North Dakota Insurance Department
Safeguarding Promises. Fostering Fairness.
Jon Godfread, Commissioner

Review and Estimating the Impact on Issuer Premiums if Individual and Small Group Markets are Merged in North Dakota

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insurance.nd.gov
(701) 328-2440

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Introduction

Purpose of This Report

North Dakota is interested in reviewing and analyzing the effects of combining the individual and small group markets. To facilitate this review, the North Dakota Insurance Department (NDID) hired NovaRest to assist in analyzing the program and recommending options.

Qualifications

Donna Novak ASA, MAAA, MBA is the actuary responsible for the statements, opinions, and conclusions in this document. She is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries regarding this report's subject and content.

Executive Summary

Why Consider Merging

We start the report with the current North Dakota individual and small group markets, but the primary focus is the impact on rates and enrollment resulting from the merger. The merger would combine individual and small group claims into one single risk pool as a starting point for rate development.

States have merged their individual and small group markets in order to stabilize one or both markets. Typically, this happens when one market is very small and is subject to large swings in rate increases. In the case of North Dakota, the individual market and small group markets are approximately the same size and are both of sufficient size to avoid large swings in rate increases.

Merging the markets in other states has included several aspects that are not currently being considered in North Dakota but may be considered in the future if the decision is to merge the markets.

- At this point we do not believe that all issuers would be required to offer products in both markets, but rather, issuers only offering products in one market would be able to continue to only offer products in one market either individual or small group.
- Some states require a set of standard plans with only a few issuer designed products offered and with premiums the same in both markets. Currently we do not believe that rates in the individual and small group markets would be required to be the same, but rather market-specific actuarial adjustments, administrative expenses and commission structures would be allowed

resulting in differing rates for the two markets. For this report, we have assumed the rates to be the same, rather than adjusting for administrative expenses or commissions at this time.
- In North Dakota, the off-exchange individual market only includes silver plans. We would not anticipate that changing in a merged market.

Impact of Merging

Several components may be included in the merging of two markets, including base allowed claim cost experience, risk adjustment, and reinsurance with potentially different impacts on premium rates, federal pass-through dollars, and membership enrollment.

Base Experience

There are only two issuers that offer plans in both markets, Blue Cross Blue Shield of North Dakota and Sanford Health Plan. Merging the base experience of the two markets into a merged base experience would only impact these two issuers.

We looked at the impact of merging the base experience of the current markets. Then it had been suggested that including groups of 51 to 100 employees in the merged market may allow the issuer to spread the individual market's higher cost over a larger base.

First, we did not find that adding the groups of 51 to 100 employees made much of a difference in the combined allowed cost per member per month (PMPM). Since Sanford's block of groups of 51 to 100 employees was so small with relatively low allowed cost, there was a large impact on the relative allowed cost of the 51 to 100 block, which we predict would increase by 33% if combined with the individual and current small group.

Although there are significant differences in the allowed cost base experience in the two markets for Blue Cross Blue Shield of North Dakota and less so for Sanford Health Plan, when we projected premiums for the merged markets, the difference in premiums between the current and merged markets for the two issuers was not very different. The reason that a large difference in base allowed cost did not translate to a large difference in premium was that the impact of the North Dakota 1332 Waiver reinsurance resulted in premiums in the individual market that were close to the small group market and therefore not much change when merging the base allowed cost of the two markets.

Risk Adjustments

Risk adjustment is a significant component of premium rates. In North Dakota, the impact of combining the individual and small group markets for determining risk adjustment, is not uniform across all issuers, and may have a disruptive overall impact on the markets. For example, our analysis shows that merging the markets for risk adjustment purposes would result in a 4% increase in premiums in the individual market for Blue Cross Blue Shield North Dakota, and an 8% increase in premiums for Sanford in the small group market.

Reinsurance

Currently there is a 1332 Waiver program active in North Dakota that provides reinsurance to the individual market reducing individual market premium rates. This program is partially funded by the federal government based on the reduction in the federal premium tax credits, which are reduced when there is a reduction in the second lowest premium plan.

There are three small group reinsurance options North Dakota might consider:

1) Set the small group reinsurance at the current reinsurance levels as the individual market, which will be the costliest option.
2) Set the small group and individual reinsurance at a lower PMPM cost level (higher attachment points). However, individual premium rates will need to increase for the loss of federal 1332 pass-through dollars or the difference would have to be funded by North Dakota.
3) Leave the individual reinsurance program “as is” and offer less generous or no reinsurance to the small group market.

There is no federal funding available for a small group reinsurance program. When the small group market is reinsured for large claims by reducing the reinsurance in the individual market, the small group premiums will be lower. However, lowering the value of reinsurance increases the individual market premium, and thus reduces the federal pass-through. The state is left with less money for the individual market and still needs to cover the small group reinsurance. In Maine, it was estimated that the savings in the individual market impacting the federal funding was reduced from 24% before sharing the reinsurance with the small group market to 14% if the reinsurance is applied to both the individual and small group markets.

Impact on Federal Pass-through

Currently the second lowest silver plan premiums in the individual market are plans from Medica Health Plan and Sanford Health Plan. Merging the individual and small group markets will reduce the second lowest silver plan premium by 4% to 7% or $12.82 to $27.68 PMPM depending on the rating area.

If merging the markets was added to the current 1332 Waiver, it could increase the federal pass-through. That would involve preparing a new application to the Department of Health and Human Services (HHS) for a new 1332 Waiver.

Impact on Consumers and Market Migration

Our analysis indicates that merging the individual and small group markets would result in increased premiums for some and reduced premiums for others. The impact varies by issuer, even within a market. This increases the level of uncertainty and may result in issuers pricing more conservatively or potentially leaving the market. This would decrease, rather than increase the stability of the markets.

Conclusions

Merging the base allowed claim cost experience, which is the basis of premium rates, only impacts Blue Cross Blue Shield of North Dakota and Sanford Health Plan since they are the only two issuers in both the individual and small group markets. Although the base allowed claims cost is quite different between Blue Cross Blue Shield's individual, small group, and merged markets when the impact of the 1332 Waiver reinsurance is included in the impact on premiums, the merged premiums are not very different from the individual and small group average market premiums. For Sanford both the base allowed claims and the resulting premiums between the markets are very similar. Just merging the markets by using the base allowed claim cost and not considering merging risk adjustment makes so little difference that it may not be worth the effort.

In North Dakota, markets being merged have very different risk scores and actuarial values, and therefore it may be disruptive to merge the markets for risk adjustment purposes. Based on our analysis, there would be large changes in premiums when risk adjustment for the individual and small group markets are merged. We estimated the market migration using economic elasticities, but it is difficult to predict what individuals or small groups would do with such large shifts in premiums. For example, individuals seeing large premium increases on top of normal increases from trend, may look to other issuer offerings that have similar networks or they may just get frustrated and drop insurance altogether.

Looking at the alternatives for applying reinsurance in the small group market we see that the State would have to fund the small group reinsurance without the benefit of federal funding. Federal funding is not available in the small group market as it is in the individual market. We could do an evaluation of what the cost would be for small group reinsurance if North Dakota wants to consider funding small group reinsurance, but the cost would probably be significant based on the experience in the individual market.

Analysis of North Dakota Individual and Small Group Markets Merging

We used the 2021 base experience from the 2023 rate filings to determine what the impact on premiums would be if the markets were merged in 2021.

2021 Individual and Small Group Market Characteristics

Enrollment

Based on the 2021 experience period member months reported in the Unified Rate Review Template (URRT), Blue Cross Blue Shield of North Dakoda holds the highest percentage of membership in both the individual and small group markets. They are followed by Sanford Health Plan, who also holds a significant portion of the individual market. With 4,339 member months in 2021, UnitedHealthcare Insurance Company holds the smallest portion of the small group market.

Table 1 – 2021 Member Months by Company

Company	Individual	Small Group
BCBS of North Dakota	278,112	361,205
Medica Health Plans	14,783	
Medica Insurance Company		42,599
Sanford	194,116	59,280
UnitedHealthcare Insurance Company		4,339

Chart 1 – 2021 Individual Member Months

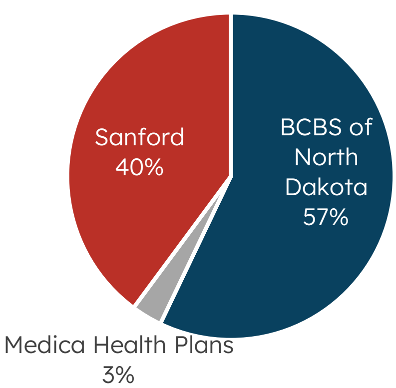
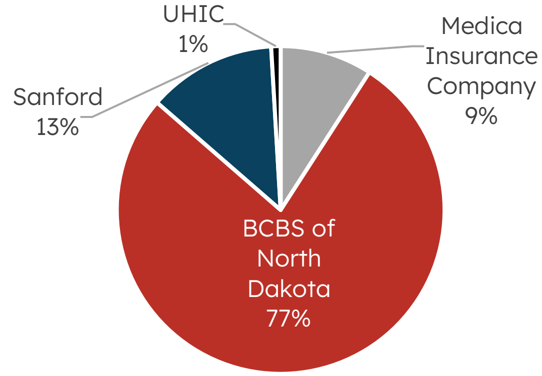


Chart 2 – 2021 Small Group Member Months



Viewing the current market share based on the member months reported in the Supplemental Health Care Exhibit (SHCE) shows a similar story.

Chart 3 – Individual Market Share

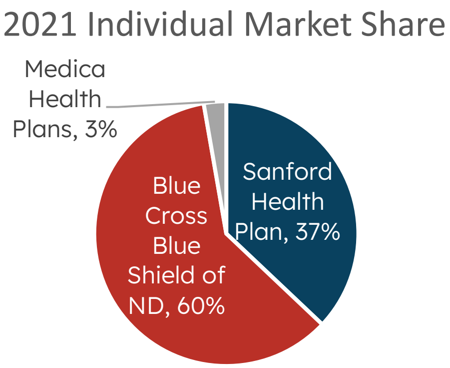
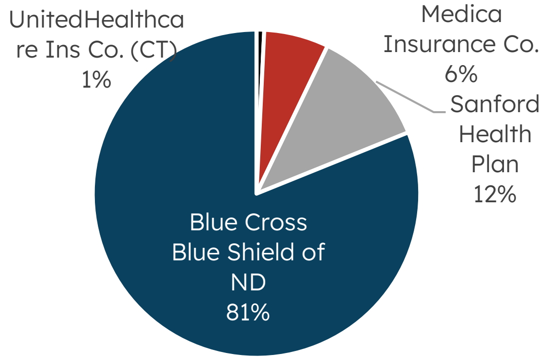


Chart 4 – Small Group Market Share



Geographic Factors

As seen in the table below, currently 1 of the 3 individual issuers and 2 of the 5 small group issuers rate by area.

Table 2 – Individual and Small Group Geographic Rating Factors by Issuer

Company	Rating Area 1	Rating Area 2	Rating Area 3	Rating Area 4
Individual Rating Area Factors				
Blue Cross Blue Shield of North Dakota	1.000	1.000	1.000	1.000
Medica Health Plans		0.8816	1.0134	1.0547
Sanford Health Plan	1.000	1.000	1.000	1.000
Small Group Rating Area Factors				
Blue Cross Blue Shield of North Dakota	1.000	1.000	1.000	1.000
HealthPartners Insurance Company		1.000	1.000	1.050
Medica Insurance Company	1.170	0.980	1.016	1.170
Sanford Health Plan	1.000	1.000	1.000	1.000
United Healthcare Insurance Company	0.950	1.000	1.000	1.000

Premium

We estimated average market, rating area and metal premium rates for each issuer, by using the URRTs in the 2023 rate filings.

The 2021 premiums reported on Worksheet 2 of the URRT for each issuer are listed below. Sanford has the lowest premium in both the individual and small group markets.

Table 3 – 2021 Premium PMPMs by Issuer

Company	Individual	Small Group
BCBS of North Dakota	$505.24	$503.60
Medica Health Plans	$518.47	
Medica Insurance Company		$477.02
Sanford	$432.75	$423.15
UHIC		$480.03

Chart 5 – Individual 2021 Premium

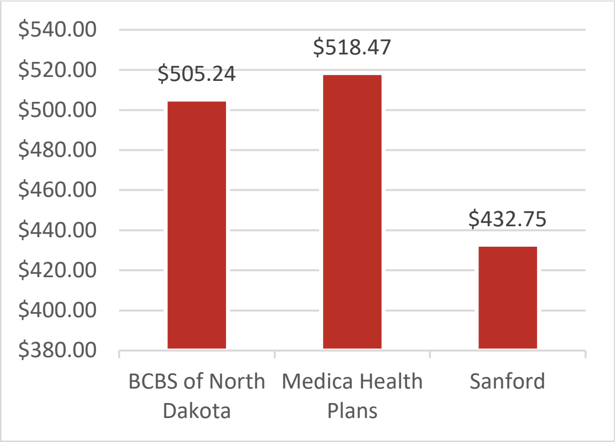
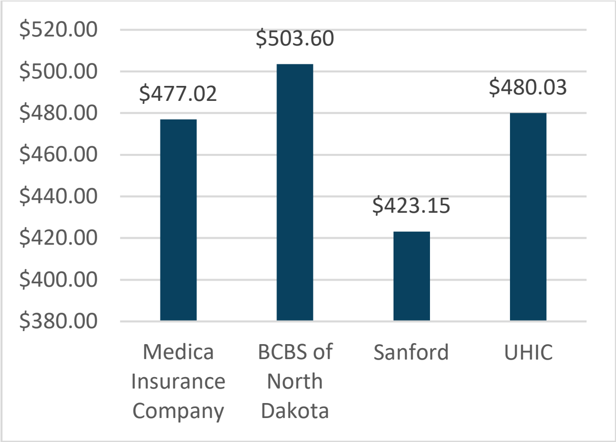


Chart 6 – Small Group 2021 Premium



Using the Rate Templates for plan year 2021, we compiled a list of the average premium by metal level and rating area for each issuer. Please note that Medica does not offer plans in Area 1. Also, HealthPartners is not on the small group table because they were a new issuer in 2022.

Table 4 – Individual Premium by Issuer, Metal Level, and Rating Area

Company	Metal	Individual Average Premium (Age 21)			
		Rating Area 1	Rating Area 2	Rating Area 3	Rating Area 4
Blue Cross Blue Shield of North Dakota					
	Catastrophic	$151.96	$151.96	$151.96	$151.96
	Bronze	$257.77	$257.77	$257.77	$257.77
	Silver[1]	$427.63	$427.63	$427.63	$427.63
	Gold	$377.87	$377.87	$377.87	$377.87
Medica Health Plans					
	Catastrophic		$209.04	$206.61	$215.06
	Bronze		$291.75	$288.35	$300.15
	Silver		$337.76	$333.83	$347.48
	Gold		$362.36	$358.16	$372.81
Sanford Health Plan					
	Catastrophic	$135.95	$135.95	$151.77	$135.95
	Bronze	$209.35	$209.35	$235.16	$209.35
	Silver	$300.73	$300.73	$334.28	$300.73
	Gold	$331.67	$331.67	$369.85	$331.67

[1] All of Blue Cross Blue Shield of North Dakota's 2021 individual ACA market plan offerings were on the exchange, therefore all of their Silver plans included an additional CSR load.

Table 5 – Small Group Premium by Issuer, Metal Level, and Rating Area

Company	Metal	Small Group Average Premium (Age 21)			
		Rating Area 1	Rating Area 2	Rating Area 3	Rating Area 4
Blue Cross Blue Shield of North Dakota					
	Bronze	$266.20	$266.20	$266.20	$266.20
	Silver	$290.72	$290.72	$290.72	$290.72
	Gold	$347.73	$347.73	$347.73	$347.73
	Platinum	$399.48	$399.48	$399.48	$399.48
Medica Health Plans					
	Bronze	$306.42	$246.18	$261.77	$280.88
	Silver	$367.69	$295.40	$314.11	$337.04
	Gold	$431.73	$346.86	$368.82	$395.75
	Platinum	$501.42	$402.85	$428.36	$459.64
Sanford Health Plan					
	Bronze	$242.37	$242.37	$270.07	$242.37
	Silver	$280.28	$280.28	$312.54	$280.28
	Gold	$335.59	$335.59	$371.07	$335.59
	Platinum	$417.31	$417.31	$464.34	$417.31
UnitedHealthcare Insurance Company					
	Bronze	$295.63	$311.19	$311.19	$311.19
	Silver	$266.03	$280.04	$280.04	$280.04
	Gold	$339.52	$357.39	$357.39	$357.39
	Platinum	$444.29	$467.68	$467.68	$467.68

There are additional comparisons of the plans available in the market at a more detailed level in Appendix III – Detailed Market Analysis.

Premium Impact if Markets are Merged

Assumptions

All decisions have not been made regarding how the North Dakota markets would be merged. We, therefore, made the following assumptions:

1. We are estimating market wide premiums based on current market conditions and mathematical calculations. We are not projecting how issuers will modify their market strategies, benefit plans, service areas, networks, or rating assumptions.
2. If the markets are merged, issuers that are currently only in one market will not have to offer products in the other market. For example, issuers that only offer small group products will not have to offer individual products.
3. Small group products will not be sold through the Exchange.
4. The only off-exchange products will be the non-CSR loaded silver plans as is the case today.
5. All small group and individual plans will be offered in both markets at the same premium except for the individual silver plans that are sold on the Exchange. Those will have the CSR loads as is the case today. In our modeling we kept the Blue Cross Blue Shield of North Dakota and Sanford Health Plan premiums the same in the merged market. In the base period Blue Cross Blue Shield of North Dakota's average individual rates were 0.33% higher than small group and Sanford Health Plan's were 2.27% higher. When we considered those differences in the merged market it did not change the results more than a percent or two, so we kept them the same for simplicity.
6. North Dakota will not modify the 1332 Reinsurance Program for the individual market and will not add reinsurance to the small group market.
7. North Dakota will not develop standardized plans that have to be offered by all issuers.
8. The small group issuers will not be able to file quarterly rate changes.
9. All issuers will continue to participate in the markets they are currently in.
10. Carriers in the individual and small group markets will offer the same plans in both markets.

Approach

We used the 2021 base experience from the 2023 rate filings to determine what the impact on premiums would be if the markets were merged in 2021.

First, we looked at the impact of merging the base experience from the individual and small group markets. When the base experience is merged, the starting point for rate development in the merged market is different than the base experience of the separate individual and small group markets. Merging the base experience is done at the issuer level and the differences between the merged and the separate markets varied by issuer.

Next, we determined the impact of merging risk adjustments. When the risk adjustment is merged, the level of risk adjustment received or paid is based on the morbidity of the issuer's block of business compared to the total merged market rather than on the morbidity of the block compared to the individual or small group market alone.

One state, Maine, also applied the state reinsurance program to the small group market in addition to the individual market. We looked at how North Dakota could implement a reinsurance program for the small group market similar to the one in the individual market. A reinsurance program for the small group market will not result in federal pass-through funding as is true in the individual market where federal funds are used to help pay for the reinsurance. The state would have to pay the cost of the small group reinsurance.

Finally, we looked at potential market migration if the rates in 2021 had changed as we projected due to merging the individual markets. It is not possible to predict if individuals or small groups will move from one issuer to another, since there is a tendency for individuals and small groups to stay with the issuer that they are used to. We have used economic elasticities to make our projections.

Impact of Merging Base Experience

To determine the impact on premium of merging the individual and small group markets, we used the 2021 base experience in the 2023 rate filing URRT for each issuer with experience in 2021. We then determined what the premiums would have been if the markets were merged in 2021. Member month totals for each issuer are shown in the table on the following page.

Table 6 – Plan Year 2021 Member Months

Issuer	Individual Market	Small Group Market	In Both Markets
Blue Cross Blue Shield of North Dakota	278,112	361,205	Yes
HealthPartners Insurance Company	0	0	No
Medica Health Plans	14,783	0	No
Medica Insurance Company	0	42,599	No
Sanford Health Plan	194,116	59,280	Yes
United Healthcare Insurance Company	0	4,339	No
TOTAL	487,011	467,423	

Since only Blue Cross Blue Shield of North Dakota (BCBSND) and Sanford Health Plan (Sanford) were operating in both markets in 2021, merging of base allowed claims experience data will only affect those two.

Typically, people purchasing individual coverage have higher morbidity than small group market members. We see this is true in North Dakota based on the allowed claims data for the two issuers operating in both markets. Allowed costs PMPM are higher in the individual market than the small group market for both issuers. As the table below illustrates, merging the markets results in a significant change in allowed cost PMPM for Blue Cross Blue Shield of North Dakota, but has only a small change for Sanford.

Table 7 – Merged Base Allowed Claims Experience: Plan Year 2021 Individual and Small Group (1 – 50)

Market		BCBSND	Sanford
Individual	Allowed $	175,023,484	92,606,237
	Member Months	278,112	194,116
	PMPM $	**629**	**477**
Small Group (1 – 50)	Allowed $	192,559,563	27,573,407
	Member Months	361,205	59,280
	PMPM $	**533**	**465**
Merged Market	Allowed $	367,583,047	120,179,644
	Member Months	639,317	253,396
	PMPM $	**575**	**474**
Merger Impact	Individual	-9%	-1%
	SG 1-50	+8%	+2%

The individual merged market average allowed cost PMPM for Blue Cross Blue Shield of North Dakota is 91% of the base individual market allowed cost and 108% for small group. For Sanford, the merged market average allowed cost PMPM is 99% of the base individual market allowed cost PMPM and 102% for small group.

Currently in North Dakota the small group market definition includes groups of 1 to 50 employees. To further spread the higher costs of morbidity from the individual market across a larger single risk pool, it was decided to consider increasing the small group market to groups of 100 employees because the 51 to 100 group market may be even healthier and to provide a larger market to spread the differential between individual and small group. The table below provides the results of adding the 51 to 100 employee groups.

Table 8 – Merged Base Allowed Claims Experience: Plan Year 2021 Individual, Small Group (1- 50) and 51 – 100 Group when expanding the definition of small group to 100 employees

Market		BCBSND	Sanford
Individual	Allowed $	175,023,484	92,606,237
	Member Months	278,112	194,116
	PMPM $	**629**	**477**
Small Group (1 – 50)	Allowed $	192,559,563	27,573,407
	Member Months	361,205	59,280
	PMPM $	**533**	**465**
51 – 100 Group	Allowed $	122,193,437	1,868,764
	Member Months	215,489	5,254
	PMPM $	**567**	**356**
Expanded Merged Market	Allowed $	489,776,484	122,048,408
	Member Months	854,806	258,650
	PMPM $	**573**	**472**
Merger Impact	Individual	-9%	-1%
	SG 1-50	+7%	+1%
	51-100 Groups	+1%	+33%

For Blue Cross Blue Shield of North Dakota, the larger employer groups don't appear to further subsidize the individual market because the larger groups actually have a higher allowed cost PMPM ($567) compared to smaller groups ($533). In fact, when we look at Table 8 compared to Table 7, there is really little additional impact on the individual and small group markets by including the 51-100 employee groups.

Similarly, the addition of the larger Sanford employer groups does not further subsidize the individual market, or the small group market for that matter. But there is a large impact (33% increase) on the 51-100 groups allowed cost. Therefore, expanding the merged markets to include larger employer groups mostly impacts the larger employer groups that were added and not the individual market, which it intended to improve. It should be noted that the membership in the 51-100 groups is quite small compared to the individual and current small group markets.

When we estimate the change in premium based on the merged base experience, the premiums are closer together. The premiums for the individual market are closer to the merged market premium due to the large impact of the 1332 Waiver reinsurance which reduces the incurred claims and therefore the premiums.

Before projecting the premium for the merged market for each issuer, we first calculated the weighted premium to allowed cost ratio for the individual and small group markets. This weighted average ratio is then used to translate the merged market allowed costs to premium. This results in a merged market average premium of $503 for Blue Cross Blue Shield of North Dakota and $428 for Sanford.

Now that the merged market premiums are estimated, we see there is not much movement in the Blue Cross Blue Shield of North Dakota and Sanford individual and small group markets. Again, we believe that this is due to the individual market 1332 Waiver reinsurance impact on the individual premiums.

There is a large increase (+33%) in Sanford Health Plan's 51-100 employer groups due to its small size and relative healthy members.

Table 9 – Impact of Merger on Premiums

Plan Year 2021		BCBSND	Sanford
Individual	Prem PMPM	$505	$433
Small Group (1 – 50)	Prem PMPM	$504	$423
Merged Market	Prem PMPM	$503	$428
Merger Impact	Individual	99%	99%
Merger Impact	Small Group	100%	101%

We see from this analysis that merging the markets without merging risk adjustment, has little impact.

Additional Impact from Merging Risk Adjustment

Our Methodology

To estimate the impact of risk adjustment on the premiums in a merged market, we used the final risk adjustment transfer payment information for the 2021 benefit year, which was released by CMS on June 30, 2022,[2] along with information included in the rate filings submitted by issuers in the individual and small group markets. We used the risk adjustment transfer formula to calculate the estimated risk adjustment transfer amounts for the merged market, by first verifying the formula replicated CMS' results in each market for 2021.

We based our estimates of the impact of the risk adjustment program on the actual risk adjustment transfer payments for the 2021 benefit year. Issuers' estimates of risk adjustment transfer payments may differ. In the small group market, issuers are allowed to incorporate quarterly rate increases in the premiums and then refile rates quarterly. After the markets are merged, issuers in the small group market may not be allowed to make quarterly rate changes, if prohibited by the North Dakota Insurance Department. We also assume that enrollees will choose the same plans after merger, and that employers will not "buy down" plans to save on premiums in the small group market. The impact of buydowns and enrollee migration are reflected in following sections of this report.

Background

Since the ACA prohibits issuers from reflecting health status in premium rates, the risk adjustment program is intended to redistribute a portion of premium revenue from issuers that enroll a disproportionate share of healthy, lower cost members to issuers that enroll a disproportionate share of unhealthy, higher cost members to account for the differences in health status between issuers. Risk adjustment transfer payments are determined using a complex formula that measures the difference between the risk an issuer enrolls (measured by member risk scores) and the risk that the issuer is allowed to rate for (measured by allowable rating variables, such as age and plan level). Risk adjustment transfers are calculated separately for each market (individual, small group and catastrophic), and is a zero-sum game. This means that, for a particular calendar year, the amount of risk adjustment payments made to issuers in a particular market must equal the amounts paid out

[2] Source: Center for Consumer Information & Insurance Oversight, CMS. Summary Report on Permanent Risk Adjustment Transfers for the 2021 Benefit Year, https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/

to issuers in the same market. Any change in the factors that impact the risk adjustment transfer payment calculation, such as the number of enrollees, the average market premium, and the average risk score, introduces uncertainty and the potential for instability, at least in the short term, which is inconsistent with one of the main goals of merging the individual and small group markets.

Comparison of Risk Adjustment Metrics for Each Market

Table 10 shows a comparison of key risk measures for North Dakota's individual and small group markets for the three-year period, 2019 through 2021. This table shows that enrollment and average premium in both markets are very similar. However, there are material differences in the average risk scores of the two markets and the richness of the benefits chosen in each market. For 2021, the average risk score in the individual market is 1.249, which is 9.5% higher than the average risk score in the small group market (1.141). However, the average premiums are almost the same ($430.90 in the individual market, compared with $430.07 in the small group market). This can be explained by the lower average actuarial value (AV) in the individual market .695, compared with the average AV of .818 in the small group market. Over the past three years, there has been a lot of variability in the average risk score, particularly in the small group market.

Table 10: Summary of Key Risk Measures for years 2021, 2020 and 2019[3]

	2021		2020		2019	
	Individual	**Small group**	**Individual**	**Small group**	**Individual**	**Small group**
Enrollment (Member Months)	464,002	464,778	417,784	452,054	419,335	451,260
Average AV	0.695	0.818	0.687	0.819	0.691	0.821
Average risk score	1.249	1.141	1.20	1.058	1.406	1.121
Statewide Average Premium (PMPM)	$430.90	$430.07	$417.64	$421.60	$456.15	$398.89

Current Issuer Risk Adjustment Transfers for Each Market

Table 11 illustrates the volatility of risk adjustment transfer payments for the past three years. The total amount transferred in the individual market is much higher than the amount transferred in the small group market. The amount of the risk adjustment transfer payment also varies by carrier. In the individual market, most of the transfers occur between Blue Cross Blue Shield and Sanford Health Plan.

[3] Source: Center for Consumer Information & Insurance Oversight, CMS. Summary Report on Permanent Risk Adjustment Transfers for the 2019, 2020, and 2021 Benefit Years, https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/

Table 11: Risk Adjustment Transfer Payments (in thousands) – for years 2021, 2020 and 2019

	2021		2020		2019	
Company Name	**Individual**	**Small Group**	**Individual**	**Small Group**	**Individual**	**Small Group**
Blue Cross Blue Shield of North Dakota	$8,236	($873)	$6,677	($281)	$3,959	($1,870)
Medica Insurance Company	-	$1,380	-	$1,287	$-	$2,010
Medica Health Plans	$960	-	$896	-	$246	($36)
UnitedHealthcare Insurance Company	-	($349)	-	($3)	$-	($229)
Sanford Health Plan	($9,196)	($157)	($7,573)	($1,003)	($4,205)	$125
Total Transfer Amount	9,196	1,380	7,573	1,287	4,205	2,135

Market Average Premium for Risk Adjustment Compared to Merged

Enrollment and market average premium for the individual and small group markets were very similar, so after the markets are merged, the market average premium is not expected to change significantly.

On the other hand, as Table 12 shows, the impact of risk adjustment on premiums differs by issuer and market. For two of the three issuers in the individual market, premiums decreased as we would expect. For issuers that are in both markets, the impact of merging the markets for risk adjustment purposes, depends on the relative size of the markets and how similar the risk scores and the richness of the plans (measured by actuarial values) are in the two markets. For example, we estimate that, instead of decreasing, Blue Cross Blue Shield North Dakota's average premium in the individual market would increase by 4%, due to the differences in the magnitudes of the components of the risk adjustment transfer payment formula and enrollment mix between the individual and small group markets. Similarly, in the small group markets, we estimate that Blue Cross Blue Shield North Dakota's average premiums would decrease by 3% after the merger.

Table 12 – Change in Premium after Risk Adjustment is Reflected in the Merged Market

Company	Individual	Small Group
Medica Health Plans	-7%	
BCBSND	4%	-3%
Sanford Health Plan	-1%	8%
Medica Insurance Company		4%
United Health Care		7%

Impact if Including Small Group in North Dakota 1332 Reinsurance

Currently, North Dakota provides a reinsurance program for the individual market and CMS covers much of its cost through a 1332 Waiver. If North Dakota wants to apply a reinsurance program to the small group market, North Dakota will need to apply state revenues to cover the small group reinsurance since no federal program or dollars exist.

On May 10, 2019, North Dakota applied to the Centers for Medicare and Medicaid Services (CMS) for a 1332 Waiver. Section 1332 of the ACA allows states to be innovative in their approach to healthcare reform by obtaining 1332 waivers from the federal government. In the case of North Dakota, the 1332 waiver was based on implementing a reinsurance program in the individual market. The reinsurance covered 75% of an individual's claims from an attachment point of $100,000 to $1,000,000. The result of the reinsurance is a reduction in the premiums in the individual market. Since the individual market premiums are reduced, the federal government saves due to the reduced premium tax credits for eligible individuals. The federal savings are then passed to North Dakota to help pay for the reinsurance. The State of North Dakota pays for any reinsurance benefit that is not covered by the federal pass-through.

There are three small group reinsurance options North Dakota might consider:

1) Set the small group reinsurance at the current reinsurance levels as the individual market, but this will cost the state more than Option 2 or 3.
2) Set the small group and individual reinsurance at a lower PMPM cost level (higher attachment points). However, individual premium rates will need to

increase for the loss of federal 1332 pass-through dollars. (See Maine example below.)
3) Leave the individual reinsurance program "as is" and offer less generous or no reinsurance to the small group market.

Maine had a similar 1332 Waiver with reinsurance when merging the individual and small group markets. Maine's strategy was to increase the individual market's reinsurance attachment points and/or lower the reinsurance percentage; and apply the same reinsurance levels to both markets. When the small group market is reinsured for large claims, the result is to lower the premiums in the small group market but lowering the reinsurance parameters increases the individual market premium, and thus reduces the federal pass-through. The state is left with less money for the individual market and still needs to cover the small group reinsurance. We talked to a regulator in Maine that reported it was estimated that the savings in the individual market impacting the federal funding was reduced from 24% before sharing the reinsurance with the small group market to 14% if the reinsurance is applied to both the individual and small group markets.

Because it would require an extensive data call to the issuers, as well as a state decision on direction, we have not quantified the impact on individual premiums, small group premiums, or the federal funding of the 1332 Waiver reinsurance in North Dakota of providing reinsurance in the small group market. If North Dakota precedes with merging the individual and small group markets and wants to consider a new reinsurance program for the small group market, we will be able to quantify the impact.

Impact On Federal Pass-Through Due to a Change in the Second Lowest Silver Premium

Currently Sanford Health Plan and Medica Health plan have the plans with the second lowest silver premium. The level of the second lowest silver premium plan determines the amount of premium tax credit funded by the federal government, a change in the second lowest silver premium changes the amount of federally funded premium tax credit. Since merging the individual and small group markets will reduce the individual premiums for the Sanford Health Plan and Medica Health plan it will reduce the second lowest silver premium by 4% to 7% depending on the rating area or $12.82 to $27.68 PMPM depending on the rating area.

Table 13 - Merged Market Reduction in Second Lowest Silver Premium Plan

Rating Area	Reduction in SLSP Amount	Percent Reduction
Rating Area 1	-$12.82	-4%
Rating Area 2	-$12.82	-4%
Rating Area 3	-$27.68	-7%
Rating Area 4	-$16.16	-5%

Merging the markets would not impact the federal pass-through unless the merged market was added to a 1332 Waiver to increase the federal pass-through. That would involve preparing a new application to the Department of Health and Human Services (HHS) for a new 1332 Waiver.

Impact on Consumers and Market Migration

Methodology

We used the metal level elasticities of demand provided in a Society of Actuaries training session against the National Health Expenditure Projections to estimate the price sensitivity of enrollees and employers in the individual and small group markets, respectively.[4] For the individual market, elasticities for Exchange enrollees were adjusted to reflect the fact that individuals receiving premium and/or cost sharing subsidies may be somewhat insulated from premium changes and may be less likely to switch plans or leave the market than those enrollees that are not eligible for premium subsidies, and would feel the full impact of premium increases.

Individual Market

Overall, after the merger of the individual and small group markets, average premiums do not change significantly. However, as shown in Table 12 “Change in Premium after Risk Adjustment is Reflected in the Merged Market” the premium impact varies significantly by issuer. For Blue Cross Blue Shield in the individual market, we project premiums to increase after the merger, which may cause individuals to switch issuers in search of less expensive plans, potentially causing disruption in the market. Our analysis revealed a counter-intuitive pattern of migration, as more individuals may be expected to switch issuers or leave the

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[4] Session 76 L, “Understanding Stakeholder Behavior: Hidden Forces in the U.S. Healthcare System.” Society of Actuaries. https://www.soa.org/pd/events/2017/health-meeting/pd-2017-06-health-session-076.pdf

individual market due to increased premiums for one of the largest issuers in the market.

Lower premiums in the individual market may cause the premium for the second lowest silver plan to decrease, which would lower the premium subsidies available and decrease federal premium tax credits for enrollees with premium subsidies. In turn, the lower subsidies could result in higher pass-through funds to fund the reinsurance program, if merging the market was combined into a revised 1332 Waiver. On the other hand, for unsubsidized enrollees, lower premiums may make health insurance more affordable.

Small Group Market

Premiums in the small group market are expected to increase for most issuers. This may lead employers to “buy down” to lower cost plans to keep premiums low. Over time, employers may decide to leave the small group health insurance market, in favor of lower cost, more flexible options for providing health benefit plan coverage to their employees, such as Individual Coverage Health Reimbursement Arrangements (ICHRAs), self-funding or level funding arrangements. This may cause issuers offering small group plans to exit the market, which may destabilize the merged market.

Limitations and Reliance

Limitations

- Our analysis was based on 2021 market data, and since HealthPartners entered the market in 2022, we did not have data for them.
- We assumed that the paid risk adjustment would have a direct impact on premiums, but an issuer pricing model may also apply an administration load to the risk adjustment depending on where the risk adjustment is applied in the issuer model.
- Incomplete or inaccurate information, as well as the complicated nature of risk adjustment transfer calculations makes it difficult to accurately estimate the impact of merging the individual and small group markets on premiums.
- The potential impact of consumer behavior on risk adjustment payment transfers and on premium rates is beyond the scope of this report. For example, in a merged market, small employers may buy down benefits to keep premium cost the same so the average small group AV may decrease to be in line with the AV levels in the individual market.
- Differences between the historical base data and future experience depend on the extent to which future experience conforms to the assumptions made in the report, actions by employers, enrollees, and on the impact of changes in policy and programs. Therefore, the actual impact of merging the individual and small group markets will likely differ from the results presented in this report.
- We did not estimate any changes in administrative charges or broker commissions between the two markets, which issuers may do if the markets are merged.
- Market share, enrollment, except as discussed in the section on migration, market composition and overall market risk are assumed to be unchanged after merging the markets. The impact of a merged market will vary by issuer. Some issuers may find it difficult to compete in a merged market and may exit the market, while others may expand their offerings.
- No changes in issuers' pricing assumptions or methodology are assumed to occur as a result of merging the markets. In a merged market, issuers may change pricing methodology and /or assumptions to reflect the new dynamics of a merged market.

Reliance

- For the purpose of this analysis, NovaRest relied on rate filing and other information provided by the issuers in the individual and small group markets, the North Dakota Department of Insurance, as well as publicly available information.

Appendix I – Experience in Other States

Why Vermont Unmerged its Markets

Vermont had a merged market that required standard products. There was also the ability for the issuers to create three unique products. The premiums for the products had to be the same in the individual and the small group markets.

Vermont decided to unmerge its markets. We spoke to a consumer advocate in Vermont. She explained that Vermont decided to unmerge its market based on the increased individual subsidies under the American Rescue Plan Act of 2021 (ARPA). Because Vermont's individual market is significantly more expensive than its small group market, Vermont was missing out on federal dollars by keeping the markets merged and charging small groups more. The intention was to remerge the markets once ARPA ended.

Why Other States Did Not Choose to Merge Their Markets

Indiana

In 2011, Milliman, Inc. prepared a brief for the Indiana Exchange Policy Committee to discuss the impacts of merging the individual and small group markets.

Cost and Consumer Impacts

Both the individual and small group markets include the actively working population. However, the individual market is also comprised of people who are not working due to disability or other reasons and who have poorer health status than the actively working population. Health plan costs (premium plus member cost-sharing) are associated with the average health status of each market. If the markets are merged into a single risk pool, health plan costs would be expected to decrease for individual enrollees and increase for small group enrollees.

Higher health benefit plan costs for the small group market may lead some employers to self-insure or drop out of the market completely. Some of this enrollment will be recaptured in the individual market. Additionally, lower health benefit plan costs may attract new issuers to the individual market.

Issuer Impacts

Issuers may have less flexibility to respond to the differing benefit and service needs of each market if they are merged. If policy requires issuers to participate in both markets, some may exit the market if they do not have the capabilities or desire to serve both markets. A merged market may also be a barrier to entry for a new issuer. Fewer issuers can lead to less competition and higher premiums.

Impacts Over Time

Merging the markets may lead to short term instability in premium rates, health benefit plans, and issuer earnings as consumers, employers, issuers and other stakeholders react to the changes. In the long term, the resulting larger risk pool of a merged market in Indiana might produce more stability in premium rates, risk adjustment, and issuer earnings.

California

PricewaterhouseCoopers, LLP (PwC) prepared a draft report in October 2018 for Covered California to discuss their analysis of the impacts of a merger for the individual and small group markets. Both markets are large (about two million enrollees each), stable and generally provide robust health plan participation, with some exceptions for geographic areas where low-income individual market enrollees have limited or no choice of health plan.

Premium and Consumer Impacts

Each market has significant differences in enrollee risk characteristics with small group enrollees having 15% to 20% lower risk (as measured by risk score) compared with individual enrollees. Due to the difference in risk profile of each market, a merger into a single risk pool would create a subsidization of individual enrollees by small group enrollees.

Based on premiums from 2019 rate filings, PwC estimated that creating a single risk pool would decrease individual premiums by an average of 10% and increase small group premiums by an average of 11%. However, the range of rate change would vary considerably for issuers depending on enrollment size and risk characteristics in each market. Issuers operating in both markets could see individual premiums decrease from 5% to 16% and small group premiums increase from 4% to 65%.

This projected increase for small group employers sensitive to rate changes might be significant enough to have a destabilizing influence on the small group market. In response to higher premiums some small employers could try to offset higher costs by offering lower benefit products, limit networks, or reduce premium contributions to employees. More sensitive employers may remove themselves from the risk pool and move toward alternative funding arrangements (e.g., self-funding), or stop offering coverage to employees.

The projected decrease in premiums for the individual market would mostly benefit the federal government through lower premium tax subsidy payments. Only the unsubsidized individual enrollees would experience the reduction in premiums in a merged market. Yet lower premiums may attract the individuals not eligible for premium subsidies, but who are most price sensitive (younger and healthier individuals) which would positively impact the risk pool.

Issuer Impacts

Because both the individual and small group markets are large and stable, a larger single risk pool in California would not lead to a reduction in administrative costs due to economies of scale. There is also no evidence to suggest merging markets would affect the number of market participants or the level of competition among market participants, although some issuers may reconsider their market strategy.

Impacts Over Time

The overall analysis by PwC encouraged the California legislature to consider the impacts of a potential single risk pool on premiums and enrollment in each market. Particularly, the negative impacts to small group employers due to premium increases that could intensify uncertainty and might be disruptive in the short term as employers respond to a merged market.

While the long-term impacts of a merged market can't be known prior to merging, there is strong evidence that merging markets would have significant impacts on premiums in the short term, which would be highly destabilizing to both markets.

Further compounding the instability of a merged market would be if California policy required issuers to participate in both the individual and small group markets, offer the same products and network options for both markets, have the same open enrollment period, and/or have the same rates in both markets.

Other States' Recent Experience when Considering Changes to Their Merged Market or when Recently Merging their Markets

District of Columbia

The decision to merge the individual and small group markets occurred because membership in the individual market was so low they needed the merger for stability. D.C. did not receive much pushback on this decision because most issuers were participating in both markets.

For the purposes of risk adjustment calculations, the populations are still considered separately. D.C. would not recommend this as it has created technical problems for them. They have seen problems arise between companies where risk adjustment payments distort the rates, which requires further adjustments for the rates to make sense. For example, they have seen higher HMO rates than PPO rates for similar plans. The correction for this problem would cause a substantial one-time decrease to individual rates, and a small increase to the Small Business Health Options Program (SHOP) rates.

Overall, membership has not drastically changed in D.C. The uninsured market membership has stayed the same while the membership of the individual market seems to be decreasing slightly. Premium tax credit amounts have also not changed significantly. D.C. had a very small premium tax credit amount and that has not changed since merging the two markets.

Maine

Maine considered merging the individual and small group markets when they saw membership in the small group market begin to decline while the membership in the individual market increased. They also saw an influx of self-insured businesses. Maine also considered including the large group market in the merger, but they were hesitant to have the large group market subsidize other markets. Ultimately, they decided against including the large group market. During this time, Maine also added the requirement of standardized plans, which are not separated by market. They have a standard cost-share structure while offering the issuers some flexibility on tiering and unique benefit aspects. In addition, there are about 19 – 20 plan designs an issuer can choose from.

With the merging of the two markets, there were a few logistics that had to be worked out. First, 1332 reinsurance was spread across both populations (individual and small group) to optimize the use of the funds. This decision has also provided stability for the market, and Maine estimates 14% savings in the individual market in 2023 even with sharing reinsurance coverage with the small group market. The populations are also merged for the purposes of risk adjustment. Maine did not consider keeping the populations separate for risk adjustment and has not run into any problems with risk adjustment savings.

Although Maine received pushback from issuers and brokers, because of concerns about standard plans and loss of control, they have not lost any issuers since merging the two markets. However, actual savings were less than estimated savings calculated when they first studied the impact of merging both markets due to a decline in the small group market.

Appendix II – Issuer Comments

Merging the Individual and Small Group Markets Issuer request

NovaRest is performing a study of the healthcare insurance coverage plans currently offered in North Dakota to ensure adequate product option availability and affordability, with specific focus on the impact of merging the individual and small group markets.

Issuer Responses

What questions do you have concerning merging the two markets? For example, what changes would that mean for issuers that are only in one market?

Will issuers currently in one market be required to enter the other market?

One issuer asked if they continued to offer platinum small group plans (their biggest enrollment plans), would they have to offer them to individual members? If so, this is a selection/pricing risk, and ACA markets have typically not offered these plans in the individual market.

Two issuers inquired about regulatory requirements. How would regulatory requirements change given that the individual market currently has more oversight than the small employer group market? How would On- & Off-Exchange rules apply in a merged pool? Would issuers be required to offer On-Exchange small group plans (if so, that would produce operational difficulties and costs).

All three issuers responding to this question inquired how individual reinsurance would be handled in a combined market when currently Reinsurance Association of North Dakota (RAND program) provides issuer coverage for the individual market.

Issuer Questions:

- How does North Dakota Insurance Division see this change encouraging market growth?
- What is the anticipated timing of merging markets?

What concerns do you have regarding merging the two markets?
Administrative work and expense for disrupted product portfolio.

There would be disruption to product portfolio and administrative work by either discontinuing some benefits when merging pools or the need to create new products.

For small issuers currently only in one of these two markets, the additional cost of offering to the other market may push them out of the ACA market altogether, which would limit competition.

Other potential impacts include increased numbers of CMS filings and doubled operational updates for these products for which additional FTEs could be required to assume the additional workload. Business rules would have to be evaluated for focused network products.

One issuer in particular stated they currently offer the same products in both North Dakota and South Dakota. Thus, this potential change would require them to create state-specific products for North Dakota to align both individual and small group into the same product line and rate structure.

Pricing disruption

Pricing disruption would occur for issuers that perform better in one market versus another when merging. This would create uncertainty about how price competitiveness would change when markets merge.

Subsidization between markets

Individual premiums are currently lowered due to the impact of reinsurance. Combining individual and small group markets will most likely lower the state average premium for small groups, which will dampen the impact risk adjustment transfer for that market.

Merging markets would likely result in some degree of additional subsidization for individual at the expense of small group. Given that individual market members already received subsidization via enhanced premium tax credits, the RAND program, and CSRs, this is likely unnecessary and caters more towards high income individual members vs working class small group employees.

Selection Issues

Small employer groups are attracted to lower cost sharing plans with richer networks—both of which would increase premiums in the individual market.

Some plans and/or networks offered in the small employer market could create large selection issues in the individual market and may encourage large groups to "dump" high risk/cost members into the market.

Is there anything else that we should consider when analyzing the merging of the markets?

One issuer pointed out that very few states have combined markets which implies there might be a reason to keep these two markets separate. Data from many other states can be reviewed to evaluate what unintended consequences could result from a combined market. A different issuer asked what happens to the healthier risk pool when there are significant differences in the risk pools between the individual and small employer markets.

There was also a comment that merging the two markets might limit the ability to make changes to just one of the markets if circumstances (individual subsidy changes, etc.) cause concern for only one of the markets.

Another issuer stated that certain products are more popular in individual markets vs. small group markets. This would likely increase offerings for individual product markets without significant differences in AV which could lead to confusion for members who are much more often shopping direct versus an employer working with a broker to understand the differences and what their employees would be most interested in.

One issuer would like network differences to be considered between the two markets.

Issuer Questions:

- Why does the North Dakota Insurance Division believe the small group market is unstable?
- Are they considering other options besides merging markets (such as limiting stop loss options)?

Are there additional concerns or considerations if the definition of a small group were expanded to include employers with up to 100 employees?

It is agreed that this expansion will cause serious product and rate disruption to current 51-100 employee groups.

All respondents said that expanding the definition of a small group would significantly limit product options for employer groups in the 51-100 employee range because large groups currently have plan options that don't meet the Actuarial Value ACA requirements. Requiring them to follow metal levels will limit their choices.

The respondents also commented that flexibility to rate the 51-100 employer groups would be lost because the groups would move from being rated on a blend of experience/manual rate to fully pool rated. Furthermore, it was believed that the 51-100 employer groups with favorable claims experience would seek self-funding which would possibly result in the deterioration of the small group pool (or the merged pool). Additionally, these newly self-funded groups would also experience more claims risk than they previously were comfortable with as a Fully Insured Large Group.

Issuer Question:

- What is the rationale for expanding the small group definition to groups of 100?

Appendix III – Detailed Market Analysis

The following table shows the number of issuers that offer specific metal plans in each rating area

	Individual		Small Group
Count of Issuers	Off-Exchange Non-Mirrored	On-Exchange	Off-Exchange
Rating Area 1	1	3	4
Platinum	0	0	4
Gold	0	2	4
Silver	1	2	4
Bronze	0	2	4
Catastrophic	0	2	N/A
Rating Area 2	2	3	4
Platinum	0	0	4
Gold	0	3	4
Silver	2	3	4
Bronze	0	3	4
Catastrophic	0	3	N/A
Rating Area 3	2	3	4
Platinum	0	0	4
Gold	0	3	4
Silver	2	3	4
Bronze	0	3	4
Catastrophic	0	3	N/A
Rating Area 4	2	3	4
Platinum	0	0	4
Gold	0	3	4
Silver	2	3	4
Bronze	0	3	4
Catastrophic	0	3	N/A

The following table shows the number of specific metal plans offered in each rating area.

	Individual		Small Group
Count of Plans	Off-Exchange Non-Mirrored	On-Exchange	Off-Exchange
Rating Area 1	8	24	86
Platinum	0	0	9
Gold	0	5	38
Silver	8	8	26
Bronze	0	8	13
Catastrophic	0	3	N/A
Rating Area 2	9	31	105
Platinum	0	0	12
Gold	0	6	47
Silver	9	9	30
Bronze	0	12	16
Catastrophic	0	4	N/A
Rating Area 3	6	30	94
Platinum	0	0	11
Gold	0	6	45
Silver	6	7	25
Bronze	0	13	13
Catastrophic	0	4	N/A
Rating Area 4	10	38	124
Platinum	0	0	15
Gold	0	7	56
Silver	10	10	34
Bronze	0	16	19
Catastrophic	0	5	N/A

The following table shows the lowest premium in each area for each metal level for the State Essential Health Benefits.

	Individual		Small Group
Min Premium (EHB Only)	**Off-Exchange Non-Mirrored**	**On-Exchange**	**Off-Exchange**
Rating Area 1			
Platinum	N/A	N/A	$370.27
Gold	N/A	$293.48	$287.93
Silver	$209.56	$321.58	$234.57
Bronze	N/A	$179.94	$212.47
Catastrophic	N/A	$120.13	N/A
Rating Area 2			
Platinum	N/A	N/A	$367.66
Gold	N/A	$293.48	$287.93
Silver	$209.56	$321.58	$234.57
Bronze	N/A	$179.94	$212.47
Catastrophic	N/A	$120.13	N/A
Rating Area 3			
Platinum	N/A	N/A	$388.11
Gold	N/A	$316.17	$319.25
Silver	$259.56	$312.66	$268.77
Bronze	N/A	$228.92	$236.76
Catastrophic	N/A	$151.77	N/A
Rating Area 4			
Platinum	N/A	N/A	$370.27
Gold	N/A	$293.48	$287.93
Silver	$209.56	$321.58	$234.57
Bronze	N/A	$179.94	$212.47
Catastrophic	N/A	$120.13	N/A

The following table shows the highest premium in each area for each metal level for the State Essential Health Benefits.

	Individual		Small Group
Max Premium (EHB Only)	**Off-Exchange Non-Mirrored**	**On-Exchange**	**Off-Exchange**
Rating Area 1			
Platinum	N/A	N/A	$508.46
Gold	N/A	$379.75	$447.06
Silver	$303.32	$431.38	$379.82
Bronze	N/A	$266.82	$313.98
Catastrophic	N/A	$151.96	N/A
Rating Area 2			
Platinum	N/A	N/A	$467.68
Gold	N/A	$379.75	$456.01
Silver	$317.13	$431.38	$380.07
Bronze	N/A	$303.94	$311.19
Catastrophic	N/A	$209.04	N/A
Rating Area 3			
Platinum	N/A	N/A	$467.68
Gold	N/A	$400.15	$456.01
Silver	$350.21	$431.38	$380.07
Bronze	N/A	$335.64	$311.19
Catastrophic	N/A	$230.84	N/A
Rating Area 4			
Platinum	N/A	N/A	$508.46
Gold	N/A	$416.52	$456.01
Silver	$364.53	$431.38	$380.07
Bronze	N/A	$349.36	$313.98
Catastrophic	N/A	$240.28	N/A

The following table shows the minimum actuarial value and cost sharing from Worksheet 2 of the URRT indicating the percentage of total claims costs for covered benefits that will be paid in benefits by the issuer. The rest of the claims are paid by the participant in cost sharing amounts.

	Individual		Small Group
Minimum Actuarial Value and Cost Sharing	**Off-Exchange Non-Mirrored**	**On-Exchange**	**Off-Exchange**
Rating Area 1			
Platinum	N/A	N/A	92%
Gold	N/A	81%	63%
Silver	69%	91%	65%
Bronze	N/A	54%	58%
Catastrophic	N/A	55%	N/A
Rating Area 2			
Platinum	N/A	N/A	92%
Gold	N/A	81%	63%
Silver	69%	91%	65%
Bronze	N/A	54%	58%
Catastrophic	N/A	55%	N/A
Rating Area 3			
Platinum	N/A	N/A	92%
Gold	N/A	81%	63%
Silver	69%	91%	65%
Bronze	N/A	54%	59%
Catastrophic	N/A	55%	N/A
Rating Area 4			
Platinum	N/A	N/A	92%
Gold	N/A	81%	63%
Silver	69%	91%	65%
Bronze	N/A	54%	58%
Catastrophic	N/A	55%	N/A

The following table shows the maximum actuarial value and cost sharing from Worksheet 2 of the URRT indicating the percentage of total claims costs for covered benefits that will be paid in benefits by the issuer. The rest of the claims are paid by the participant in cost sharing amounts.

	Individual		Small Group
Maximum Actuarial Value and Cost Sharing	**Off-Exchange Non-Mirrored**	**On-Exchange**	**Off-Exchange**
Rating Area 1			
Platinum	N/A	N/A	108%
Gold	N/A	87%	95%
Silver	82%	95%	81%
Bronze	N/A	60%	67%
Catastrophic	N/A	55%	N/A
Rating Area 2			
Platinum	N/A	N/A	108%
Gold	N/A	96%	95%
Silver	84%	95%	81%
Bronze	N/A	76%	67%
Catastrophic	N/A	71%	N/A
Rating Area 3			
Platinum	N/A	N/A	108%
Gold	N/A	96%	95%
Silver	84%	95%	81%
Bronze	N/A	76%	67%
Catastrophic	N/A	71%	N/A
Rating Area 4			
Platinum	N/A	N/A	108%
Gold	N/A	96%	95%
Silver	84%	95%	81%
Bronze	N/A	76%	67%
Catastrophic	N/A	71%	N/A

The following table shows the projected member cost sharing as a percent of projected premium from Worksheet 2 of the URRT.

	Individual		Small Group
Min Projected Cost Share as a % of Premium	**Off-Exchange Non-Mirrored**	**On-Exchange**	**Off-Exchange**
Rating Area 1			
Platinum	N/A	N/A	4%
Gold	N/A	21%	8%
Silver	36%	6%	0%
Bronze	N/A	53%	0%
Catastrophic	N/A	61%	N/A
Rating Area 2			
Platinum	N/A	N/A	4%
Gold	N/A	21%	8%
Silver	29%	6%	0%
Bronze	N/A	34%	0%
Catastrophic	N/A	37%	N/A
Rating Area 3			
Platinum	N/A	N/A	4%
Gold	N/A	21%	8%
Silver	29%	7%	0%
Bronze	N/A	34%	0%
Catastrophic	N/A	37%	N/A
Rating Area 4			
Platinum	N/A	N/A	4%
Gold	N/A	21%	8%
Silver	29%	6%	0%
Bronze	N/A	34%	0%
Catastrophic	N/A	37%	N/A

The following table shows the cost sharing as a percent of premium from Worksheet 2 of the URRT.

	Individual		Small Group
Max Projected Cost Share as a % of Premium	**Off-Exchange**	**On-Exchange**	**Off-Exchange**
Rating Area 1			
Platinum	N/A	N/A	20%
Gold	N/A	24%	51%
Silver	47%	10%	45%
Bronze	N/A	84%	53%
Catastrophic	N/A	134%	N/A
Rating Area 2			
Platinum	N/A	N/A	20%
Gold	N/A	24%	51%
Silver	47%	15%	45%
Bronze	N/A	84%	53%
Catastrophic	N/A	134%	N/A
Rating Area 3			
Platinum	N/A	N/A	20%
Gold	N/A	24%	51%
Silver	47%	15%	45%
Bronze	N/A	84%	51%
Catastrophic	N/A	134%	N/A
Rating Area 4			
Platinum	N/A	N/A	20%
Gold	N/A	24%	51%
Silver	47%	15%	45%
Bronze	N/A	84%	53%
Catastrophic	N/A	134%	N/A

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600 E Boulevard Ave, Bismarck, ND 58505

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