



**NEWS RELEASE**

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**NEW COMMONWEALTH FUND REPORT: INSURERS INCREASINGLY SELLING MORE OF THEIR INDIVIDUAL HEALTH INSURANCE PLANS IN ACA MARKETPLACES; FEARS THAT INSURERS WOULD PULL HEALTHY ENROLLEES AWAY FROM MARKETPLACES UNFOUNDED**

*Report Finds That Individual Plans Sold Outside of ACA Marketplaces Saw Larger Premium Increases and Had Higher Administrative Costs*

New York, NY, June 2, 2016—Insurance companies are increasingly selling more individual health insurance plans through the Affordable Care Act (ACA) marketplaces, according to a Commonwealth Fund report out today. The report found that in 2016, 17 percent of individual health insurance plans are sold exclusively outside the marketplaces, down from 28 percent in 2014. In addition, insurers projected that in 2016 there would be 12.8 million people enrolled in plans sold predominantly through the ACA marketplace and 2.6 million in off-marketplace plans. This marks a shift from 2014, when insurers projected 11.1 million would enroll in marketplace plans and 4.2 million in off-marketplace plans.

*In Promoting Value for Consumers: Comparing Individual Health Insurance Markets Inside and Outside the ACA's Exchanges*, Michael J. McCue and Mark A. Hall compared the two segments of the individual health insurance market—plans sold on the ACA marketplaces and those sold outside the marketplaces through insurers or brokers. The researchers found concerns unfounded that insurers would sell cheaper, bare bones plans that would attract healthy enrollees outside the marketplaces and shift the sicker and more costly enrollees to marketplace plans.

According to the report, bronze-level plans, which are the least expensive and provide the lowest amount of coverage, are equally popular on and off the marketplaces. The plans that are most expensive and provide the most coverage (gold and platinum plans) are much more prevalent off the marketplaces.

“Collectively, the data in this report make a strong case for the viability of the Affordable Care Act marketplaces,” said Sara Collins, Vice President for Health Care Coverage and Access at the Commonwealth Fund. “Insurers inside the marketplaces appear to be competing well on price and continue to sell more of their business through them. And, the measures designed to encourage insurers to enroll healthier as well as sicker people in the marketplaces are working.”

The report also found:

- **Administrative costs** are 2.5 percentage points higher in plans sold exclusively outside the marketplaces. Medical loss ratios—the percentage of a premium that pays for medical costs—are 2 percentage points lower in plans sold off the marketplaces.

- **Premiums** increased somewhat more off the marketplaces than on—\$48 vs. \$40 per member per month. The authors attribute this to an enrollment shift in the ACA marketplaces away from more expensive preferred provider organizations (PPOs) and point-of-service (POS) plans to HMOs and exclusive provider organization (EPO) plans that limit coverage to contracted providers.
- **Health insurers** do not appear to be segregating their enrollees according to health status between on and off marketplace plans. The Affordable Care Act requires that insurers most provide the same products inside and outside the marketplaces. In addition, the law includes a risk-adjustment mechanism that requires plans that have enrollees in better health and who are less costly to subsidize plans with sicker, costlier enrollees. This reduces the risk of the Affordable Care Act’s marketplaces destabilizing because enrollees are too sick and expensive for insurers.
- **HMO and EPO** plans are increasingly popular in the marketplaces as buyers look for lower premiums. According to the report, plans sold predominantly in the marketplaces projected a 37 percent increase in HMO/EPO enrollment, and a 22 percent decrease in PPO/POS enrollment.

### **Moving Forward**

The authors conclude that the ACA’s health insurance market reforms appear to be working as intended in the individual health insurance market, both inside and outside the marketplaces.

“It is important to remember that historically, people buying health insurance on their own were at the mercy of insurers who could turn them away due to preexisting conditions or charge high prices for meager plans that left them exposed to medical debt or bankruptcy if they became ill,” said Commonwealth Fund President David Blumenthal, M.D. “The Affordable Care Act changed that by requiring that individual consumers would be sold plans that cover the services they need and protect them financially. These data show that those reforms appear to be working toward creating a stable marketplace.”

When the embargo lifts, the study will be available at

<http://www.commonwealthfund.org/Publications/Issue-Briefs/2016/June/Insurance-Exchanges-Promote-Value>.

#### **About This Study**

Data come from the “unified rate review template” (URRT) spreadsheets for 2016 that insurers must file with CMS’ Center for Consumer Information and Insurance Oversight (CCIIO), documenting how they develop their premium rates for ACA-compliant plans. The URRT includes two sections: the market-level analysis section, which develops a projected single risk pool rate from prior experience data; and the product/plan section, which reports projected premiums and enrollment for the coming year, in each health plan. This database provides the change in premium per member for plans offered on and off of marketplace exchanges, as well as the components of costs (claims, administrative) and profit margins driving premium changes.

There were 543 unique insurers in different states. We used projected membership to classify insurers and products as selling predominantly on exchanges versus outside of the government exchanges. For plans sold on exchanges, insurers also must offer these plans outside of the exchanges. Therefore, some “on-exchange” plans also have off-exchange enrollment. However, because the majority of enrollees receive subsidies that are available only through the exchanges, enrollment in these plans is predominantly on-exchange and therefore the exchange dynamics determine the pricing of these plans even when sold off exchange.

**The Commonwealth Fund is a private, nonprofit foundation supporting independent research on health policy reform and a high performance health system.**