2016 ACA marketplace rate change overview

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We provide this overview of market changes from 2015 to 2016. This paper summarizes benchmark subsidy rate[1] and participation[2] information for the 38 states participating in the federally facilitated and state partnership marketplaces.[3, 4, 5]

- The average second-lowest-cost silver plan rate change for the states that participated in both 2015 and 2016 was +7.2%.
- The largest average rate increases were seen in Oklahoma (+36%), Montana (+35%), and Alaska (+32%).
- Indiana (-12%), Mississippi (-10%), and Maine (-1%) saw average rate decreases.
- Analysis at the rating area level shows that areas with fewer carriers tended to see higher rate increases.

For an in-depth analysis of the first two years of the marketplace and key competitiveness metrics, see our 2015 health insurance marketplace competitiveness study (at http://www.milliman.com/uploadedFiles/insight/2015/2015-health-insurance-marketplace-study.pdf). An updated analysis with 2016 rates will be released in the coming weeks.

BACKGROUND

Premium rates for 2016 have seen an overall increase compared with 2015. Several known factors contribute to this:

- The federal transitional reinsurance program is in its last year, and the attachment point is increasing from $45,000 in 2015 to $90,000 in 2016. This is partially offset by having a lower[6] reinsurance contribution rate of $27 per enrollee per year,[7] which most health insurers (not just those participating in the health insurance marketplaces) must contribute.
- Insurers may have been more cautious in 2016 pricing after experiencing losses in 2014. The Centers for Medicare and Medicaid Services (CMS) recently released a memo stating that 2014 risk corridor payments are now subject to a proration rate of 12.6%.[8] This is at least partially the result of more carriers having actual claims spending that was greater than expected.
- The health insurer fee is increasing between 2014 ($8 billion) and 2018 ($14.3 billion). Health insurers must pay this excise tax based on prior-year premiums.[9]
- The risk adjustment user fee is increasing from $0.96 per enrollee per year in 2015 to $1.75 per enrollee per year in 2016.[10]
- The Patient-Centered Outcomes Research Institute (PCORI) fee to research comparative effectiveness is higher, which is due to increases in national health expenditures.
- General healthcare trends remain positive, causing claims costs to increase. This is partially driven by large increases in prescription drug costs.[11]

Although rates are generally increasing, there is a large amount of variation in rate changes between states due to different competitive and regulatory pressures.

1 Per Aspe.hhs.gov (October 30, 2015). Health Plan Choice and Premiums in the 2016 Health Insurance Marketplace. Retrieved November 3, 2015, from http://aspe.hhs.gov/pdf-report/health-plan-choice-and-premiums-2016-health-insurance-marketplace. This report summarizes the benchmark subsidy rate prior to the application of premium tax credits, by taking the second-lowest-cost silver plan benchmark rate (27-year-old), and applying the percentage of premium that covers essential health benefits. Premiums in each county are then weighted using plan enrollment counts.

2 "Participation" is defined as the number of carriers operating in each market. Carrier counts in each area were found by removing duplicate issuers in situations where different corporate names shared the same underlying parent. We also removed four carriers that have withdrawn from the market. This resulted in counts that differ from the Office of the Assistant Secretary for Planning and Evaluation (ASPE) counts. See the Methodology section for more details.

3 This paper focuses on ACA-compliant commercial individual market plans. Oregon, Nevada, and New Mexico were new to using the federal application system in 2015. Hawaii is new to using the federal application system in 2016. Note that 34 states participated in the federally facilitated and state partnership marketplaces in 2014, 37 participated in 2015, and 38 participated in 2016.

4 Data.healthcare.gov (August 19, 2015). 2015 QHP Landscape Individual Market Medical. Retrieved September 21, 2015, from https://data.healthcare.gov/dataset/2015-QHP-Landscape-Individual-Market-Medical/mp8z-jtg7.

5 Data.healthcare.gov (October 30, 2015). 2016 QHP Landscape Individual Market Medical. Retrieved October 30, 2015, from https://data.healthcare.gov/dataset/2016-QHP-Landscape-Individual-Market-Medical-Excel/k2hw-8vcp.

6 The 2015 reinsurance contribution rate was $44 per enrollee per year.

7 CMS. Final HHS Notice of Benefit and Payment Parameters for 2016. Retrieved November 2, 2015, from https://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/Downloads/2016-PN-Fact-Sheet-final.pdf.

8 CMS (October 1, 2015). Risk Corridors Payment Proration Rate for 2014. Retrieved November 2, 2015, from https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/RiskCorridorsPaymentProrationRatefor2014.pdf.

9 Doucet, M. & Yahnke, J. (April 2013). ACA Health Insurer Fee: Estimated Impact on the U.S. Health Insurance Industry. Milliman Research Report. Retrieved November 2, 2015, from http://us.milliman.com/uploadedFiles/insight/healthreform/pdfs/ACA-health-insurer-fee.pdf.

10 Federal Register (February 27, 2015). Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2016. Retrieved November 2, 2015, from https://www.federalregister.gov/articles/2015/02/27/2015-03751/patient-protection-and-affordable-care-act-hhs-notice-of-benefit-and-payment-parameters-for-2016#h-31.

11 Milliman Research Report (May 2015). 2015 Milliman Medical Index. Retrieved November 2, 2015, from http://www.milliman.com/uploadedFiles/insight/Periodicals/mmi/2015-MMI.pdf.

RATE AND COMPETITOR CHANGES BY STATE

The table in Figure 1 shows a high-level view of how the federal marketplace has changed by state from 2015 to 2016. The first three columns show the ASPE benchmark subsidy rate for a 27-year-old in each year, and the percentage change over that time. Columns (a) through (c) show the number of unique carriers offering plans in each market, and the percentage change in carrier counts over that time. Note that we reviewed carriers in all states, and removed duplicates in situations where different corporate names shared the same underlying parent. We also removed four carriers that have withdrawn from the market. See the Methodology section below for more information on this process.

FIGURE 1: INDIVIDUAL MARKET COMPARISON BETWEEN 2015 AND 2016

State	Second-Lowest-Cost Silver Plan Premium Rate (27-year old)*		Percent Change**	Number of Carriers Offering Plans in the State		Percent change (c) = (a)/(b) - 1
	2016	2015		2016 (a)	2015 (b)	
Alaska	$590	$449	32%	2	2	0%
Alabama	$244	$216	13%	3	3	0%
Arkansas	$244	$235	4%	4	3	33%
Arizona	$189	$161	18%	8	10	-20%
Delaware	$292	$247	18%	2	2	0%
Florida	$237	$235	1%	8	9	-11%
Georgia	$236	$228	4%	9	8	13%
Iowa	$245	$217	13%	4	3	33%
Illinois	$203	$192	6%	8	7	14%
Indiana	$235	$268	-12%	8	8	0%
Kansas	$217	$187	16%	3	4	-25%
Louisiana	$290	$267	9%	4	4	0%
Maine	$260	$263	-1%	3	3	0%
Michigan	$212	$209	1%	12	12	0%
Missouri	$257	$233	10%	6	6	0%
Mississippi	$230	$255	-10%	3	3	0%
Montana	$264	$196	35%	3	3	0%
North Carolina	$318	$259	23%	3	3	0%
North Dakota	$270	$248	9%	3	3	0%
Nebraska	$272	$243	12%	4	2	100%
New Hampshire	$215	$205	5%	5	4	25%
New Jersey	$272	$259	5%	4	5	-20%
New Mexico	$205	$163	26%	3	5	-40%
Nevada	$235	$217	8%	3	4	-25%
Ohio	$221	$218	1%	15	14	7%
Oklahoma	$251	$185	36%	2	3	-33%
Oregon	$226	$183	23%	10	10	0%
Pennsylvania	$214	$193	11%	7	9	-22%
South Carolina	$247	$223	11%	3	3	0%
South Dakota	$270	$216	25%	2	3	-33%
Tennessee	$236	$191	23%	4	3	33%
Texas	$220	$211	4%	14	13	8%
Utah	$245	$212	16%	4	6	-33%
Virginia	$240	$230	4%	7	6	17%
Wisconsin	$262	$251	5%	16	15	7%
West Virginia	$294	$248	18%	2	1	100%
Wyoming	$379	$359	6%	1	2	-50%
Hawaii***	$213	n/a	n/a	2	n/a	n/a

* ASPE premium rates represent the average monthly premiums prior to the application of tax credits.
** Percent change numbers represent those calculated by ASPE.
*** Hawaii started using the federal application system for its state-based individual medical marketplace in 2016. No 2015 data is available for comparison. Note that Hawaii only has one rating area, so no ASPE plan enrollment equivalent was needed to calculate the overall statewide average second-lowest-cost silver plan rate.

There is a wide range of rate changes across the different markets, with 19 of 37 states showing double-digit rate increases. However, it is interesting to note that those states represent just 32.5% of individual plan enrollments.[12,13] North Carolina (23% rate increase) has the third-highest enrollment count (over 550,000), and just three market participants. This is unique considering the common-sense positive correlation between plan enrollments and the number of carriers participating in a state. Three states (Indiana, Mississippi, and Maine), representing 4.5% of plan enrollments, are showing rate decreases from 2015 to 2016.

Also of interest are the changes in carrier participation in each state. No state saw more than two carriers enter or exit the market in 2016. Nebraska and West Virginia both doubled the number of participants, while Wyoming went from two to just one participant. Being mostly rural, Wyoming represents only 0.2% of individual plan enrollments and saw a modest 6% rate increase from 2015 to 2016. We caution against drawing early conclusions about changes to the number of carriers, as the qualified health plan (QHP) landscape file data is preliminary, and additional carrier participation changes are likely. We removed four carriers that are known to have withdrawn from the market in the past month, but who still were reflected in the data.

METHODOLOGY

To count the number of carriers on each state's marketplace, we removed duplicate names from the 2015 and 2016 QHP landscape files. We also looked through each state and removed apparent duplicates in situations where different corporate names shared the same underlying parent. A state-specific example comes from Illinois's "Coventry Health Care of Illinois, Inc." and "Coventry Health & Life Co." Another example is United which sells plans under both "UnitedHealthcare" and "All Savers," among other names. In addition, we have counted Aetna and Coventry as duplicates in states where they both operate given their recent merger. This is a deviation from the count of Health Insurance Oversight System (HIOS) IDs by the Office of the Assistant Secretary for Planning and Evaluation (ASPE), but it is more reflective of actual market conditions.

Please note that the 2016 QHP landscape files represent a snapshot of the marketplace at a point in time. We found and removed four carriers in the data that have withdrawn from the market in the past month. The carrier counts in Figure 1 above are subject to change as new data becomes available.

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12 ASPE (April 8, 2015). 2015 Plan Selections by Zip Code in the Health Insurance Marketplace. Retrieved November 2, 2015, from http://aspe.hhs.gov/basic-report/2015-plan-selections-zip-code-health-insurance-marketplace-0.

13 Plan enrollments are the count of individuals who are eligible to enroll in a marketplace plan and selected a plan by February 15, 2015.

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