

Insurance Marketplace Stability

THE ISSUE

More than 11 million Americans have purchased health care coverage through the public Health Insurance Marketplaces authorized by the Affordable Care Act (ACA). However, the marketplaces in many states are not yet stable, with a number of insurers opting to discontinue coverage from one year to the next. These fluctuations may leave more than a million consumers in need of alternative coverage for 2017. In areas of the country where no insurer will sell a plan on the marketplace, consumers will lose access to the federal premium subsidies and cost-sharing reductions that make coverage affordable.

A number of factors have contributed to the instability of the marketplaces, including the failure of the temporary risk corridor program; inaccuracies in the risk adjustment

program; lower enrollment among younger, healthier consumers; the inappropriate use by some consumers of special enrollment periods (SEPs) to obtain coverage only when sick; inaccurate pricing by insurers in the early years of the marketplaces; and intentional underpricing by some insurers seeking to attract market share that depresses rates to unsustainable levels.

The Department of Health and Human Services (HHS) should make policy and operational changes to make the marketplaces more attractive to both consumers and insurers. Without such changes, the marketplaces risk entering a “death spiral” in which the rising cost of premiums drives healthier consumers to exit, further driving up plan pricing.

AHA POSITION

HHS should implement the following changes in federal policies and operations to help stabilize insurance markets:

- **Strengthen the SEPs by implementing pre-approval processes.**
- **Refine the risk-adjustment program to better account for enrollee cost.**
- **Increase access to coverage by explicitly allowing third-party payment of premiums.**
- **Enhance outreach and enrollment activities.**
- **Support the development of state-level solutions, such as wrap-around reinsurance programs.**
- **Work with state regulators to promote fair and sustainable plan pricing.**

WHY?

■ **The Health Insurance Marketplaces are a major source of coverage for lower-income Americans.**

More than 11 million consumers are enrolled in marketplace plans. The vast majority of enrollees do not have another source of affordable coverage, or an alternative to receive assistance with their premiums and/or cost sharing.

■ **Insurance coverage is critical to patient access to health care.** The uninsured are less likely to seek needed care. Delays in accessing care can exacerbate medical conditions and further drive up the cost of treatment. The uninsured also are at greater risk of facing unforeseen medical bills, which can have significant negative financial and emotional implications.

■ **Uninsurance and underinsurance undermine efforts to improve population health.** Health insurance coverage facilitates patient access to preventive services, care coordination services, and other medical and social resources in the community.

■ **Competition drives down premium rates and facilitates consumer choice.** Robust consumer choice stimulates health plan competition for quality and cost, and attracts consumers to the market.

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KEY FACTS:

- **The vast majority of marketplace enrollees receive financial help for their premiums or cost-sharing.** In 2016, 85 percent of marketplace enrollees received help in paying for their premiums through advanced premium tax credits; 57 percent of enrollees also received cost-sharing reductions.¹
- **Consumer choice among plans varies significantly by market.** In 2016, 60 percent of counties had three or more participating insurers, 30 percent of counties had two participating insurers, and 10 percent of counties had only one participating insurer. However, the counties with more plan choice also are more populated, and, as a result, 90 percent of consumers in 2016 had three or more insurers offering plans in their markets.²
- **Insurer participation in 2017 will not be known until late September.** Despite several recent high-profile insurer exits from a number of counties (United HealthCare, Aetna), the full scope of both exits and new entrants will not be known until contracts are finalized near the end of September.
- **Plan premiums – and annual changes in plan premiums – also vary significantly by market.** In 2016, monthly premiums ranged from \$183 in Albuquerque, NM, to \$719 in Anchorage, AK. The change in premiums from 2015 to 2016 varied considerably by market – from -10.6 percent in Seattle, WA to +38.4 percent in Nashville, TN. On average, premiums for all plans offered grew +10.1 percent. However, the effective rate of growth was only +3.6 percent when premium changes are calculated based on actual enrollment.³
- **Plan premiums are below initial Congressional Budget Office (CBO) projections.** In 2009, CBO estimated that the total annual cost of premiums for an individual purchasing coverage through the marketplaces in 2016 would be \$5,200. The actual average annual cost of premiums for an individual in 2016 is \$4,583, or 12 percent less than CBO’s projections.⁴
- **Congress would need to act to extend the two temporary marketplace stabilization programs slated to end in 2016.** The ACA sunsets the risk corridor and reinsurance programs at the end of 2016. The risk corridor program, similar to stop-loss insurance, protects insurers from inappropriately pricing plans. The reinsurance program, similar to outlier payments, protects insurers from high-cost enrollees. Without congressional action, HHS is unable to extend these programs.
- **States play a significant role in marketplace stabilization.** State insurance regulators have significant responsibility for the plans sold in their states and have a number of levers they may use to help stabilize the marketplaces. One of the most critical functions of state regulators is premium rate review and approval. Some states also are exploring state-level premium stabilization programs. For example, Alaska has authorized a state-level reinsurance program.

¹ “March 31, 2016 Effectuated Enrollment Snapshot,” Centers for Medicare & Medicaid Services, June 30, 2016.

² “Analysis of Insurer Participation in 2016 Marketplaces,” Kaiser Family Foundation, Nov. 03, 2015.

³ “Analysis of 2016 Premium Changes in the Affordable Care Act’s Health Insurance Marketplaces,” Kaiser Family Foundation, Oct. 26, 2015.

⁴ “How ACA Marketplace Premiums Measure Up to Expectations,” Kaiser Family Foundation, Aug. 01, 2016.

