2 million annually, assuming that CMS is somehow able to maintain the federal assessment at 3.5% over the coming year.

CALCULATION OF ADEQUACY OF PROPOSED FEE:

The proposed fee is based upon a combination of actual and projected numbers. Actual premiums reported to the Exchange for Plan Year 2016 are the foundation for our proposed rate.

In order to conservatively forecast future revenues, a 6% increase in premiums for Plan Year 2018 was applied. Similar projections have been developed for Calendar Years 19 and 20 to assure data and calculation consistency with prior year results.

Future expenses were modeled using standard state methodologies. In planning a transition away from healthcare.gov to a private enrollment system, technology and call center costs were developed based on researched vendor pricing models and an anticipated transition year fee for access to federal infrastructure at 2% of the pre-subsidized premium generated by QHPs and Standalone Dental plans sold through the Exchange in Plan Year 18.

Staff believes the 3.15% recommendation provides the Exchange with the ability to meet budgetary requirements, ensures the sustainability of the agency, and keeps costs down for carriers and Nevadans respectively. Lastly, a fee of 3.15% of premium is well below the FFM fee of 3.5% (a reduction of 9%).