




Five-State Study of ACA Marketplace Competition

Michael A. Morrissey, Ph.D.
Texas A&M University



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The Team

- ❧ Michael Morrissey, Ph.D. – Texas A&M University
- ❧ Alice Rivlin, Ph.D. – The Brookings Institution
- ❧ Richard Nathan, Ph.D. – The Rockefeller Institute
- ❧ Mark Hall, J.D. – Wake Forest University
- ❧ Five Teams of State Field Researchers
 - ❧ California
 - ❧ Florida
 - ❧ Michigan
 - ❧ North Carolina
 - ❧ Texas

The Purpose



- ❧ Begin to understand the experiences of the states in the ACA's health insurance exchanges and gain insight into improving insurance competition.
- ❧ Describe the potentially idiosyncratic nature of the Marketplaces in each of the states.
- ❧ Develop hypotheses about the development and evolution of the exchanges that can be tested.

Background

- ❧ The ACA Marketplaces just completed their fourth open enrollment period.
 - ❧ Our state studies examined all four OE periods with an emphasis on the period leading up to OE-4.
- ❧ Each state established ACA “rating areas” using widely differing approaches.
 - ❧ Our teams examined at least five rating areas in each state.
 - ❧ Insurers must charge the same premium for a person of a given age/smoking status in each rating area.
 - ❧ But need not offer coverage in every county in a rating area.

Why These States?

❧ California

- ❧ Democratic state that expanded Medicaid and implemented a state-based exchange of the “active purchaser” model.

❧ Michigan

- ❧ State with Republican leadership that expanded Medicaid in late 2014 and adopted a partnership exchange.

❧ Florida

- ❧ Oppositional state that didn’t expand Medicaid and uses a federally-facilitated exchange; each county is its own rating area.

Why These States?

❧ North Carolina

- ❧ Politically opposed to the ACA. Did not expand Medicaid & has a federally-facilitated exchange. Early evidence of insurers co-branding with providers to compete with major insurer.

❧ Texas

- ❧ Oppositional state that did not expand Medicaid and used a federally-facilitated exchange. The state does not approve premiums or assist with the exchange. Early evidence of insurer competition with the dominant insurer.

❧ Overall

- ❧ Geographically and ethnically diverse populations ... and strong field research teams.

Methods

- ❧ Field research addresses policy questions by using the knowledge & expertise of local experts & stakeholders.
- ❧ Team developed series of discussion themes focusing on:
 - ❧ insurer participation & withdrawal,
 - ❧ structuring of networks,
 - ❧ changes in the exchanges or regulatory environment that would enhance or retard insurer competition.
- ❧ Discussions are structured to work from the responses of those interviewed.

Methods

- ↪ Field teams conducted 15 to 90 minute interviews in person or by phone with:
 - ↪ Health insurers,
 - ↪ Providers and provider systems,
 - ↪ State insurance regulators,
 - ↪ Insurance agents/brokers and navigators,
 - ↪ Others including knowledgeable media.

- ↪ Generalizability ...



Findings



Health Insurance Markets Are Local

- ✧ There are substantial differences the success of competition in health insurance markets across the rating areas examined, when success is measured by numbers of insurers and level of premiums.
 - ✧ Competition was more successful in urban and rural settings.
- ✧ BUT substantial differences between urban areas.
 - ✧ San Francisco markets were less competitive than Los Angeles.
 - ✧ Miami was more competitive than Tampa.
 - ✧ Detroit was more competitive than Flint.

...Markets Are Local

- ❧ The key issue is the ability to establish a network of health care providers at satisfactory prices.
- ❧ Obviously an issue in rural America where there is often only a single hospital and limited numbers of specialists.
- ❧ BUT many smaller metro areas have but a single hospital or hospital system – its difficult to negotiate provider prices that give an insurer an advantage over its competitors.
- ❧ Even a problem in large metro areas -
 - ❧ One insurer noted it was able to establish a network in Houston but never could get one to work in Dallas.

Implications



- ❧ Unrealistic to expect similar results or solutions everywhere.
- ❧ Premiums are lower in areas with greater numbers of distinct providers.
- ❧ Decades of consolidation among providers has made insurer competition more difficult.
- ❧ Regional insurers and co-branded products by insurers and local providers may be able to compete with dominate insurers, at least in some markets.
- ❧ Meaningful interstate competition among health insurers may be very difficult to achieve.

Claims Costs Substantially Exceeded Insurers' Expectations

- ❧ In the first two years insurers had little reliable information on the expected claims experience.
 - ❧ Many states saw entry of new insurers and expansion in 2015 in response to both low enrollment and substantial premium sensitivity.
- ❧ Meaningful utilization data in 2016 showed high utilization experience.
 - ❧ Concern over reasons for high utilization.
 - ❧ Withdrawal from many local markets, and from states overall.
 - ❧ Substantial premium increases.

Implications




- ❧ Open question of whether the 2017 round of premium increases will be enough to stem future losses.
- ❧ Concern about the extent of adverse selection relative to a generally sicker risk pool.
- ❧ Open question whether changes in special late enrollment provisions will meaningfully affect claims costs.

Mounting Losses Stemming from High Utilization Can Overwhelm Competitive Efforts

- ❧ In all of our states insurers responded to higher than anticipated utilization by pulling back.
 - ❧ North Carolina and Texas saw metro rating areas with five to nine insurers, suddenly have only three,
 - ❧ Florida had three insurers withdraw, respectively, but
- ❧ Budding insurer innovation plateaued.
- ❧ Some insurers reported that they had enrolled a sicker population, relative to others, and saw no way to be successful.
- ❧ California and Michigan concluded the withdrawals were not overly disruptive.

Risk-Mitigation Mechanisms May Have Been Inadequate



- ❧ The ACA provided an ongoing risk-adjustment mechanism and two transitional mechanisms to help account for high risk individuals.
- ❧ Respondents in Florida and Texas found the mechanisms inadequate.
 - ❧ Payments were too low to account for the overall utilization experience and for the disproportionately high-risk individuals some plans enrolled.

Implications



- ☞ Meaningful health insurance competition *is possible*, especially in many major urban markets, if mechanisms can be found to deal with high claims costs and adverse selection.
- ☞ If we want to prohibit insurers from using pre-existing conditions to set premiums, we have to have mechanisms that effectively compensate insurers for high and differing utilization experiences.
 - ☞ Risk-adjustment, re-insurance, high risk-pools.

A Shift to Narrower Networks Is Well Underway

- ❧ A smaller network allows an insurer to channel patients to fewer providers and negotiate lower prices.
 - ❧ Exclusion of high-profile providers may dissuade enrollment by those with health problems
- ❧ In all our states insurers now offer narrower networks – typically by dropping PPOs and offering only HMOs.
 - ❧ Michigan reports shift to HMOs to improve risk-selection,
 - ❧ BUT North Carolina finds new networks around premiere providers.
 - ❧ AND some Medicaid managed care plans do provide access to a wide-range of providers.

Implications



- ❧ These events suggest a continuing movement toward narrower network plans.
- ❧ Brokers and policy experts in some states expressed concern that consumers are only beginning to be aware of the implications of limited networks.
- ❧ There is evidence that narrow networks are cost reducing.
 - ❧ Events in the exchanges may further development of narrower networks in employer-sponsored plans.

Outreach to Consumers May be Critical to Enrollment

- ✧ Insurance is a complicated product with complicated terms.
 - ✧ Consumers have focused largely on price.
 - ✧ BUT Consumers becoming aware of deductibles and copays. Challenges are networks, balance billing, and plan withdrawals.
- ✧ Florida's statewide network of navigators appears very effective – California and North Carolina also
- ✧ Safety-net providers often play a critical role in enrollment.
- ✧ Brokers/agents are often lack incentives to help.

Implications

- ☞ The ability to increase enrollment may depend critically on the ability of consumers to understand insurance products and make informed decisions.

Insurers May Be Waiting in the Wings

- ❧ Insurers withdrew from the exchanges in all of our states
- ❧ BUT many of those who withdrew continued to offer ACA-compliant individual coverage off the exchanges.
 - ❧ Complete exit provides substantial delays to re-entry.
 - ❧ Withdrawal of national carriers provided opportunity for local and regional carriers to develop unique & stronger networks.
- ❧ Particularly in North Carolina and Texas the view is that insurers were hedging their bets to see if the economic or political environment would change.

Implications



- ☞ A replaced/repared ACA may see the relatively rapid re-entry of insurers.
- ☞ New or revitalized local and regional insurers may be in a better position to compete.

Medicaid Managed Care-Type Insurers May Be the Future of the Marketplaces

- ❧ Unlike conventional insurers, those plans that have traditionally specialized in Medicaid managed care products appear to have thrived.
- ❧ These organizations have tended to contract with relatively narrow networks, often including safety-net hospitals and Federally Qualified Health Centers.

Implications



- ☞ These organizations may be the future of the exchanges.
- ☞ BUT respondents are divided as to whether these models can be generalized to a broader and more affluent population.

Medicaid Expansion & Cancellation of Transitional Policies May Have Aided the Marketplaces

- ❧ Some respondents in Florida, North Carolina and Texas suggested that the lack of Medicaid expansion hurt.
 - ❧ Medicaid expansion would have covered people with chronic conditions in the 100 to 138% poverty range.
 - ❧ Medicaid expansion may have brought more modest-income families to the exchanges when they found themselves ineligible for Medicaid.
- ❧ North Carolina respondents believe that the continuation of non-compliant individual policies kept many healthy people out of the exchange.

Implications

- ☞ States that expanded Medicaid and/or cancelled transitional policies had less adverse selection and less dramatic withdrawals of insurers from the exchanges.

Future Field Research

- ❧ How does insurance competition fare post repeal/replace/repair?
 - ❧ Do insurers re-enter?
 - ❧ If they can offer a wider array of coverages, how does this affect availability, premiums, and enrollment?
 - ❧ How well do new risk mitigation approaches work?
 - ❧ Does more flexible interstate insurance opportunities enhance competition?

Future...

- ❧ How do local insurance markets evolve?
 - ❧ Do local/regional insurers grow and prosper?
 - ❧ Does continued provider consolidation inhibit competition?
 - ❧ Will ACOs retard or enhance competition?
 - ❧ Rise of co-branding with providers?
- ❧ What is the future of narrow networks?

Much To Learn and Little Time



Thank you.