

In the Spotlight: ACA and Actuarial Value

The term “actuarial value” has not been frequently used, even in the insurance business...yet! Even those in the business may have a hard time understanding it and even harder time explaining it. But the Affordable Care Act (ACA) uses actuarial value to describe many of the requirements and restrictions for compliant plans, so it becomes increasingly important to understand and explain what this term means and how it applies in a post-ACA world.

What it means

Actuarial value is often seen as the “true” value of a plan. It is the percentage of covered costs that the plan expects to pay for an enrollee in the plan. As an example, a person with a plan that had an actuarial value of 70% would be responsible for on average 30% of the cost of the covered benefits under the plan. Depending on the behavior of the enrollees in the plan, the actual value of the plan may vary slightly.

Until the passage of ACA, “actuarial value” was not a household term. Long-time insurance employees likely have a loose grasp on the concept, but in the post-reform world, it will be a commonly used tool to estimate the true value of a plan.

Metal Levels

As [Exchanges](#) are implemented and begin open enrollment on October 1 of 2013, all people will begin to choose coverage based on a particular “metal level” – bronze, silver, gold, or platinum. Each metal level is representative of how rich a plan is, based on the average estimated actuarial value of 60%, 70%, 80%, and 90% respectively. Every plan must cover a certain identified set of benefits deemed “[essential](#)” and certain [preventive services](#) are covered at 100%. Some plans may cover more than the minimum essential health benefits. This additional coverage will be reflected in the plan’s actuarial value. Plans could vary in the way co-pays, coinsurance, and deductibles are applied, which means that two plans at the same metal level could cost individuals with the plans in different ways. For small group plans, which may also be offered on the Exchange through a Small Business Health Options Program (SHOP) portal, there are deductible limits of \$2,000 per individual and \$4,000 per family. A [proposed rule](#) released in November 2012 did provide some potential for flexibility for plans that were unable to meet bronze-level coverage (60% actuarial value) without exceeding these limits. All of [the ACA subsidies](#) are based on the cost of the second-lowest silver plan, meaning the second least costly plan with an actuarial value of 70% - cost-sharing subsidies may only apply to silver level plans – likely making this the most popular level of plan. The chart below illustrates the way that actuarial value applies to various plans and income levels on the Exchange.

Table 1: Actuarial Value and Plan Requirements in the ACA

	Actuarial Value	Out-of-Pocket Maximum	Who it Applies to
A	60%	HSA Level	Bronze plan, available to all individuals and small businesses
B	70%	HSA Level	Silver plan, available to all individuals and small businesses
C	70%	2/3 of HSA Level	Silver plan for people with income 300-400% of poverty
D	70%	1/2 of HSA Level	Silver plan for people with income 250-300% of poverty
E	73%	1/2 of HSA Level	Plan with cost-sharing subsidies for people with income 200-250% of poverty
F	80%	HSA Level	Gold plan available to all individuals and small businesses
G	87%	1/3 of HSA Level	Plan with cost-sharing subsidies for people with income 150-200% of poverty
H	90%	HSA Level	Platinum plan available to all individuals and small businesses
I	94%	1/3 of HSA Level	Plan with cost-sharing subsidies for people with income 100-150% of poverty

Note: Bolded rows reflect coverage that is available to all participants in the individual or small group market. Other levels of coverage are available only to individuals eligible for subsidies in Exchanges based on family income. "HSA Level" refers to the maximum out-of-pocket costs in a high deductible plan paired with a Health Savings Account. The current limits are \$5,950 for an individual and \$11,900 for a family and will be adjusted over time.

Source: Kaiser Family Foundation

In the same proposed rule, out-of-pocket maximums are proposed only to apply to in-network services. The same rule proposed an actuarial value calculator that will use a standard population set for 2014 and would allow states to submit state-specific claim distributions for 2015 on. This calculator would be used to determine the actuarial value for plans offered on the Exchange. However, actuaries would have the flexibility to certify benefit designs that did not fit the calculator.

Minimum Coverage

ACA requires that almost everyone obtain minimum essential coverage with an [individual mandate](#). Many people will obtain coverage through their employers; especially those who work for [large employers](#) (with 50 or more full-time equivalent employees) that have financial incentives to provide minimum essential coverage to their employees. The minimum actuarial value that satisfies the requirement of coverage is 60%, or equivalent to a bronze-level metallic plan.

BCBSNC Views

The Blue Cross and Blue Shield of North Carolina believes in providing meaningful, affordable coverage to North Carolinians. We will work to provide the right balance between a sufficient level of protection and keeping costs low so that more people have access to coverage. While standardizing plans may appear simpler for many, we encourage people to evaluate other standards not accounted for in actuarial value, such as choosing the right deductible, network, and customer service personnel.

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