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WHITE PAPER

Platinum Plans: Strategic Design Opportunity or Repeat of Past Mistakes?

Platinum Product Design Strategy

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INTRODUCTION

The 2027 Federal Actuarial Value Calculator (AVC), released February 25, 2026, creates a structural opportunity to reintroduce Platinum plans in a financially disciplined way. In 2016 to 2018, Platinum plans were withdrawn due to adverse selection and inadequate risk adjustment offsets. However, market dynamics and updated AVC parameters enable a more targeted and margin-accretive approach, particularly through condition-specific Platinum designs. Plans can leverage Wakely's unique datasets and strategic expertise to understand when this approach works and how to design a winning Platinum strategy.

WHY DID PLATINUM PLANS DISAPPEAR?

Platinum plans exited not because of low demand, but because of several factors, including:

- **Industrywide underpricing (2014–2016):** Many carriers faced deteriorating capital positions and needed rapid corrective actions.
- **Adverse selection:** Platinum plans disproportionately attracted high-cost members.
- **Insufficient risk adjustment:** Transfers did not fully compensate for elevated morbidity.
- **Market signaling:** As leading carriers exited Platinum, others followed to avoid concentrated financial risk.

Unintended Consequence

Eliminating Platinum did not eliminate risk; it simply got redistributed.

- High-cost members migrated to Gold plans.
- Premiums decreased more than claims for this cohort.
- Risk adjustment remained largely unchanged.
- High-risk members became less visible, embedded in broader Gold populations.

As a result, margin pressure persisted but with reduced transparency into the underlying risk.

THE OPPORTUNITY

Using condition-specific Platinum plans, health plans can create a win-win solution that improves margins on high-cost members while serving them better. We have seen health plans with a disproportionate share of high-cost members with certain chronic conditions, where costs are driven largely by a single drug (e.g., HIV medications) or by specific services (e.g., dialysis for members with kidney disease). A condition-specific Platinum plan that offers low-cost share on these drugs or services could be highly attractive to these members relative to a Gold plan.

The health plan benefits for the following reasons:

- The 2027 AVC model allows plans to charge a much higher premium on Platinum than in the past.
- Platinum risk adjustment coefficients are significantly higher than Gold's. The plan's risk score increases to capture existing risk, resulting in more favorable risk transfer amounts.[1]
- Claims increase as the result of richer benefits but by a smaller amount than premiums. High-cost member claims tend to exceed their maximum out-of-pocket amounts (MOOPs) significantly. Moving these members from Gold to Platinum increases claims by the difference between MOOPs of Gold and Platinum.
- If the plan operates in a state with a reinsurance program, a significant portion of the additional claims cost is funded by the reinsurance program, not premium dollars.

The net effect of all these changes is significant margin improvement on the exact same risk as before.

KEY RISKS

The highest cost members prioritize both network access and benefit design. Insurers commonly struggle to achieve a positive margin on this population, as their healthcare costs often exceed what is recouped through premiums, risk adjustment, and reinsurance. If Platinum plans with enhanced benefits and desirable networks are perceived as particularly attractive, it may lead to adverse selection, where a disproportionate number of high-cost members enroll in a single plan. This scenario can result in considerable financial challenges for the insurer, as the concentration of expensive members exacerbates margin pressure.

On the other hand, if high-cost members are unlikely to migrate from competitor plans solely based on the availability of Platinum plans, the introduction of Platinum offerings will primarily shift enrollment from Gold to Platinum within the insurer's existing population. This re-segmentation can be beneficial, as it may enhance margins by optimizing plan placement for these members without attracting additional high-cost individuals from outside plans.

We have observed this strategy succeed—and, in a few cases, fail. If your company is considering such a strategy, please reach out to us for a discussion.

[1] Assuming the health plan has a first mover advantage. If every plan employs this strategy, then the risk adjustment tailwinds are neutralized but premium advantages remain.

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ABOUT WAKELY

Founded in 1999, Wakely Consulting Group, an HMA Company, is well known for its top-tier healthcare actuarial consulting services. With nine locations nationwide, Wakely boasts deep expertise in Medicare Advantage, Medicaid managed care, risk adjustment and rate setting, market analyses, forecasting, and strategy development. The firm's actuaries bring extensive experience across all sectors of the healthcare industry, collaborating with payers, providers, and government agencies.