### Federalized Ind. Market Changes Pricing
(Pricing Variation Muted By Extinction of Original Product)

<table>
<thead>
<tr>
<th>Market</th>
<th>2010 Price*</th>
<th>2016 Price</th>
<th>Difference</th>
<th>2016 Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>$897.73</td>
<td>$627.11</td>
<td>($270.62)</td>
<td>No OON, OOP max $6850</td>
</tr>
<tr>
<td>Albany, NY</td>
<td>$805.53</td>
<td>$530.61</td>
<td>($274.92)</td>
<td>No OON, OOP max $6850</td>
</tr>
<tr>
<td>Denver, Co</td>
<td>$533.25</td>
<td>$628.30</td>
<td>$95.05</td>
<td>No PPO, OOP max $6850</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>$499.16</td>
<td>$628.30</td>
<td>$129.14</td>
<td>OOP max $6450, Ded $2000, 70/30 coins</td>
</tr>
<tr>
<td><strong>Baton Rouge</strong></td>
<td><strong>$368.10</strong></td>
<td><strong>$630.86</strong></td>
<td><strong>$262.76</strong></td>
<td>OOP max $5000, Ded pharma $500</td>
</tr>
<tr>
<td>Salt Lake City</td>
<td><strong>$355.27</strong></td>
<td><strong>$419.67</strong></td>
<td><strong>$64.40</strong></td>
<td>No PPO, No OON, OOP max $2850</td>
</tr>
<tr>
<td>Atlanta</td>
<td><strong>$281.90</strong></td>
<td><strong>$500.20</strong></td>
<td><strong>$218.30</strong></td>
<td>OOP max $2750</td>
</tr>
<tr>
<td>Omaha</td>
<td><strong>$251.14</strong></td>
<td><strong>$671.75</strong></td>
<td><strong>$420.61</strong></td>
<td>OOP max $4000, 75/25 coins</td>
</tr>
<tr>
<td>Phoenix</td>
<td><strong>$231.40</strong></td>
<td><strong>$434.23</strong></td>
<td><strong>$202.83</strong></td>
<td>OOP max $6000, $500 ded, No OON</td>
</tr>
<tr>
<td>Lexington</td>
<td><strong>$198.32</strong></td>
<td><strong>$518.68</strong></td>
<td><strong>$320.36</strong></td>
<td>OOP max $6000, No OON coverage</td>
</tr>
</tbody>
</table>

*Starting Product: $1,000 deductible PPO, 80/20 coins, $2,000 OOP or less and At least 60/40 OON coverage.
In the News…BCBS Nationwide

**Arizona**
- Blue Cross last insurer standing in all counties
- +21.4% Rate Increases
- Lost $185m in 2015-16 so far

**Texas**
- 2017 Rate Increases +60%! (NO PPO!)
- Lost $1.1Billion in 2014-2015

**North Carolina**
- 2017 Rate Increases +19%
- Lost $405m in 2015+2016 so far

**Illinois**
- Eliminating PPO for 2016-2017
- Expected Rate Increase +50%
- Lost $442m in 2014, $375m in 2015

**New Mexico**
- Coming back to Exchange in 2017 with rates +73%
- Eliminated all plans and started over for 2017.

**Louisiana Blue!** Lost $200m on Individual Products 2014-2015. Individual Rates +11% to +44% in 2017!
## PPACA Cost Impact on BCBSLA

### 87% of Premiums Went to Medical in 2015

In 2015, BCBSLA collected $3.14B in risk premiums, broken out like this:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital</td>
<td>$1.29B</td>
<td>41%</td>
</tr>
<tr>
<td>Physician</td>
<td>$848M</td>
<td>27%</td>
</tr>
<tr>
<td>Drugs</td>
<td>$597M</td>
<td>19%</td>
</tr>
<tr>
<td>Everything Else!</td>
<td>$471M</td>
<td>15%</td>
</tr>
</tbody>
</table>

#### Expenses

- **Hospital:** $925m
- **Physician:** $775m
- **Prescription Drugs:** $425m
- **Total Overhead:** $375m
- **Taxes/Fees:** $1.29B

#### Losses

- **9.5%** of members' losses drove the enterprise to a $66m loss.

#### 2011 Results

- **37%** Hospital
- **31%** Physician/Clinical Services
- **17%** Prescription Drugs
- **15%** Total Overhead

Based on $2.5B Premiums

- **6%** Workforce
- **5%** Commissions
- **3%** Reserves
- **1%** Taxes/Fees

---

**BCBSLA Audited Financial Results FY 2013-2015**
Why The Big Miss?
Pre-2014 population vs. ACA post-2014 population

- 2x as likely to be obese
- 2x as likely to suffer from substance abuse
- 2.5x as likely to visit an ER
- 2.5x as likely to suffer from Hepatitis C
- 3.5x as likely to suffer from HIV
- 67% more likely to be diabetic
- 50% more likely to suffer from depression
- 50% more likely to visit an Urgent Care center
- 21% more likely to be hypertensive

Translated to 80% HIGHER claims costs in 2014!
Individual Risk Pool is Out of Balance

- Average Age of Louisianan = 34 Years Old
  - Risk Pool Avg. Age = 44 years
- State is 51% Female
  - Risk Pool is 57% Female
- Only 40% of Insured stay for 12 continuous months of coverage.
  - Pre-ACA Population = 47 months.
ACA and apathetic Agencies have Created an Individual Risk Pool with TONS of Escape Routes

- Lack of Federal Enforcement means people can easily buy coverage AFTER they get sick.
- Flawed non-economic age rating formula drives out young and healthy.
- Kids to age 26 on parent’s policy drives out young and healthy.
- Generous new mandates drive up coverage costs once in the pool. Lots of freebies.
- Overlay natural growth in PHARMA, hospital spending and costs keep rising.
Young People Are Driven Out By Non-Economic Age Rating of 3:1

The 21 Year old is Paying 75% MORE for his insurance than economically necessary just to save the 64 Year old $125 a month.

Census says Americans achieve HIGHEST income at age 55-64.

Need $1,168 to cover costs

2016 Pricing for 2nd Cheapest Silver Plan on www.healthcare.gov for zip code 70810 at age 21 and 64
Leaky Risk Pool and Apathetic Agencies (Continued)

• Individual Mandate now has 29 Separate Exemptions (Expect Trump to make worse)
• 90 Day Grace period with no carrier to carrier tracking means I get 12 months of coverage for 9 months of premiums.
• “No Documentation” special enrollment process means I can buy coverage all year long.
• Average customer duration has dropped from 47 months to less than 15 months
Immediate Threats to Individual Health Insurance Markets

• Failing to take immediate actions to improve risk pool.

• Federal government eliminating payments for:
  • Cost Sharing Reductions (CSRs)
  • 2016 Reinsurance

Consequences:

• More upward pressure on rates
• More incentives for carriers to leave markets
Individual Premiums in the Post-PPACA Era

2013-Pre-ACA Risk Pool and Mandates
2014-First Year Cost Estimates
2015-Eliminated Platinum Plans, expanded Value Networks
2016-Rate increases, increased emphasis on Value Networks
2017-Risk Pool rapid aging, significant rate increases to stop bleeding

2013: $293
2014: $421
2015: $428
2016: $460
2017: $585
How Cost Sharing Reductions Work

Assumes purchase of Benchmark Silver Plan (2nd Cheapest Silver Plan for that customer)
Millions of People are Receiving Cost-Sharing Subsidies

Significant numbers are in rural America*

*Based on CMS 2016 data.

FFM states = % CSR-enrolled population by county. SBM states = % CSR-enrolled population by state, county-level data not available.

November 21, 2016
How to Make Things Worse…

• Remove Cost Sharing Reductions or Advanced Tax Credits.
• Eliminate Individual Mandate
• Eliminate Employer Mandate
• Stop funding Reinsurance Programs
• Never finish Funding Risk Corridors
• “Repeal” Obamacare and…..
• **Nightmare scenario: After all the above, KEEP Guaranteed Issue Coverage**
Timing Is Critical: Key Dates for Developing 2018 Products/Premiums

- Insurers required to send consumer notices if exiting markets
- Insurers develop 2018 products/rates based on current rules
- Insurers begin filing 2018 rates
- Reconciliation process (timing fluid)
- Republican Legislative retreat January 25-28
- Insurers decision day
- 2018 open enrollment
- 2017 open enrollment
- New President takes office
WWW.STRAIGHTTALKLA.COM is your Policy Touchstone

QUESTIONS ANSWERED
BERTAUT TALKS ACA, RATE INCREASES AND MORE

THAT WAS A SURPRISE
With President Trump, What Happens to My Health Insurance?

CAN YOU AFFORD YOUR MIRACLE?

A HEART ATTACK!
WHO MAKES SURE YOU GET YOUR LIFE BACK?
Contact Me:

MICHAEL R BERTAUT
@mikebertaut (Twitter)

Mike Bertaut (On Linked-In)
Michael.bertaut@bcbsla.com

Blog @ www.bcbsla.com; or
http://straighttalkla.com/

Office: 225-297-2719
Cell: 225-573-2092

I’d Love to Hear From You!

“Hey! You should listen to our Dad, He’s a GENIUS!”
(Not really, he just made us say that cause he’s worried about TOPS going away!)