



June 12, 2017

The Health Insurance Exchanges Trends Report:

High Premiums and Disruptions in Coverage Lead to Decreased Enrollment in the Health Insurance Exchanges

This brief presents an analysis of consumers who canceled or terminated Health Insurance Exchange coverage in 2017. Specifically, it examines enrollment as it relates to affordability, financial assistance and plan choice. The analysis shows that lack of affordability, increased premiums and insurance coverage disruptions are factors that determine whether consumers will purchase and maintain health coverage on the Health Insurance Exchanges (Exchanges).

Key Highlights

High costs and lack of affordability are the most common factors that lead consumers to cancel coverage.

- Consumers with higher premiums were more likely to terminate or cancel coverage.
- Consumers listed lack of affordability as one of the most common reasons for not paying for the first month's coverage.
- Disruptions in coverage options lead to fewer consumers retaining their coverage.
- Consumers without financial assistance were more likely to terminate or cancel coverage.

I. BACKGROUND

Consumers have seen individual market insurance premiums rise significantly since 2013.¹ When comparing the average premiums found in 2013 Medical Loss Ratio (MLR) data and 2017 CMS Multidimensional Information and Data Analytics System (MIDAS) data, the average premiums in the 39 states using HealthCare.gov in 2017 increased from \$232 in 2013 to \$476 in 2017, a 105 percent increase.² See figure 1. Of those 39 states, 62 percent had 2017 average exchange premiums at least double their 2013 average premium.³

Figure 1. Increase in Individual Market Monthly Premiums in Healthcare.gov States⁴

2013 (MLR)	2017 (Healthcare.gov)	Raw Increase	Percent Increase
\$232	\$476	\$244	105%

II. HIGH COSTS AND LACK OF AFFORDABILITY ARE THE MOST COMMON FACTORS LEADING CONSUMERS TO CANCEL HEALTH COVERAGE

A. Financial Assistance and Premiums

Based on 2017 enrollment data, consumers who enrolled through HealthCare.gov and canceled or terminated⁵ coverage were less likely to have financial assistance⁶ than those who have maintained coverage through April 25, 2017, or gained coverage through a special enrollment period. Enrollment data also show that consumers who canceled or terminated coverage had higher premiums than those who maintained coverage since the end of the 2017 open enrollment period (OEP) or gained coverage through a special enrollment period.⁷ On average, consumers who chose to end their coverage (1.5 million) paid

¹ Individual Market Premium Changes: 2013 – 2017. ASPE Data Point. June 2017.

<https://aspe.hhs.gov/system/files/pdf/256751/IndividualMarketPremiumChanges.pdf>.

² Ibid.

³ Ibid.

⁴ Ibid. MLR data represent the entire individual market – including on- and off-Exchange plans, as well as Affordable Care Act (ACA)-compliant and non-ACA-compliant plans. HealthCare.gov calculations are based on enrollee plan selections during the annual Open Enrollment Periods from 2014 to 2017. These data do not take into account premium tax credits.

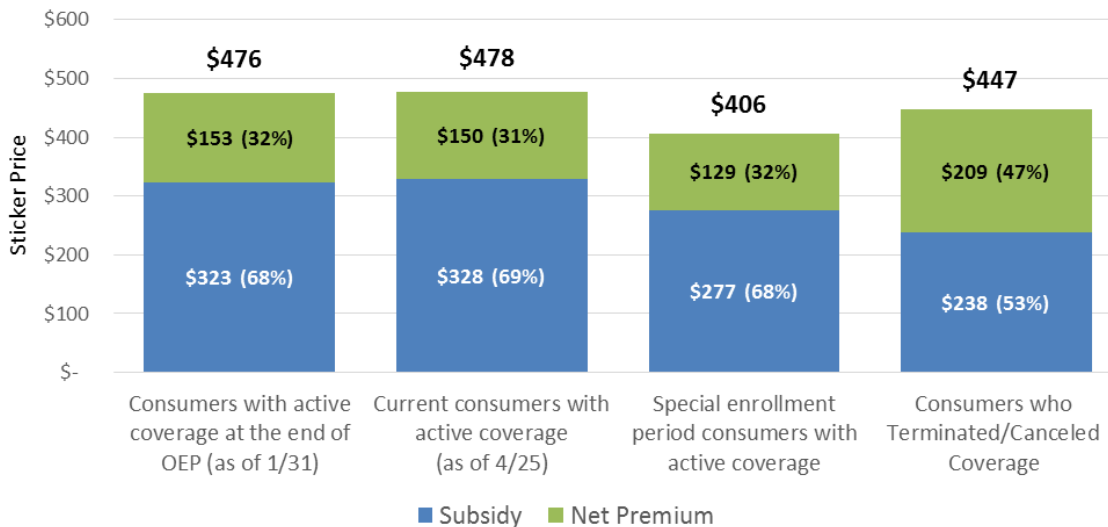
⁵ Individuals who select a plan may not always effectuate their enrollment, or pay their first month's premium. These individuals are considered to have canceled their plans, or have had their plans canceled by the insurers. If an individual effectuates their enrollment, by paying the first month's premium, but ends their coverage after that first month, they are considered to have terminated their plan.

⁶ Consumers without Advanced Premium Tax Credits (APTC) at the end of OE4 were 2.4 times more likely to cancel or terminate their coverage than those with APTC between the close of OE4 (1/31/2017) and 4/25/2017 (31.9% vs. 13.1%, respectively). MIDAS data April, 25th, 2017. Consumers without cost sharing reductions at the end of OE4 were 1.7 times more likely cancel or terminate their coverage compared to those with cost-sharing reductions (CSR) between the close of OE4 (1/31/2017) and 4/25/2017 (20.9% vs. 12.7%, respectively). MIDAS data as of April 25, 2017.

⁷ Consumers who left the Exchanges (1.5 million) between the close of OE4 (1/31/2017) and 4/25/2017 have higher average net premiums. On average, consumers who canceled or terminated coverage between 1/31/2017 and 4/25/2017 paid \$209 a month in net premiums compared to \$153 a month for all consumers who had an active plan selection at the end of OE4 (9.2 million). MIDAS data as of April 25, 2017.

\$209 a month compared to \$150 a month for all consumers (8.1 million) who had an active plan selection as of April 25, 2017.⁸ See figure 2.

Figure 2. Average Sticker Price, Net Premium, and Subsidy Compared to End of Open Enrollment Baseline



B. Consumer Exit Survey Data

Since August 2016, CMS has collected online survey data from consumers who left the Exchanges. Participation in the survey is voluntary. Consumers who are signed up to receive emails are invited to take the survey within 30 days of leaving the Exchanges. The sample is weighted by the consumer exit category to the population of individuals who left the Exchanges. From August 2016 to April 2017, a total of 18,212 individuals who responded had terminated or canceled coverage; of those, 14,332 initially paid for their plan and then stopped paying premiums and 3,880 selected a plan but never paid their first premium.

Consumers who canceled coverage prior to paying their first premium indicated that high costs and lack of affordability were the most common factors for canceling their coverage, or not paying the first month's premium. Nearly 60 percent of consumers who terminated coverage after paying premiums for at least one month indicated that they obtained employer sponsored coverage. The exit survey data show:

- Approximately 46 percent of consumers who canceled their coverage prior to paying first month's premium cited cost as the reason for cancellation
 - 20 percent of those who canceled their coverage due to cost cited premium increases (for example over the previous year or their previous plan) as the reason
 - 17 percent cited ineligibility for financial assistance
- 49 percent of consumers who terminated their plans after paying for at least one month's premium said they gained other coverage elsewhere:
 - Approximately 58 percent of those indicated that they obtained employer sponsored coverage

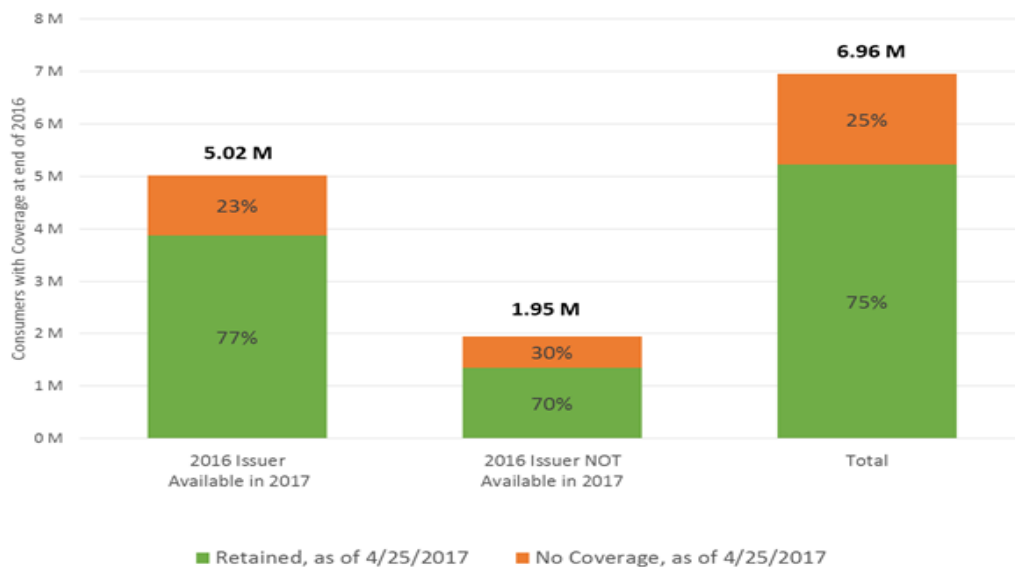
⁸ Ibid.

- 22 percent of those indicated that they had become eligible for Medicare as the reason for terminating their coverage
- 27 percent of consumers who terminated coverage cited cost or affordability as the reason for terminating coverage.
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III. ISSUER EXITS CAN LEAD TO FEWER CONSUMERS RETAINING THEIR COVERAGE

The enrollment data also show that a higher proportion of individuals who experienced an issuer leaving the Exchanges choose not to maintain coverage. Figure 3 shows that individuals who still had their 2016 issuer available (5.02 million) were more likely to purchase and maintain coverage (77 percent) than individuals who did not have plans offered by their 2016 issuer (1.95 million, 70 percent). In total, 75 percent of the consumers who had coverage in 2016 (6.96 million), chose to select a plan, pay for, and maintain their coverage.⁹

Figure 3: Retention Rates Among Consumers with Coverage at the end of 2016



Note: Numbers above columns may not add to the total column due to rounding.

IV. CONCLUSION

In conclusion, higher premiums and ineligibility for financial assistance combined with limited health plan choices caused some consumers to cancel or terminate coverage. However, other consumers including those with and without financial assistance, left the Exchanges for other reasons, including obtaining a job with an offer of employer sponsored insurance. The report shows that individuals who are personally responsible for more of their premium and have higher out-of-pocket costs, are most affected by premium increases. In addition, consumers whose insurance carriers choose to cancel plan options or

⁹ MIDAS Data, April 25, 2017

no longer offer coverage in the Exchanges are also less likely to select, purchase, and maintain their health coverage.

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