Insight

ACA's Multi-State Program Not Garnering Competition

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The multi-state plan program designed by the Affordable Care Act (ACA) to garner competition amongst insurers is not working out as intended. The ACA established a program where two new insurance options are introduced to the marketplaces in multiple states, with at least one being a non-profit health insurance provider, in order to drive down costs on the exchanges. However, this program does not seem to be functioning as designed.

The main issue with the program appears to be that only large insurance providers who already offer nation-wide coverage are able or willing to offer insurance in the multi-state program. This means that there is little incentive for these large firms to provide lower cost options as they are already selling insurance in individual state markets anyway. Politico reports: "So far, only Blue Cross Blue Shield has publicly declared that it will offer multistate plans. But the Blues already provide coverage in all 50 states, and the early indications are that their multistate plans will basically be clones of the standard plans they'll be selling anyway in any given state. That means consumers won't really be getting anything new." And thus, there won't be an alternative option fostering competition and driving costs down.

Only five states have said that they would offer a multi-state plan on their exchanges next year, and of those five – only one (Maryland) features a plan that is not currently a national provider. This is far short of the Federal Government's goal of providing a multi-state option in 31 states in the first year of the ACA's enactment.

The inclusion of multi-state plans occurred to give consumers in the exchanges at least one out of state insurance option which would likely drive down the costs of other plans on the market. But with only nationwide providers providing out of state plans, there will likely be little price difference for consumers. This coupled with the fact that Co-Ops are no longer being made available and that basic health plans won't be accessible until 2015 means that there will be fewer options to drive down costs.