

Individual Market at a Crossroad: Health Insurance in 2017 and Beyond

May 5, 2017

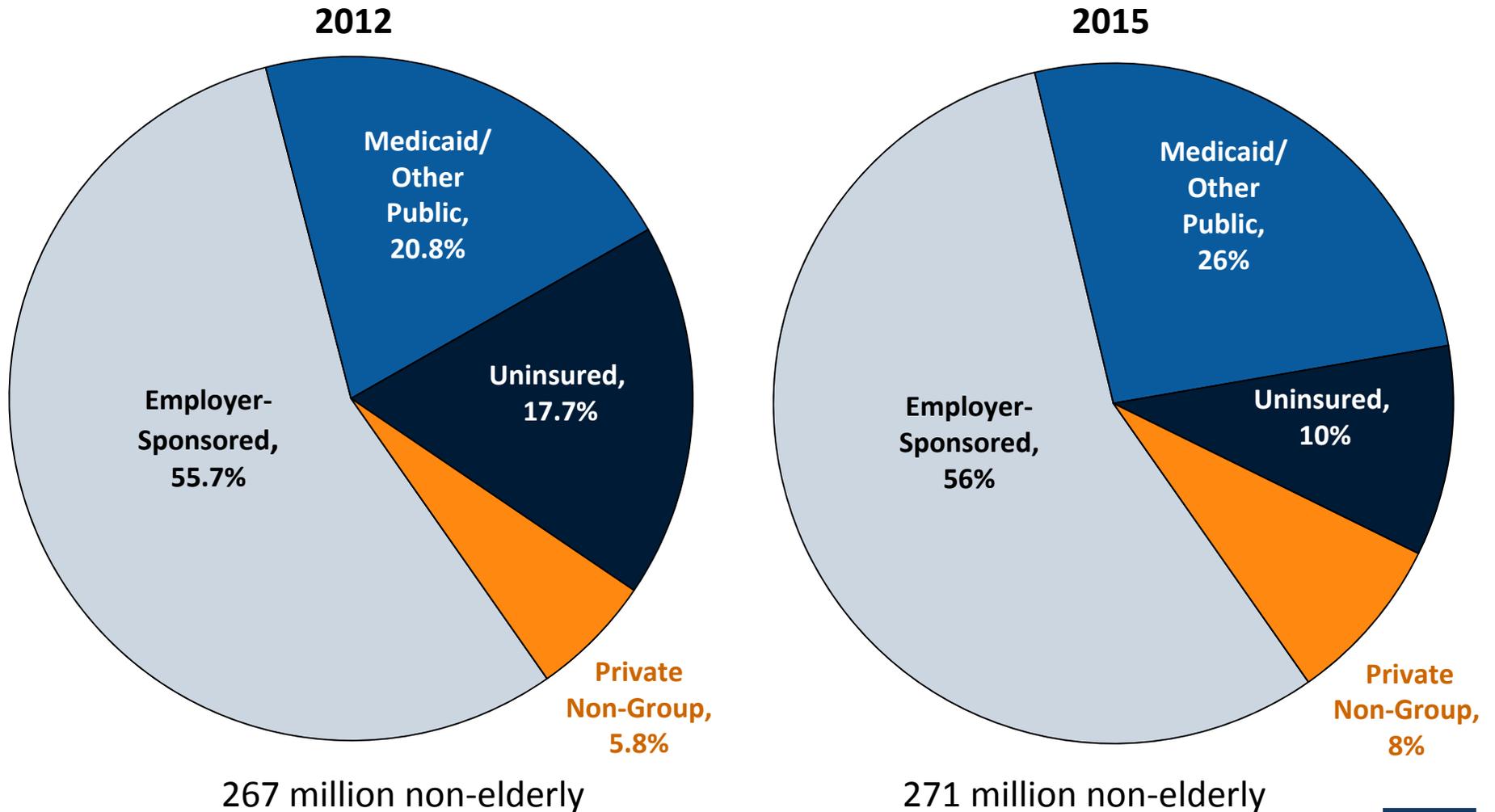
Alliance for Health Reform

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Exhibit 1

Sources of Health Insurance Coverage for Non-Elderly 2012-2015



SOURCE: KFF analysis of the 2013, 2016 Current Population Survey, US Census Bureau.

Exhibit 2

Key Characteristics of Non-Group Market Before and Since ACA

Pre-ACA*	Today
✓ Voluntary	<ul style="list-style-type: none"> • Individual mandate
✓ Unsubsidized	<ul style="list-style-type: none"> • Premium tax credit (APTC) for income 100%-400% FPL • Cost sharing subsidies (CSR) for 100%-250%
✓ Medically underwritten in most states <ul style="list-style-type: none"> • Denial • Rate surcharge • Pre-existing condition exclusions 	<ul style="list-style-type: none"> • Medical underwriting prohibited <ul style="list-style-type: none"> • All products guaranteed issue • Premiums community rated • Prohibit pre-existing condition exclusions
✓ Market highly segmented by risk <ul style="list-style-type: none"> • Closed blocks • Duration rating 	<ul style="list-style-type: none"> • All rates based on single risk pool, adjustments only for age, geography, family size, tobacco use • Rate stabilization payments to insurers (risk adjustment, reinsurance, risk corridors)
✓ Low medical loss ratios	<ul style="list-style-type: none"> • Minimum MLR = 80% or rebate policyholders
✓ Covered benefits varied widely <ul style="list-style-type: none"> • Mental health, maternity, Rx benefits often excluded, limited • Annual, lifetime limits applied 	<ul style="list-style-type: none"> • All policies cover Essential Health Benefits • Annual, lifetime dollar limits prohibited • Narrow network plans more prevalent
✓ Cost sharing varied widely, often high	<ul style="list-style-type: none"> • 4 cost sharing levels (bronze, silver, gold, platinum) • Maximum OOP limit of \$7,150 in 2017 • Cost sharing high, reduced for CSR eligible individuals
✓ Limited consumer information	<ul style="list-style-type: none"> • Marketplace displays all plans, free consumer assistance

*State regulation of non-group market prior to 2014 varied and some states adopted stricter rules. See <http://kff.org/state-category/health-insurance-managed-care/protections-in-individual-insurance-markets-pre-aca/>

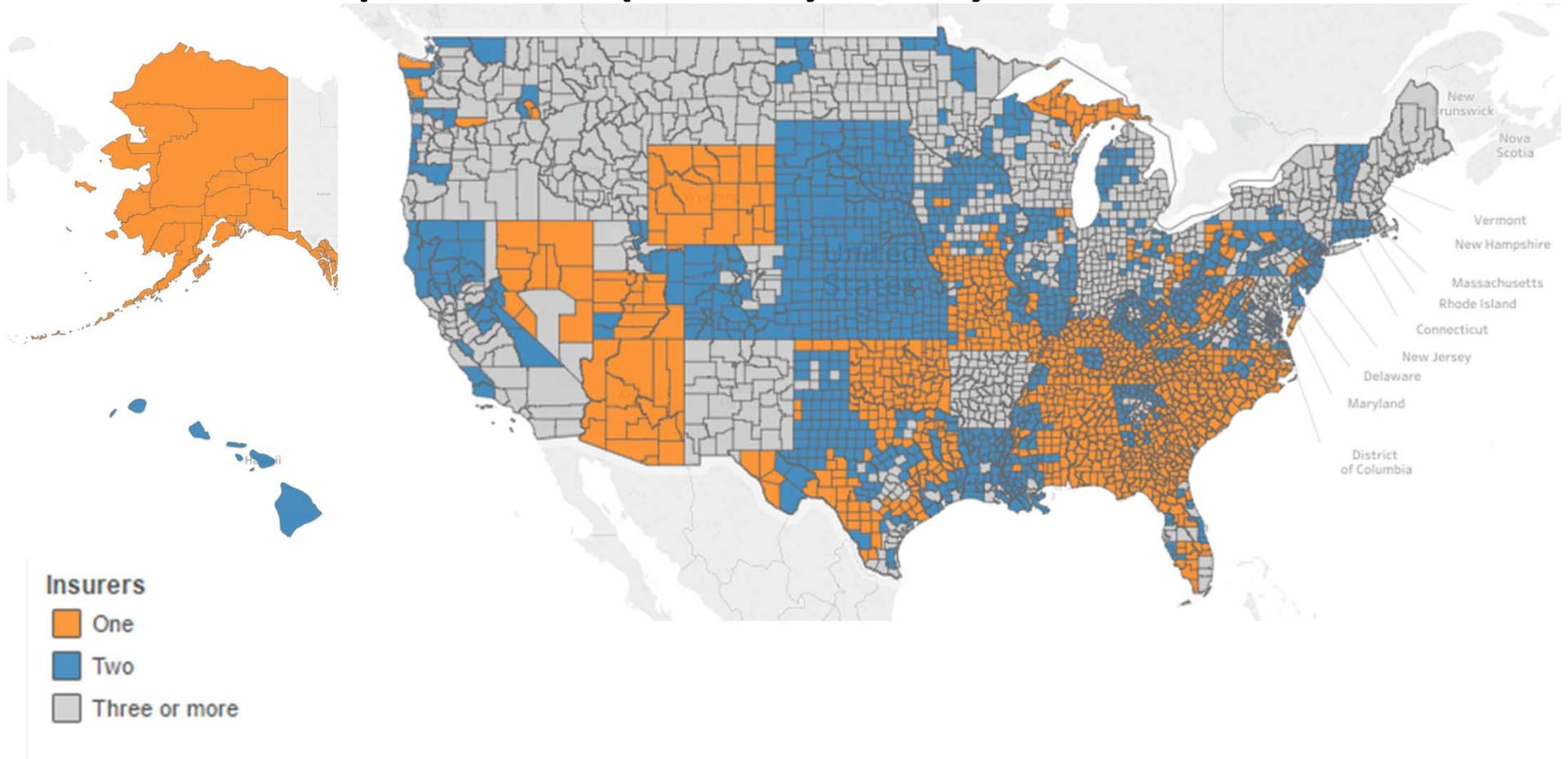
Exhibit 3

Transition to new business model posed challenges for many insurers

- 2014 Marketplace premiums were about 20% lower than CBO had projected
 - Difficult for insurers to price accurately absent experience with new risk pool participants, new competitors
 - Some insurers priced aggressively to gain early market share
- ACA premium stabilization programs didn't operate as expected
 - Risk corridors paid 12.6% of what insurers claimed in 2014
 - Reinsurance program paid 55% of what insurers claimed in 2015
- Concerns about strength of individual mandate, adequacy of subsidies
- Technical problems with marketplace web sites in early years
- Other challenges to competition in certain areas
 - Rural counties with sparse population
 - In Medicaid non-expansion states, marketplace participants have much lower income and average risk scores are higher
 - In states that extended “grandmothered” policies, many healthy individuals have yet to join ACA compliant plans, raising average risk scores

Exhibit 4

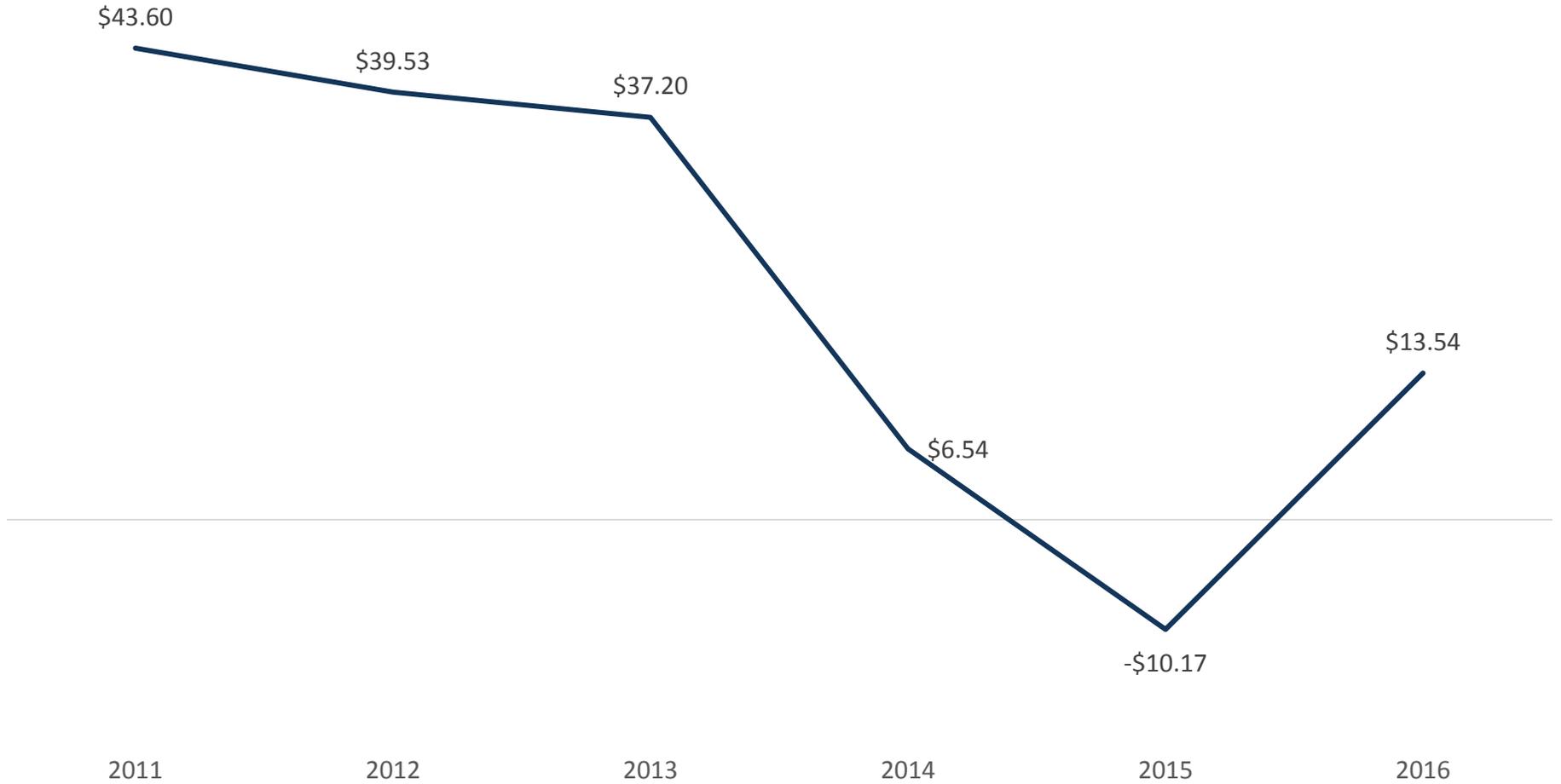
Insurer Marketplace Participation by County in 2017



Source: Kaiser Family Foundation analysis of data from the 2017 QHP Landscape file released by healthcare.gov on October 24, 2016. Note: We define the number of insurers in a single county as the number of insurers (grouped by parent company or group affiliation) that offer at least one silver plan in the county. For states that do not use healthcare.gov in 2017, insurer participation is estimated based on information gathered from state exchange websites, insurer press releases, and media reports as of August 26, 2016. States that do not use healthcare.gov in 2017 are: California, Colorado, Connecticut, District of Columbia, Idaho, Maryland, Massachusetts, Minnesota, New York, Rhode Island, Vermont, and Washington. See the interactive map here: <https://public.tableau.com/profile/kaiser.family.foundation#!/vizhome/InsurerParticipationinthe2017IndividualMarketplace/2017InsurerParticipation>

Exhibit 5

Average Individual Market Gross Margins Per Member Per Month, 2011 - 2016



Source: Kaiser Family Foundation analysis of data from Mark Farrah Associates Health Coverage Portal TM



At this crossroad, uncertainty about the future is challenge facing all insurers

- Will cost sharing reduction (CSR) payments continue?
 - Estimated cost is \$7 billion in 2017, \$10 billion in 2018
 - To recoup losses and remain in marketplace, insurers would need to increase premiums 19%
- Will the individual mandate be enforced?
 - Weakening of mandate reduces number of people who buy coverage, and changes risk profile of people who buy coverage
 - CBO estimates repeal of mandate, alone, could increase premiums 20-25%
- How will future Open Enrollment Periods be conducted?
 - Administration cancelled outreach, advertising for final days of OE4
 - OE5 will be shortened from 12 weeks to 6 weeks
 - ACA described as a “horrible health care,” “collapsing,” “a disaster”

How might market transform again under repeal-replace?

Under American Health Care Act (HR 1628, with MacArthur amendment):

- Individual mandate repealed immediately
- Federal financial assistance significantly reduced
 - Nongroup subsidies reduced \$310 billion/10 years
 - Federal Medicaid spending reduced \$890 billion/10 years
- Nongroup market reforms largely retained
 - Age rating bands increased to 5:1
 - Late enrollment penalty or State option to waive community rating
- Minimum plan coverage standards relaxed
 - EHB retained, with state option to change or waive
 - AV standards repealed, annual OOP max retained; annual deductibles >\$5,000 likely
- New Patient Stability Grant Program (\$130 billion/10 years)
 - \$15 billion earmarked for federal reinsurance (invisible high risk program)
 - \$15 billion earmarked for maternity/mental health/substance abuse services
 - \$100 billion for high-risk pools, reinsurance, cost sharing help, other options
 - Additional funding for high-risk pools (\$8 billion/5 years)??
- Repeal-replace timing, ultimate outcome, remains uncertain

Exhibit 8

For More Information

Visit our website at www.kff.org for more research, webinars, interactives

The screenshot displays the Kaiser Family Foundation website interface. At the top, there is a navigation bar with the text "Filling the need for trusted information on national health issues..." and "Trending on KFF" followed by categories: ACA REPEAL, REPRODUCTIVE HEALTH, and MEDICAID'S FUTURE. The main header includes the Kaiser Family Foundation logo, a search bar labeled "Search KFF.org", and social media icons for Twitter, Facebook, and Email. Below the header, the page is divided into several content blocks:

- Health Reform**: A section titled "Key Elements of HHS Secretary Nominee Tom Price's 2015 Health Reform Proposal" with a sub-section "KEY ELEMENTS OF PRICE'S EMPOWERING PATIENTS FIRST ACT:" listing items like "Full repeal of the ACA, including the Medicaid expansion" and "Implement state high-risk pools".
- Health Reform**: A section titled "Webcast: Repealing and Replacing Obamacare" with a video player icon and a brief description: "Kaiser Family Foundation experts sort through possible scenarios for repealing and replacing the Affordable Care Act, including implications for coverage, the insurance market, the Medicaid program, and women's health."
- Global Health Policy**: A section titled "The Mexico City Policy: What It Means for U.S. Global Health" with a brief description: "On Jan. 23, President Donald Trump reinstated the Mexico City Policy, which stipulates that in order to receive U.S. global health funding, foreign non-governmental organizations must certify that they will not..."
- FROM DREW ALTMAN**: A list of links to articles from The Wall Street Journal and The New York Times, such as "High-Risk Pools as Fallback for High-Cost Patients Require New Rules" and "The Health Care Plan Trump Voters Really Want".
- KAISER HEALTH NEWS**: A section with a video thumbnail and the title "'Not Turning Back': California Governor Vows To Protect State's Health Care", followed by a list of other news items like "From Its Counterculture Roots, Haight Ashbury Free Clinic Morphs Into Health Care Conglomerate".
- THE LATEST**: A section with a link to "Web Briefing for Journalists: Repealing and Replacing Obamacare".

The bottom of the screenshot shows a Windows taskbar with the search bar "Search the web and Windows" and various application icons. The system clock indicates "6:55 PM 1/25/2017".

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