

Increasing Competition on the Exchanges to Improve Consumer Choice and Affordability

Summary

Robust competition among private health insurance companies (issuers) participating in the individual health insurance market is vital, resulting in more affordable premiums and increased plan options for consumers. Upon taking office, the Trump Administration used a data-driven approach to put policies into place to create a more stable, competitive market for consumers in the individual health insurance market in response to concerns regarding dwindling competition in the Exchanges.

Over the last several years, research has emerged that demonstrates the benefits of private sector competition in the Exchanges. A *Health Affairs* study of the relationship between issuer participation and premiums in 2014 and 2015 found, among states using the HealthCare.gov platform in those years, a net increase of one insurer in a county was associated with a 3.5 percent decrease in the second lowest-cost silver plan (or benchmark) premium, and a 1.2 percent decrease in the average silver premium.¹ The strong correlation between the number of issuers competing in a county and premium growth was also highlighted in a 2017 study published in *JAMA Internal Medicine*.²

Following up on these studies, CMS conducted its own analysis of the impact of issuer competition using 2018 and 2019 data from the Exchanges in all 50 states and the District of Columbia. Our research showed that counties with one additional issuer in 2019 were associated with a 2.5 percent reduction in the benchmark premiums compared to 2018. The study also found that counties where there was any increase in the number of issuers from 2018 to 2019 were associated with a nearly 8 percent reduction in the benchmark premium.

Understanding the benefits of greater issuer competition for consumers, CMS began collaborating with states and health insurance companies to promote broader market participation across the country, with the goals of lowering premiums and increasing insurer and plan choices. As a result of this partnership and other efforts, the number of issuer options available to consumers increased in hundreds of counties nationwide, resulting in a 53 percent increase in counties with more than one issuer from 2018 to 2020.³ Actions taken by the Administration, states, and issuers to stabilize the Exchanges and increase issuer participation have strengthened the individual market, significantly reduced premiums in many counties, and increased available plan options for consumers over the past two years.

CMS Actions to Promote Competition and Choice for Consumers

At the beginning of the Trump Administration in 2017, premiums were increasing dramatically, and issuers offering qualified health plans (QHPs) were leaving the Exchanges in large numbers. Heading into 2018, there was a risk that many Americans would have no available issuer options for the coming plan year, and many more would have only a single issuer available—representing no choice at all. Issuers reported major financial losses in the early years of the Exchanges and faced considerable market uncertainty. As a result, many issuers decided to reduce their service areas or leave the Exchanges altogether. In response, CMS took immediate, targeted action to stabilize the Exchanges and increase QHP issuer participation. Such efforts included aggressive outreach to issuers in coordination with state departments of insurance, revisions to federal regulations to increase state flexibility and authority, rule changes to decrease adverse selection and strengthen the risk pool, and improvements to federal Exchange operational effectiveness and efficiencies (*see Diagram 1*). Through immediate and targeted outreach to states, issuers, and other Exchange stakeholders, CMS helped ensure that all U.S. counties had at least one issuer for the 2018 plan year.

¹ Insurer Competition In Federally Run Marketplaces Is Associated With Lower Premiums. Jacobs P, Banthin J, and Trachtman S. December 2015. *Health Affairs*. 34 (12): 2027–35.

² Association Between Number of Insurers and Premium Rates in the Affordable Care Act Marketplace. Zhu J, Zang Y, and Wu B. November 2017. *JAMA Internal Medicine*, 177(11):1684–6.

³ <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Marketplaces/Health-Insurance-Exchange-Coverage-Maps>

Diagram 1: Key Administration Actions to Increase Issuer Participation



Market Stability through Regulation

Market Stabilization Rule in 2017 and the 2019 final Payment Notice gave plans more enrollment stability, increased state flexibility, increased state flexibility, permitted states to manage risk adjustment (e.g., request a reduction in federally calculated transfers), and made it easier for states to lower the individual market medical-loss-ratio threshold to encourage market participation.



Technology Improvements and Data

CMS increased operational efficiencies—Saving over \$100M per year the past 3 years, allowing CMS to implement first ever reduction in the federal user fee charged to operate the Federally-Facilitated Exchange, and resulted in premium savings being passed on to the consumer.



State Flexibility

Increased state authority and flexibility through Section 1332 waivers. To date, 15 waivers have been approved which have authorized state reinsurance programs that aim to lower premiums, ranging from an estimated 4% reduction in Rhode Island to a 37% reduction in Alaska.



Enhanced Direct Enrollment

EDE allows private partners to provide a more use-friendly and seamless enrollment experience for consumers seeking to apply for and enroll in an Exchange plan.

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Turning the Corner to Healthier Exchanges through Administrative Actions

The Administration has taken strategic long-term actions to stabilize the Exchanges, which has fostered year-over-year increases in QHP issuer participation and competition in every plan year since 2018.

Market Stability

As issuers look to enter (or re-enter) the Exchanges, they view entry or expansion as an investment – balancing risk, the policy and regulatory environment, and potential return on investment as driving factors on the decision to participate. Policies established in the 2017 Market Stabilization Rule strengthened enrollment and eligibility rules by implementing Special Enrollment Period (SEP) verification for certain SEP types, reforming grace period rules, and adjusting the individual market HealthCare.gov open enrollment period to end before the end of the calendar year. CMS followed up with additional changes in the 2019 Payment Notice to give issuers and states flexibility in key areas including network adequacy, selection of Essential Health Benefits benchmark plans, increased flexibility around actuarial value rules for stand-alone dental plans, and allowing states to request a reduction in the amount of risk adjustment transfers calculated under the federal state payment transfer formula. Together, these actions gave issuers the ability to produce more affordable products and created a more stable, predictable environment in the individual market.

Technology Improvements and Data

While the early years of the Exchanges were marred by technical glitches and extended outages, CMS took important actions to improve operational effectiveness and stability for HealthCare.gov, both improving consumer experience and saving money. For example, CMS moved its Exchange operations to the cloud in 2019, which has not only created a much more stable environment but has also enabled the rapid upsizing of Exchange capacity during high-demand periods to avoid crashes and downtime. Migrating to the cloud and implementing other operational efficiencies has allowed CMS to trim nearly \$100 million per year in operational costs over the last three years and pass those savings on in the form of lower Exchange user fees, which could ultimately be passed on to consumers through lower premiums.

⁴ Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2019; Notice Requirement for Non-Federal Governmental Plans. (April 2018). Accessible at: <https://www.govinfo.gov/content/pkg/FR-2018-04-17/pdf/2018-07355.pdf>

⁵ Patient Protection and Affordable Care Act; Market Stabilization. (April 2017). Accessible at: <https://www.govinfo.gov/content/pkg/FR-2017-04-18/pdf/2017-07712.pdf>.

Increased State Flexibility

In addition to engaging with health insurers to re-enter the Exchanges, the Administration is also committed to increasing state flexibility to improve the Exchanges. In addition to returning oversight authority to states in key areas like determining network adequacy, CMS encouraged states to seek section 1332 State Relief & Empowerment Waivers to strengthen insurance markets. In October 2018, CMS and the Department of the Treasury released updated guidance to enable states to seek innovative ways to develop more effective approaches to increase coverage choice and affordability through the use of section 1332 waivers.⁶ To date, CMS and the Department of the Treasury have approved fifteen section 1332 State Relief & Empowerment waivers. Among other things, these waivers have allowed states to implement their own state-based reinsurance programs, which have significantly reduced individual market premiums in waiver states and acted as an additional driver of increased issuer participation. For the 2020 plan year, statewide average premium reductions due to the impact of section 1332 waiver reinsurance programs ranged from approximately 4 percent in Rhode Island to 37 percent in Alaska.

Enhanced Direct Enrollment (EDE)

CMS rolled out the Enhanced Direct Enrollment (EDE) pathway for the 2019 Open Enrollment Period, allowing private partners to offer more innovative, intuitive shopping experiences for consumers by allowing them to apply for and enroll in an Exchange plan directly through an approved QHP issuer or web-broker without the need to be redirected to HealthCare.gov or contact the Exchange Call Center and allowing these private partners to have more ownership over the enrollment experience. In addition to the nine direct enrollment entities that have been approved to use EDE and to host EDE platforms, 30 QHP issuers will be utilizing the EDE pathway for the 2021 OEP.⁷

Issuers are Coming Back to the Exchange

In the 2018 plan year, the number of single-issuer counties remained high, with 50 percent of counties remaining “single-issuer,” meaning that consumers only had one insurer’s plans to choose from on the Exchange. Rural counties were hit particularly hard—55 percent of rural counties only had one issuer compared to only 37 percent of metro counties. But in plan years 2019 and 2020, new issuers entered the Exchange, existing issuers began to expand into service areas they had abandoned in prior years, and issuers that had previously exited the Exchanges altogether began to return.

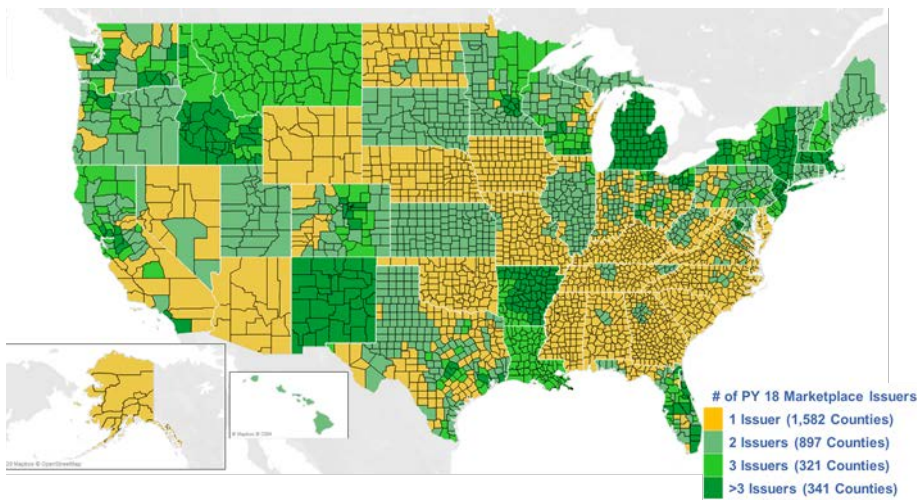
Increased issuer participation resulted in a 52 percent decrease in single-issuer counties by plan year 2020, so that the number of single-issuer counties was lower than in plan year 2017. Seventy-five percent of counties now have competition among two or more issuers, creating increased consumer choice in the last two years; increased issuer competition has created downward pressure on premiums.

As the two U.S. county maps illustrate below, from plan year (PY) 2018 to PY 2020, the Exchanges have seen a dramatic increase in issuer participation, resulting in a significant decrease in single-issuer counties.

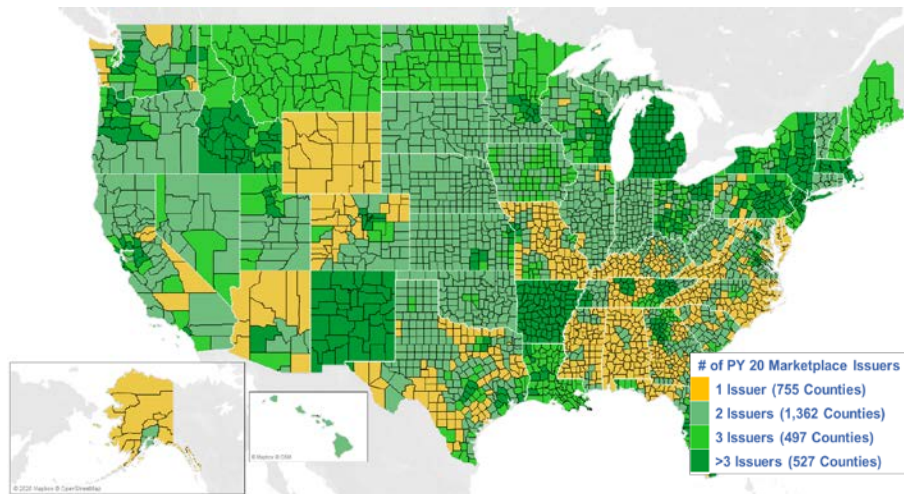
⁶ Department of the Treasury 31 CFR Part 33 Department of Health and Human Services 45 CFR Part 155 State Relief and Empowerment Waivers. Last accessed 8/17/20 at URL: <https://www.govinfo.gov/content/pkg/FR-2018-10-24/pdf/2018-23182.pdf>.

⁷ See CCIIO memo on the role of Agent and Brokers in the Marketplaces here: [insert live URL when available]

2018 Plan Year Health Insurance Exchange Coverage Map



2020 Plan Year Health Insurance Exchange Coverage Map



Demonstrated Success

As a result of these and other decisive actions by the Trump Administration, the Exchanges are showing signs of stability, improved competition and consumer choice, and declining premiums on average for the 2020 plan year. While significant challenges with the Patient Protection and Affordable Care Act remain, including addressing the significant affordability problem for people who do not qualify for federal subsidies, the 2020 Exchanges demonstrate an increasingly competitive market with more than 75 percent of U.S. counties having at least two QHP issuers offering coverage. On average, in 2020,

From 2019 to 2020, Oklahoma saw a 14 percent decrease in average premiums, and Tennessee saw a 7 percent decrease in average premiums.

In Iowa, 60% of enrollees had access to 3 or more QHP issuers for 2020 – a stark contrast to 2017 when only 1 issuer was available statewide premiums.

enrollees using the HealthCare.gov platform had access to between three and four issuers and 38 QHP plan options (up from two to three issuers and 25 QHP plan options in 2018). While rural counties generally have fewer issuers present, there are increases in consumer choice in rural counties as well. On average, enrollees in rural counties had access to two to three issuer choices (up from one to two in 2018). Premiums, on average, continue to decline with state-level aggregate QHP premium decreases in more than half of states for 2020. These positive developments are the direct result of the Trump Administration’s actions to increase competition and affordability for consumers.

QHP Issuer Availability, Plan Years 2017-2020*

	PY 17	PY 18	PY 19	PY 20	PY 18 - PY 20 Change (%)
Number of QHP Issuers	167	132	155	175	33%
QHP Issuers Available to Enrollees					
Average Number	2.9	2.5	2.8	3.5	40%
% of Enrollees with 1 Issuer Available	21%	29%	20%	12%	-59%
% of Enrollees with 2 Issuers Available	23%	26%	22%	21%	-19%
% of Enrollees with 3+ Issuers Available	56%	44%	58%	68%	55%

*Includes issuer participation only in states with Exchanges using the HealthCare.gov enrollment and eligibility Platform.

Looking Ahead

As the Exchanges continue to mature, CMS is excited about the future of the market and the number of choices consumers will have when shopping for coverage. Looking toward the 2021 plan year, the number of single issuer counties in HealthCare.gov states has dropped by 60 percent, to only 9 percent of counties, illustrating a continued trend of fewer single-issuer counties and increased choice for consumers.⁸ In addition, health insurance companies such as Oscar (Mulberry Health Inc.) and UnitedHealth have expanded their presence in the Exchanges for 2021. CMS remains committed to continuing its work with states and QHP issuers to remove barriers to healthy market competition and lower premiums for consumers.

⁸ Plan Year 2021 Qualified Health Plan Choice and Premiums in HealthCare.gov States. October 19, 2020. Available at: <https://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/2021QHPPremiumsChoiceReport.pdf>