

Experts Predict Sharp Decline in Competition across the ACA Exchanges

Avalere experts predict that one-third of the country will have no exchange plan competition in 2017, leaving consumers with few options for coverage

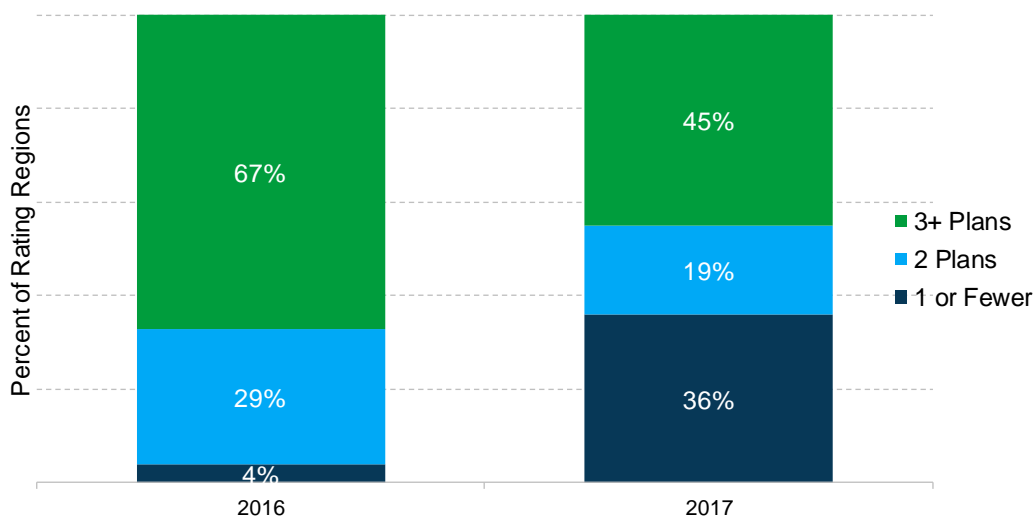
A new analysis from Avalere finds that nearly 36 percent of exchange market rating regions may have only one participating insurance carrier offering plans for the 2017 plan year and there may be some sub-region counties where no plans are available. Nearly 55 percent of exchange market rating regions may have two or fewer carriers. To determine competition levels in the exchanges, Avalere compared carriers that offered plans in 2016 to those that have publicly announced their intentions to scale back participation or exit the exchanges in 2017 (e.g., Aetna, Humana, United, some CO-OPs). While this analysis assumes no new plans enter the market, consumer choice could improve if carriers decide to expand exchange participation.

Rating regions are the geographic areas used to set insurance premiums. In some instances, zip codes or counties are split between rating regions. Consumers may only purchase plans offered within the rating region in which they reside.

“Depending on where consumers live, their choice of insurance plans may decrease for 2017,” said Elizabeth Carpenter, senior vice president at Avalere. “Some exchange enrollees may need to choose another insurance plan in order to maintain coverage.”

In 2016, according to Avalere, only 4 percent of rating regions had only one or fewer participating carriers, while 33 percent had two or fewer carriers participating. Ahead of the 2017 plan year, several large national and regional issuers have indicated they will significantly scale back or no longer participate in the exchange market because of unsustainable financial losses.

Figure 1. Carrier Participation in Exchange Rating Regions, 50 States & DC



“Lower-than-expected enrollment, a high cost population, and troubled risk mitigation programs have led to decreased plan participation for 2017,” said Dan Mendelson, president of Avalere. “Congress and the Administration can choose to stabilize these markets and re-establish competition—but only through a consensus process that brings in a broader swath of the uninsured.”

Avalere’s analysis indicates that seven states (AK, AL, KS, NC, OK, SC, WY) will have only one carrier per rating region in each rating region in the state in 2017 (Figure 2).

How can low-levels of competition in the exchanges be mitigated?

In particular, national and/or state policy solutions could be designed to:

- Improve market stability through enhanced risk mitigation programs, including changes to the risk adjustment transfer formula and permanent reinsurance.
- Change current enrollment rules to minimize adverse selection, including tighter special enrollment period standards, lock-out periods for consumers who delay enrollment, reforms to the 90-day grace period for individuals receiving exchange subsidies, and incentives to encourage enrollees to maintain continuous coverage.
- Encourage more individuals to enroll in coverage to grow the risk pool, including additional funding for outreach, enhanced or reformed subsidies, or stronger mandate standards.
- Introduce new insurance products or market rules to make exchanges more attractive to younger, healthier individuals, including changes to the age rating provisions, new and/or lower-cost plan options, or expanded eligibility for other public programs (i.e. Medicare or Medicaid).

Avalere’s analysis is based on public announcements related to carrier participation. Insurance company participation may change prior to open enrollment on November 1.



Figure 2. 2017 Possible Carrier Participation in Exchange Rating Regions, by State

State	Number of Rating Regions	Percentage of Rating Regions with 1 or Fewer Carriers	Percentage of Rating Regions with 2 Carriers	Percentage of Rating Regions with More than 2 Carriers
AK	3	100%	0%	0%
AL	13	100%	0%	0%
AR	7	0%	0%	100%
AZ	7	43%	29%	29%
CA	19	0%	11%	89%
CO	9	0%	33%	67%
CT	8	0%	100%	0%
DC	1	0%	100%	0%
DE	1	0%	100%	0%
FL	67	73%	10%	16%
GA	16	13%	25%	63%
HI	1	0%	100%	0%
IA	7	0%	71%	29%
ID	7	0%	0%	100%
IL	13	8%	54%	38%
IN	17	0%	0%	100%
KS	7	100%	0%	0%
KY	8	25%	50%	25%
LA	8	0%	63%	38%
MA	7	0%	0%	100%
MD	4	0%	0%	100%
ME	4	0%	0%	100%
MI	16	6%	6%	88%
MN	9	0%	22%	78%
MO	10	60%	40%	0%
MS	6	17%	83%	0%
MT	4	0%	0%	100%
NC	16	100%	0%	0%
ND	4	0%	0%	100%
NE	4	0%	0%	100%
NH	1	0%	0%	100%
NJ	1	0%	0%	100%
NM	5	0%	0%	100%



State	Number of Rating Regions	Percentage of Rating Regions with 1 or Fewer Carriers	Percentage of Rating Regions with 2 Carriers	Percentage of Rating Regions with More than 2 Carriers
NV	4	25%	25%	50%
NY	8	0%	0%	100%
OH	17	0%	0%	100%
OK	5	100%	0%	0%
OR	7	0%	0%	100%
PA	9	11%	56%	33%
RI	1	0%	100%	0%
SC	46	100%	0%	0%
SD	4	0%	100%	0%
TN	8	50%	25%	25%
TX	26	27%	27%	46%
UT	6	50%	0%	50%
VA	12	0%	17%	83%
VT	1	0%	100%	0%
WA	5	0%	20%	80%
WI	16	6%	6%	88%
WV	11	64%	36%	0%
WY	3	100%	0%	0%

Methodology

Avalere compiled the publicly available expected 2017 market exits among the carriers who offered products in the 2016 exchanges. Using 2016 carrier participation by rating region, Avalere removed these exiting carriers from all rating regions in the states from which they plan to wholly exit for the 2017 plan year. This analysis included the announced exits from the large, for-profit national carriers, as well as the closed co-ops and other smaller carrier exits.

To determine 2016 participation, Avalere used a combination of the 2016 HHS Individual Market Plandscape files, as well as Avalere’s proprietary analysis of state-run exchange participation.

Note, the analysis does not account for expected exits from individual counties or rating regions. As such, this analysis may undercount the number of regions with limited competition.

Conversely, the analysis does not account for potential new market entrants due to the limited information available around rating filings for the 2017 plan year, as well as the still in-flux state of the market. While some carriers have announced expansion plans for 2017, their impact on participation will be relatively small. As such, this analysis may over estimate the number of rating regions with limited competition.

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