

Marketplace Dynamics and Stabilization Strategies

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Insurance Marketplace
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Individual Market Characteristics

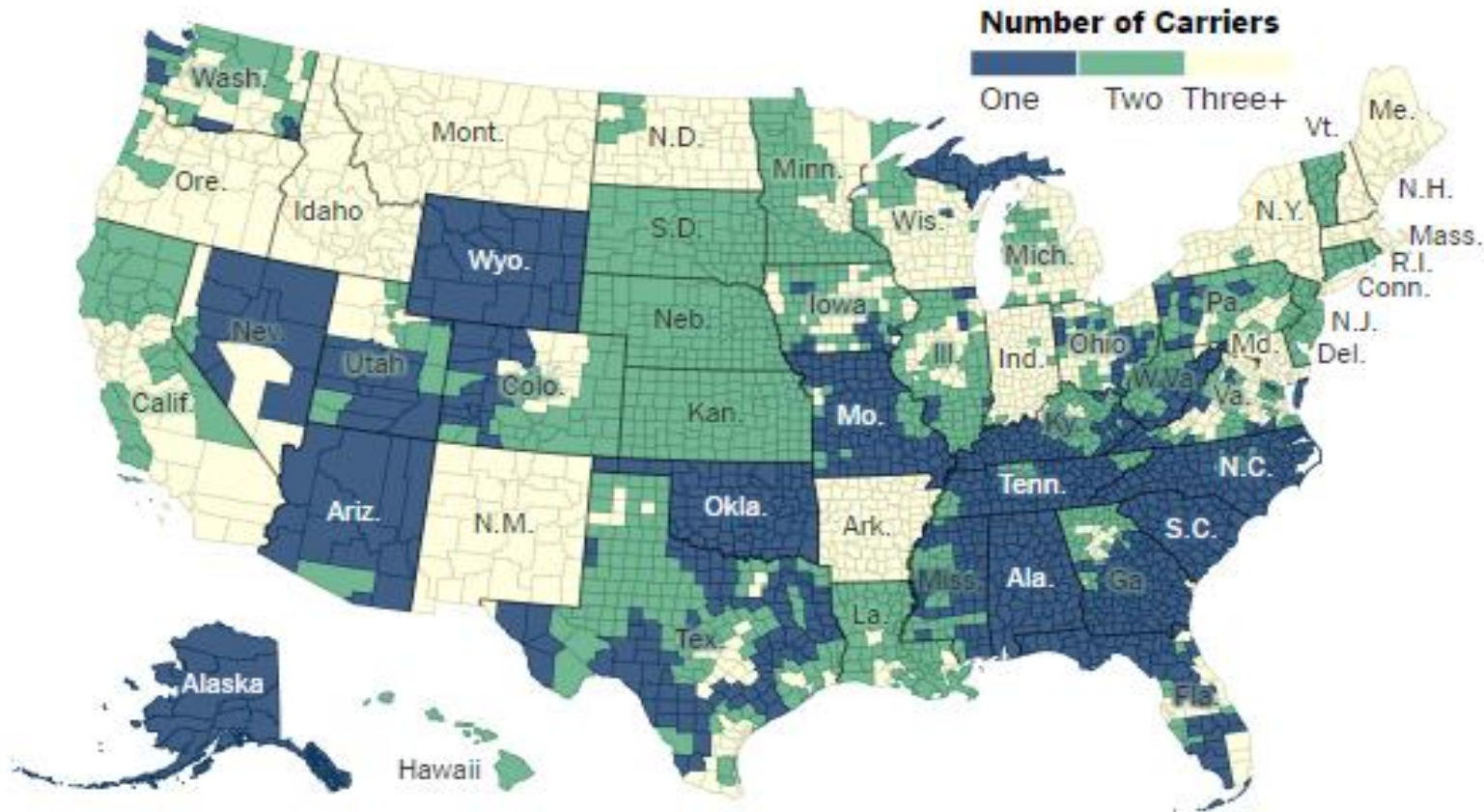
- Reform inherently challenging due to dynamics
 - Focus is on risk selection and segmentation rather than pooling risk and broadening coverage
- Affordable Care Act included risk mitigation strategies
 - Risk adjustment program (permanent)
 - Risk corridor program (temporary)
 - Reinsurance program (temporary)
- Marketplaces nationally began to worsen substantially into 2017



Competition Has Fallen in the U.S.

About 18 percent of people eligible for the Obamacare markets will live in counties with only one insurance carrier offering health plans next year.

Number of insurance carriers in the Obamacare markets

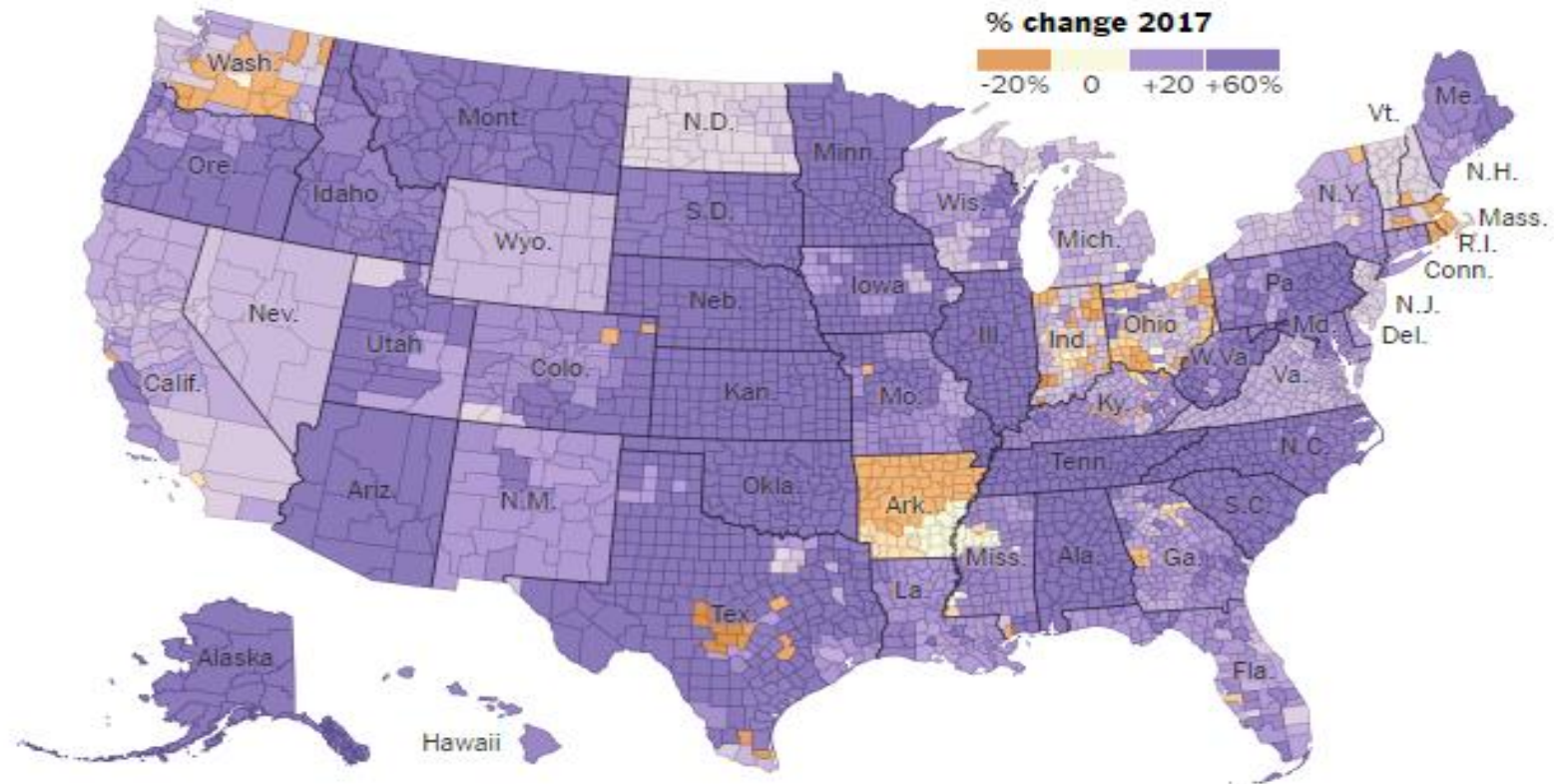


Source: McKinsey Center for U.S. Health System Reform, 2017

Obamacare Rates Rising

But there's a lot of variation. In some Arizona counties, prices for the most affordable midlevel plan are going up by 191 percent. In parts of Texas, premiums are going down by 30 percent.

2017 premium increase for lowest-cost silver plan



Note: There are two separate markets in Los Angeles County. Rates shown for market where more customers are enrolled.

Source: McKinsey Center for U.S. Health System Reform

State Average Change in Premiums Vs. Change in Enrollment, 2016-2017



Source: Summary Report on Permanent Risk Adjustment Transfers for the 2017 Benefit Year, CMS, July 9, 2018

Arkansas Marketplace Stability

- Large guaranteed purchaser for 80% of the market through Medicaid
- Aggressive rate review and new tools to check actuarial justifications
 - Budget neutrality cap in Arkansas Works waiver
- Medicaid purchasing guidelines
- Continued competition in the market
- Alignment of public/private sector to shift to value-based provider payments



Federal Action Impacting Market (2018-19)

- Individual mandate changes
 - Hardship exemptions extended
 - Individual IRS penalty reduced to \$0
- Health plan regulatory changes
 - Formation of association health plans eased
 - Definition of limited-duration plans eased
- Elimination of cost-sharing reduction payments
- Temporary elimination of risk adjustment program



Expanded Plan Choices (Non-ACA)

- Exempt from certain ACA requirements
 - Open enrollment, community rating, essential health benefits, coverage of pre-existing conditions, guaranteed issue, medical-loss ratio
- Association health plans
 - Traditionally for small businesses
 - Extended to sole proprietors, business/professional interests, geography
- Limited-duration (short-term) plans
 - Previously limited to 3 months, non-renewable
 - Extended to 364 days, renewal allowed up to 3 years



Continuing Plan Choice (Non-ACA)

- Health Care Sharing Ministry
 - Participation exempted from individual mandate
 - Faith-based, nonprofit alternative to insurance
 - Operational arrangements vary greatly
 - Applicants may be required to provide medical and lifestyle information
 - Some have established networks; others require members to negotiate with providers directly
 - Members generally contribute monthly shares similar to premiums
 - Other members share in the costs for eligible bills
 - Focus generally on unforeseen and acute illness rather than routine care and chronic illness



Potential Benefits/Risks of Exempt Plans

- Potential benefits
 - Additional choice; tailored more to individual needs
 - Less expensive
 - Purchase any time of the year
 - Potential insurer profitability
- Potential risks
 - Premium subsidies not applicable
 - Denial based on health status/medical history
 - Exclusion of services such as preventive care
 - Disruption of market/segmentation of risk



State Stabilization Strategies

- Solutions that address high-risk enrollees, such as reinsurance or high-risk pools
 - AK, MN have implemented through 1332 waiver
- Leveraging Medicaid through premium assistance, tying managed care/marketplace products, buy-ins
- Enacting state-based individual mandate
- Extending tax credits to mitigate subsidy cliff
- State-based regulation of exempt plans, particularly limited-duration plans

