



ANALYSIS OF THE IMPACTS OF THE ACA'S TAX ON HEALTH INSURANCE IN YEAR 2020 AND LATER

ADDENDUM: 2019 MEDICARE ADVANTAGE PREMIUMS AND
THE 2019 MORATORIUM ON THE ACA HEALTH INSURANCE
TAX

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REPORT QUALIFICATIONS/ASSUMPTIONS AND LIMITING CONDITIONS

Oliver Wyman was commissioned by UnitedHealth Group to analyze the impact of the ACA's tax on health insurance premiums, specifically this addendum looks more closely at the changes in Medicare Advantage member premiums between 2018 and 2019. The primary audience for this report includes health insurers that are responsible for paying the tax on health insurance premiums and other interested parties.

Oliver Wyman shall not have any liability to any third party with respect to this report or any actions taken or decisions made as a consequence of the results, advice or recommendations set forth herein.

The opinions expressed herein are valid only for the purpose stated herein and as of the date hereof. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been verified. No warranty is given as to the accuracy of such information. Public information and industry and statistical data are from sources Oliver Wyman deems to be reliable; however, Oliver Wyman makes no representation as to the accuracy or completeness of such information and has accepted the information without further verification. No responsibility is taken for changes in market conditions or laws or regulations and no obligation is assumed to revise this report to reflect changes, events or conditions, which occur subsequent to the date hereof.

While this analysis complies with applicable Actuarial Standards of Practice, users of this analysis should recognize that our projections involve estimates of future events and are subject to economic and statistical variations from expected values.

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1. Executive Summary

A September 28, 2018 CMS announcement¹ estimated that Medicare Advantage (“MA”) annual member premiums will decrease from \$357.72 in 2018 to \$336.00 in 2019, or about 6%. Prior to that announcement, in January 2018, Congress passed H.R. 195 which placed a moratorium for 2019 on the ACA Health Insurance Tax that was originally imposed by Section 9010 of the ACA. This moratorium likely kept 2019 MA premiums lower than the level they would have been if the moratorium had not been in place.

UnitedHealth Group has requested that Oliver Wyman Actuarial Consulting, Inc. (“Oliver Wyman”) estimate what the changes in MA member premiums would have been if the moratorium on ACA Insurance Tax was not in place for 2019 and MAOs were not able to make other adjustments in pricing to offset the ACA Insurance Tax.

The highlights of our findings are as follows:

- Using publicly available data, Oliver Wyman endeavoured to replicate the CMS premium estimate. Our analysis estimates a decrease in annual premiums from \$393.05 in 2018 to \$382.96 in 2019 (or 2.6%). The difference in member premium estimates relative to those shown by CMS in its September 28, 2018 announcement may be because CMS uses a different dataset and methodology.
- We find that national average MA member premiums may have **increased** by up to 55.7%, from \$393.05 per year to \$612.09 per year, if the moratorium on the ACA Health Insurance Tax were not in place for 2019.
- Premiums by state vary considerably, thus the increases that would have been in place without the moratorium also vary, from 15% in Michigan to 435% in Vermont.
- MA plans would have had the ability to make other changes to minimize the impact of the Health Insurance Tax, including reducing benefits (higher copays or less supplemental benefits), improving medical management activities or lowering other non-benefit costs.

¹ <https://www.cms.gov/newsroom/press-releases/medicare-advantage-premiums-continue-decline-while-plan-choices-and-benefits-increase-2019>, CMS announced the amounts as monthly member premiums decreasing from \$29.81 in 2018 to \$28.00 in 2019. These premiums are in addition to the Part B premium paid by most Medicare beneficiaries, discussed on page 3.

2. Prior Analysis and Data

In August of 2018, Oliver Wyman issued “Analysis of the Impacts of the ACA’s tax on Health Insurance in Year 2020 and Later.”² In our earlier report, Oliver Wyman calculated the impact that the ACA Health Insurance Tax would have on health insurance premiums in 2020 and beyond. This addendum, which is a more detailed look at MA specific premiums, uses the same methodology as our August 2018 report.

In the August 2018 report we estimated that the tax on health insurance will increase premiums by 2.2% in 2020 and subsequent years when the amounts collected in taxes is mandated to increase at the same level as premium growth. In 2020, this amount equates to \$241 per Medicare Advantage member (including Special Needs Plans and Employer Group Waiver Plans).

The health insurance taxes discussed in this report are allocated to each insurer based on their applicable net premiums for health insurance, but during the year prior to the year the taxes are due. The 2019 taxes will be allocated based on 2018 net premiums. The portion of the tax to be paid by each insurer will be based on the proportion of each insurer’s premiums to total premiums for all covered entities (referred to here as the “denominator”). To determine the applicable tax to be paid by each insurer relative to their premiums, we need to calculate the total premiums for entities that will be charged the taxes.

For this report, we have used the same starting premiums that we used in our August 2018 report. This analysis only considers the MA line of business, but we show the entire data set in Table 1 below.

Table 1

Line of Business	2017 Premiums (000s)	Cost Trend (2017-2019)	Membership Trend (2017-2019)	2019 Premiums (000s)	Exclusions (000s)	Net Premiums (Denominator) (000s)
Individual	\$82,874,490	1.382	0.936	\$107,193,624	\$8,238,226	\$98,955,398
Small Group	87,523,367	1.042	1.039	94,766,466	8,214,211	86,552,255
Large Group	249,805,898	1.084	1.007	272,792,845	34,931,762	237,861,083
FEHBP	13,162,393	1.084	1.007	14,373,586	875,644	13,497,942
Medicare Advantage	204,429,324	1.079	1.061	233,914,879	17,417,866	216,497,013
Medicaid	170,597,883	1.090	1.034	192,376,960	6,882,280	185,494,680
Medicare PDP	15,892,018	1.047	1.022	16,994,633	72,638	16,921,995
Total	\$824,285,372			\$932,412,994	\$76,632,628	\$855,780,367

Because our analysis considers the impact of the ACA Health Insurance Tax both with and without the moratorium in 2019, we needed to use 2019 projected premiums instead of the 2020 premiums we utilized in our August 2018 analysis. We show a 2019 Net Premium for MA of \$216.5 million.

² <https://health.oliverwyman.com/content/dam/oliver-wyman/blog/hls/featured-images/August18/Insurer-Fees-Report-2018.pdf> [can this URL be re-named to say “Health Insurance Tax” instead of “insurer fee?”]

3. Results

As described in our August 2018 report, the projected annual change in gross premiums are applied to the Health Insurance Tax for 2019 forward, as the statutory fixed tax ends in 2018.³ The total ACA Insurance Tax that is mandated to be collected for 2018 for MA plans is \$14.3 billion and we have estimated that this will grow to \$15.1 billion for 2019. The growth in the Health Insurance Tax is mandated to be at the same level as premium trends beyond 2018, when the statutory fixed tax ends.

The \$15.1 billion ACA Insurance Tax is then allocated to plans based on each plan's percentage of the total 2018 premiums. We then grossed up the ratio to reflect the non-deductibility of the taxes by assuming an effective 21% overall federal tax rate, reflecting the federal statutory rate for corporate income tax. This implies that for each dollar paid in taxes, an additional \$1.27 in premiums must be collected.

This results in an overall Health Insurance Tax for MA of \$4.65 billion, which is 2.15% of premiums or \$229.14 on a per year basis. Adding this amount to our calculated 2019 premium results in a premium increase between 2018 and 2019 of \$219.04 (\$612.09 less \$393.05) or 55.7%.

Tables 2 and 3 that follow show our results by state. Please note that we have excluded the territories from the state level analysis.

³ <https://www.irs.gov/businesses/corporations/affordable-care-act-provision-9010>

Table 2

State	2019 Base Premium (1,000s)	2019 Adj Premium (1,000s)	Gross HIT Fee Allocation (1,000s)	2019 Base Premium w/ HIT (1,000s)	2019 Estimated Enrollment	2019 HIT Impact Per Capita Per Year	2018 Member Premium Per Year	2019 Member Premium Per Year	2019 Member Premium Per Year with HIT	Member Premium Change without HIT	Member Premium Change with HIT
AK	\$ 5,427	\$ 5,427	\$ 119	\$ 5,545	488	\$ 242.70	\$ -	\$ -	\$ 242.70	N/A	N/A
AL	3,347,436	3,347,436	73,126	3,420,563	320,201	228.38	217.97	147.63	376.01	-32.3%	72.5%
AR	1,022,765	1,022,765	22,343	1,045,108	97,180	229.91	268.60	264.53	494.44	-1.5%	84.1%
AZ	4,218,907	4,218,907	92,164	4,311,071	397,848	231.66	197.71	209.48	441.14	5.9%	123.1%
CA	35,347,848	25,552,587	513,221	35,861,069	2,368,100	216.72	289.28	285.64	502.36	-1.3%	73.7%
CO	3,207,455	2,513,818	51,649	3,259,104	242,949	212.59	322.06	315.47	528.06	-2.0%	64.0%
CT	15,073,823	15,073,823	329,295	15,403,118	1,422,382	231.51	365.82	361.90	593.41	-1.1%	62.2%
DC	118,132	113,001	2,445	120,577	10,983	222.62	252.33	319.91	542.53	26.8%	115.0%
DE	63,631	63,631	1,390	65,021	5,984	232.28	399.42	379.33	611.60	-5.0%	53.1%
FL	25,339,030	25,133,181	548,023	25,887,053	2,237,823	244.89	81.64	87.54	332.43	7.2%	307.2%
GA	6,512,181	6,342,008	137,763	6,649,944	610,542	225.64	278.83	265.26	490.90	-4.9%	76.1%
HI	1,301,467	1,078,560	22,538	1,324,005	114,643	196.59	874.45	884.32	1,080.91	1.1%	23.6%
IA	438,462	438,462	9,578	448,041	42,817	223.71	364.68	328.69	552.40	-9.9%	51.5%
ID	458,492	385,663	8,080	466,572	36,874	219.11	693.72	637.64	856.75	-8.1%	23.5%
IL	7,336,240	7,336,390	160,260	7,496,500	677,320	236.61	221.48	208.58	445.19	-5.8%	101.0%
IN	2,748,668	2,740,482	59,823	2,808,491	258,018	231.85	314.48	284.75	516.60	-9.5%	64.3%
KS	369,115	369,115	8,063	377,179	35,067	229.95	136.38	125.92	355.86	-7.7%	160.9%
KY	9,827,359	9,823,022	214,565	10,041,924	925,294	231.89	378.84	330.92	562.81	-12.6%	48.6%
LA	3,272,398	3,272,398	71,487	3,343,885	310,543	230.20	172.28	153.51	383.71	-10.9%	122.7%
MA	2,918,158	1,790,207	33,803	2,951,961	169,928	198.92	872.40	852.65	1,051.58	-2.3%	20.5%
MD	734,118	695,329	15,012	749,129	75,104	199.88	726.79	770.54	970.42	6.0%	33.5%
ME	329,503	324,192	7,057	336,560	30,616	230.49	408.68	395.95	626.44	-3.1%	53.3%
MI	8,048,192	6,425,590	132,736	8,180,928	616,790	215.20	801.91	708.72	923.93	-11.6%	15.2%
MN	596,503	596,503	13,031	609,534	58,243	223.73	1,279.30	1,355.87	1,579.60	6.0%	23.5%
MO	5,517,352	5,517,352	120,529	5,637,881	530,115	227.36	197.30	196.14	423.51	-0.6%	114.6%
MS	657,380	657,380	14,361	671,741	61,781	232.45	313.95	294.73	527.17	-6.1%	67.9%
MT	378,136	378,136	8,261	386,396	36,357	227.21	623.32	766.46	993.67	23.0%	59.4%
NC	5,394,874	5,394,874	117,854	5,512,727	516,818	228.04	351.82	277.01	505.04	-21.3%	43.6%
ND	11,165	11,165	244	11,409	1,072	227.48	1,335.04	1,336.49	1,563.97	0.1%	17.1%
NE	315,065	315,065	6,883	321,948	30,017	229.30	190.71	189.90	419.19	-0.4%	119.8%
NH	217,614	200,219	4,291	221,906	19,167	223.90	499.41	505.84	729.74	1.3%	46.1%
NJ	7,318,407	7,318,369	159,873	7,478,280	667,173	239.63	359.02	368.47	608.10	2.6%	69.4%
NM	1,367,845	1,366,767	29,849	1,397,694	139,564	213.87	283.46	256.67	470.54	-9.4%	66.0%
NV	1,621,171	1,540,677	33,140	1,654,311	133,404	248.42	122.54	103.45	351.87	-15.6%	187.2%
NY	11,019,621	9,787,588	208,059	11,227,680	944,352	220.32	490.97	491.87	712.19	0.2%	45.1%
OH	6,797,441	6,797,441	148,493	6,945,934	642,961	230.95	283.11	284.13	515.08	0.4%	81.9%
OK	1,397,338	1,397,338	30,526	1,427,863	134,268	227.35	386.87	353.46	580.81	-8.6%	50.1%
OR	2,979,654	2,526,691	53,116	3,032,770	244,492	217.25	739.23	739.38	956.63	0.0%	29.4%
PA	8,109,937	7,632,749	164,484	8,274,420	732,146	224.66	773.53	725.89	950.55	-6.2%	22.9%
RI	994,771	994,771	21,731	1,016,502	93,453	232.54	394.76	373.87	606.41	-5.3%	53.6%
SC	2,593,027	2,593,027	56,646	2,649,673	248,385	228.06	152.29	131.55	359.60	-13.6%	136.1%
SD	58,843	58,843	1,285	60,128	5,596	229.69	425.93	427.53	657.23	0.4%	54.3%
TN	6,120,344	6,120,344	133,702	6,254,046	586,236	228.07	343.64	342.04	570.11	-0.5%	65.9%
TX	18,147,251	18,147,251	396,435	18,543,687	1,627,057	243.65	99.89	99.35	343.00	-0.5%	243.4%
UT	1,410,947	1,307,812	28,081	1,439,027	125,393	223.94	317.50	305.63	529.57	-3.7%	66.8%
VA	2,041,403	2,012,791	43,835	2,085,237	187,748	233.47	289.71	266.43	499.91	-8.0%	72.6%
VT	115,813	108,583	2,338	118,151	10,581	220.95	98.42	305.61	526.56	210.5%	435.0%
WA	4,994,444	4,219,535	88,619	5,083,063	401,144	220.92	608.61	586.73	807.65	-3.6%	32.7%
WI	4,904,427	4,634,447	99,910	5,004,336	454,752	219.70	570.09	569.38	789.08	-0.1%	38.4%
WV	1,173,005	1,173,005	25,625	1,198,630	111,336	230.16	620.58	531.61	761.77	-14.3%	22.8%
WY	18,598	18,598	406	19,004	1,744	233.00	-	-	233.00	N/A	N/A
Nationwide	\$228,311,182	\$210,893,315	\$4,526,144	\$232,837,325	19,752,849	\$229.14	\$393.05	\$382.96	\$612.09	-2.6%	55.7%

Table 3

State	2019 Estimated Enrollment	2019 HIT Impact Per Capita Per Year	2019 Member Premium Per Year	2019 Member Premium Per Year with HIT	Member Premium Change with HIT
AK	488	\$ 242.70	\$ -	\$ 242.70	N/A
AL	320,201	228.38	147.63	376.01	72.5%
AR	97,180	229.91	264.53	494.44	84.1%
AZ	397,848	231.66	209.48	441.14	123.1%
CA	2,368,100	216.72	285.64	502.36	73.7%
CO	242,949	212.59	315.47	528.06	64.0%
CT	1,422,382	231.51	361.90	593.41	62.2%
DC	10,983	222.62	319.91	542.53	115.0%
DE	5,984	232.28	379.33	611.60	53.1%
FL	2,237,823	244.89	87.54	332.43	307.2%
GA	610,542	225.64	265.26	490.90	76.1%
HI	114,643	196.59	884.32	1,080.91	23.6%
IA	42,817	223.71	328.69	552.40	51.5%
ID	36,874	219.11	637.64	856.75	23.5%
IL	677,320	236.61	208.58	445.19	101.0%
IN	258,018	231.85	284.75	516.60	64.3%
KS	35,067	229.95	125.92	355.86	160.9%
KY	925,294	231.89	330.92	562.81	48.6%
LA	310,543	230.20	153.51	383.71	122.7%
MA	169,928	198.92	852.65	1,051.58	20.5%
MD	75,104	199.88	770.54	970.42	33.5%
ME	30,616	230.49	395.95	626.44	53.3%
MI	616,790	215.20	708.72	923.93	15.2%
MN	58,243	223.73	1,355.87	1,579.60	23.5%
MO	530,115	227.36	196.14	423.51	114.6%
MS	61,781	232.45	294.73	527.17	67.9%
MT	36,357	227.21	766.46	993.67	59.4%
NC	516,818	228.04	277.01	505.04	43.6%
ND	1,072	227.48	1,336.49	1,563.97	17.1%
NE	30,017	229.30	189.90	419.19	119.8%
NH	19,167	223.90	505.84	729.74	46.1%
NJ	667,173	239.63	368.47	608.10	69.4%
NM	139,564	213.87	256.67	470.54	66.0%
NV	133,404	248.42	103.45	351.87	187.2%
NY	944,352	220.32	491.87	712.19	45.1%
OH	642,961	230.95	284.13	515.08	81.9%
OK	134,268	227.35	353.46	580.81	50.1%
OR	244,492	217.25	739.38	956.63	29.4%
PA	732,146	224.66	725.89	950.55	22.9%
RI	93,453	232.54	373.87	606.41	53.6%
SC	248,385	228.06	131.55	359.60	136.1%
SD	5,596	229.69	427.53	657.23	54.3%
TN	586,236	228.07	342.04	570.11	65.9%
TX	1,627,057	243.65	99.35	343.00	243.4%
UT	125,393	223.94	305.63	529.57	66.8%
VA	187,748	233.47	266.43	499.91	72.6%
VT	10,581	220.95	305.61	526.56	435.0%
WA	401,144	220.92	586.73	807.65	32.7%
WI	454,752	219.70	569.38	789.08	38.4%
WV	111,336	230.16	531.61	761.77	22.8%
WY	1,744	233.00	-	233.00	N/A
Nationwide	19,752,849	\$229.14	\$382.96	\$612.09	55.7%