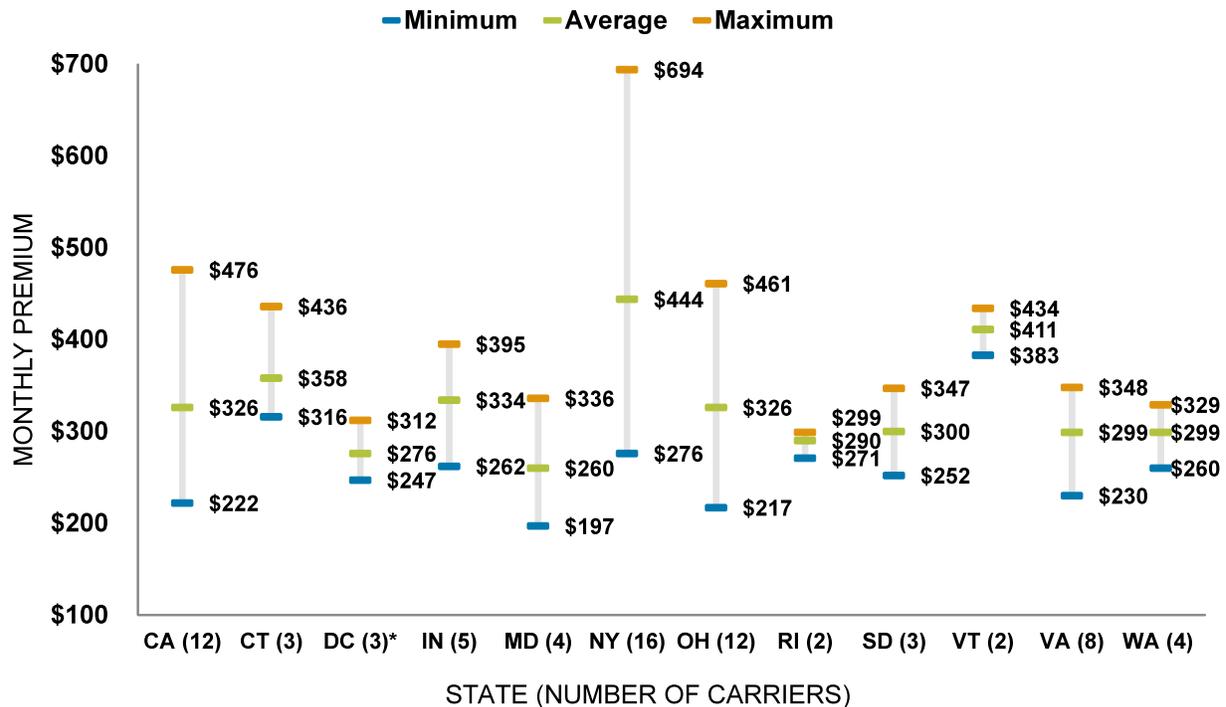


Avalere Analysis of Exchange Rates for 2014

As stakeholders prepare for the launch of open enrollment in less than a month, one of the key questions that remain is what pricing will look like in exchanges. Avalere Health analyzed public rate filings released by 12 states¹—8 state-run and 4 federally-run or partnership exchanges. Based on the analysis, minimum premiums for a 40-year old, non-smoker averaged across states is \$261 per month for a Silver exchange plan. Premiums for the lowest cost Silver products available in each state range from \$197 per month in Maryland to \$383 in Vermont—a difference of \$186 across states. “Regardless of whether the state or federal government is operating the exchange, we are seeing competitive Silver premiums in the low \$200 to \$300 range in most markets,” says Caroline Pearson, Avalere Vice President. Furthermore, an estimated 80 percent of exchange enrollees will qualify for premium subsidies that will further reduce the cost of coverage.

Exhibit A: Average Monthly Silver Plan Premiums for Nonsmoking 40-year olds for Exchange Plans



Rates are for plans filed to be offered through exchanges for nonsmoking 40-year-old individual. Data are for the minimum, maximum, and averages across all regions within a state.

* DC rates are average across the carrier (not product specific), as a result, these are not the real minimum or maximum rates in DC. Source: Avalere Health analysis of health insurance rate filings publicly available as of August 30, 2013.

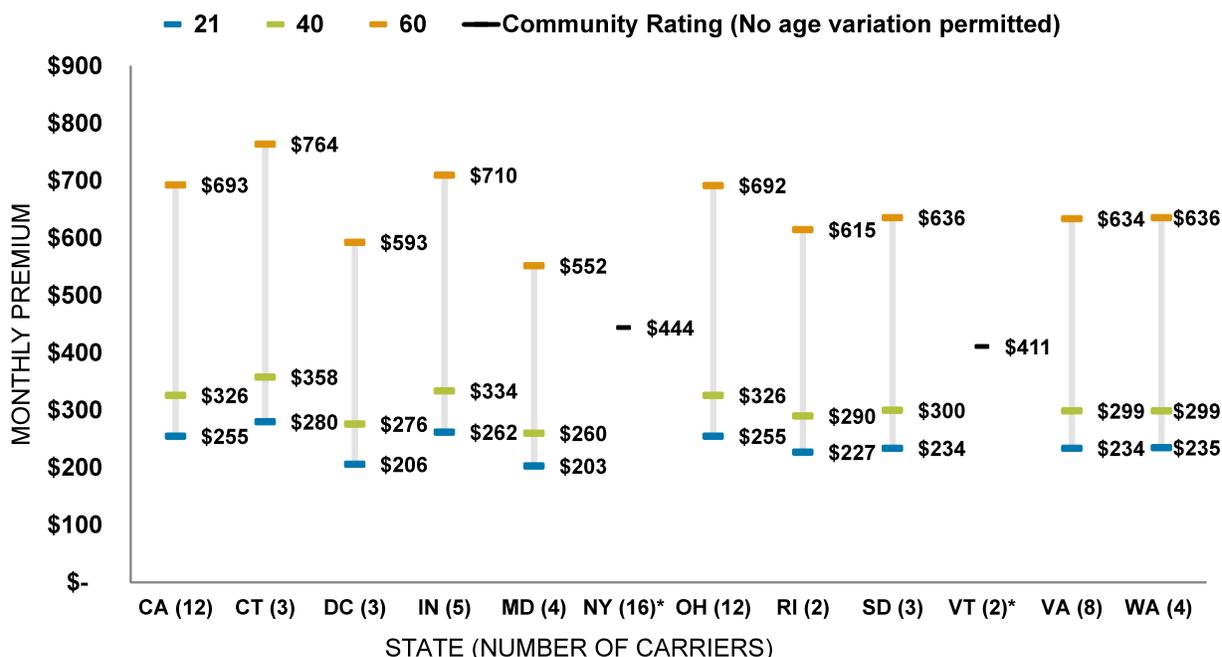
Silver premiums vary widely within some states, particularly in markets with many participating carriers and geographic rating regions. For example, the difference between the minimum and the maximum Silver premium in New York is \$418 across 16 carriers and 8 regions within the

¹ Avalere analysis of released rates for California, Connecticut, Washington D.C., Indiana, Maryland, New York, Ohio, Rhode Island, South Dakota, Vermont, Virginia, and Washington.

state. By contrast, in Rhode Island where the entire state makes up a single region and only two carriers are participating, the difference between the minimum and maximum silver premium is only \$28 per month. “We expect consumers to disproportionately enroll in lower cost plans within a state, particularly when prices within a region vary dramatically. People may be willing to pay a few dollars more a month to buy a plan from a carrier they trust, but large pricing jumps may limit enrollment for higher cost products in a given metal level,” said Pearson.

Avalere also examined how consumers of different ages would be impacted by the Affordable Care Act’s (ACA) age rating bands that restrict premium variation based on age to no more than a 3:1 ratio. In the 12 states analyzed, average Silver premiums for a 60-year old, non-smoker are \$615 compared to \$327 for a 40-year old and \$271 for a 21-year old. Some states, like Vermont and New York, have decided to continue their rating practices, which do not allow issuers to vary rates by age. Given the use of community ratings, prices are the same for all consumers, significantly lowering the cost of premiums for older consumers, while meaningfully increasing the cost for young individuals. Since community ratings have been in effect for a number of years in these states, we do not anticipate that this will have a significant impact on the risk pool in NY or VT.

Exhibit B: Average Monthly Silver Plan Premiums for Nonsmoking 21- 40- And 60- year olds for Exchange Plans



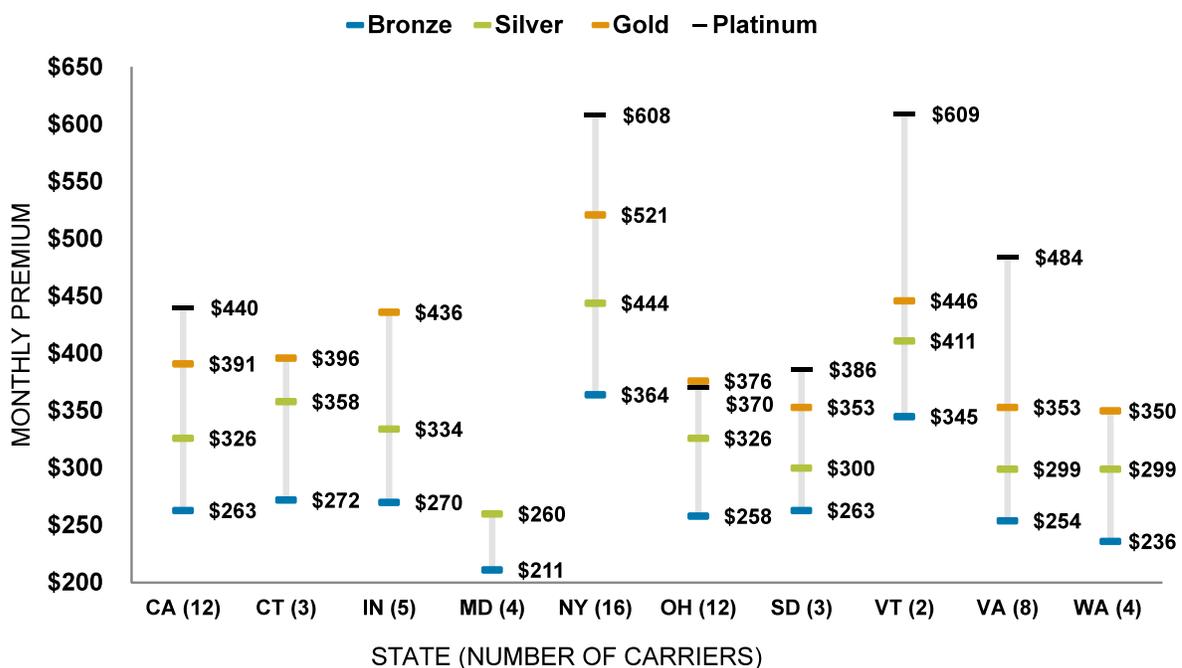
Rates are for plans filed to be offered through exchanges for nonsmoking 21- 40- 60-year-old individual.
 Data are for the averages across all regions within a state.
 *Carriers are prohibited from rating based on age in Vermont and New York.
 Source: Avalere Health analysis of health insurance rate filings publicly available as of August 30, 2013.

There has been significant speculation about what level of benefit consumers will want to purchase in the exchanges. The ACA requires that plans meet one of four actuarial value (AV) tier levels—bronze, silver, gold and platinum, all with varying degrees of generosity, in terms of the percentage of medical costs that the plan covers. Bronze plans will cover 60 percent of

medical costs, silver plans will cover 70 percent, gold plans will cover 80 percent and platinum plans will cover 90 percent.

Across all states reviewed, the average monthly Bronze plan premium is \$274, while the average Silver plan is \$336. Although the subsidies are tied to the second lowest Silver plan that’s available to an individual, a \$62 difference in monthly premiums (\$744 annually) could result in consumers deciding to “buy-down” to a Bronze plan. “Bronze plans are offering a significant reduction in monthly costs relative to Silver products, which is likely to entice healthier enrollees to opt for a less generous benefit package,” said Pearson. It is important to note, that for individuals who are between 100 percent and 250 percent of the federal poverty line (FPL), the only way they can receive the cost-sharing reductions that increase the actuarial value of their plan is by enrolling in a Silver plan. This means that most individuals below 250 percent FPL would find it beneficial to pay more in premiums in exchange for better benefits and lower out-of-pocket costs.

Exhibit C: Average Monthly Plan Premiums Across All Metal Tiers for Nonsmoking 40-year olds for Exchange Plans



Rates are for plans filed to be offered through exchanges for nonsmoking 40-year-old individual. Data are for the averages across all regions within a state. Based on rate filings, CT, IN, and WA do not appear to have any platinum plans available on the exchange. MD only provided rate filings for bronze and silver products. Source: Avalere Health analysis of health insurance rate filings publicly available as of August 30, 2013.