



---

# Five-State Study of ACA Marketplace Competition (expanded)

Mark A. Hall  
Wake Forest University  
Non-Resident Senior Fellow, Brookings Institution

---

April 2017

# The Team

---

- ❧ Michael Morrisey, 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 – Michal Weinberg, Ph.D.
  - ❧ Florida – Patricia Born, Ph.D.
  - ❧ Michigan – Megan Foster Friedman, MPH, et al.
  - ❧ North Carolina – Mark Hall, JD with Katherine Booth
  - ❧ Texas – Michael Morrisey, Ph.D. & Tiffany Radcliff, Ph.D.



# Methods

---



- Field teams conducted 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.

# North Carolina

---

- ❧ Prior to ACA market was dominated by BCBS with 86% market share. But ...
  - ❧ By 2016 share had declined to 65%
  - ❧ Aetna & UnitedHealth became significant players in much of the state
  - ❧ Aetna entered into co-branding efforts with Duke Medical Center and Carolinas Health System among others
  - ❧ UnitedHealth had entered into risk-sharing agreements throughout state with ACOs and other organizations
- ❧ Despite all this NC has some of the highest premiums nationally
  - ❧ This is attributed to population health risk, and providers and health systems being able to maintain prices due to limited competition



# North Carolina - 2

---



- ❧ Both Aetna & UnitedHealth withdrew prior to 2017
  - ❧ Difficulty projecting claims & substantial losses
  - ❧ Strategic action vis-à-vis proposed merger with Humana?
- ❧ View that this may be temporary decline and an opportunity for local insurers and providers to develop tailored products
  - ❧ Development of Medicaid managed care would spur participation by Medicaid managed care – type insurers



---

Other States,  
Broader Conclusions

---





# Health Insurance Markets Are Local

---

- ❧ There are substantial differences in 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 than in 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.
- ❧ When there is 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*


---



- ❧ Decades of consolidation among providers has made insurer competition more difficult.
- ❧ 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 despite underpriced premiums in 2014.
- ❧ Meaningful utilization data in 2016 showed high utilization experience.
  - ❧ Substantial premium increases.
  - ❧ Withdrawal from many local markets, and from states overall.



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

---

- ❧ Some respondents in Florida, North Carolina & 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

---



- ❧ Open question of whether the 2017 round of premium increases will be enough to stem future losses.
- ❧ Open question whether changes in special late enrollment provisions will meaningfully affect claims costs.
- ❧ 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.




# Insurers May Be Waiting in the Wings

---

- ✧ 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.

# A Shift to Narrower Networks Is Well Underway

---



- ❧ Exclusion of high-profile providers may dissuade enrollment by those with health problems
  - ❧ Michigan reports shift to HMOs to improve risk-selection,
  - ❧ BUT North Carolina finds new networks around premiere providers.



# 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.

# ACA Has the Potential to Succeed



Thank you.