



Insight

A Preliminary Assessment of the Cost of Health Insurance in 2016

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2016 Benchmark Premiums

As of November 1, open enrollment has officially begun, and with it, a lot of chatter about how the cost of health insurance has increased in 2016. When it comes to the cost of health insurance, premiums get the most attention as they are the most convenient tool for comparing and contrasting the cost of insurance from year to year. This paper aims to consider what is already known about the 2016 individual marketplace, and what it might mean for the landscape of the health insurance marketplace moving forward.

Early last week, the Centers for Medicare and Medicaid Services (CMS) released a report on the cost increases in all 37 states that used the HealthCare.gov platform.^[1] The report focused specifically on the premium of the benchmark plan (or the second lowest cost Silver plan) in each of those states. CMS found the cost for health insurance will increase by 7.5 percent on average across the 37 states. There are a few things to keep in mind when looking at these numbers.

Averages Mask Variation

There is significant variation in cost growth from state to state. While there are some merits of measuring the growth of insurance costs through a national average, it would be foolish to judge cost increases using only this number because the states' marketplaces are independent of each other. Of the states examined, Oklahoma, Alaska, and Montana saw the highest increases with each state seeing benchmark premium increases of over 31 percent, while Indiana, Mississippi, Maine, and Ohio all saw decreases in average premiums. The Indiana insurance market will see the most significant decreases in premiums with a 12.6 percent decrease followed by Mississippi at 8.2 percent and Maine at 1.2 percent. There can even be significant variation in premium costs between regions in a state. The country is broken up into 501 different rating areas. Within each state, each rating area can have a different price for each plan.

Benchmark Plan Changes

There were many rating areas where the benchmark Silver plan in 2015 was different than that of 2014. It is likely that this will also be the case in 2016. There are various reasons for this turnover in benchmark plans. In many cases, another plan bids lower than the benchmark from the previous year and gains benchmark status for the current year. Also in 2015, the benchmark from the previous year was not even offered in certain rating areas. This happened in roughly 14 percent of all rating areas in 2015.^[2]

This turnover in plans creates difficulties not only for those analyzing cost increases, but also for consumers. Insurance subsidies are set as a percentage of the benchmark plan in each rating area for those eligible. Many people that used these subsidies to enroll in benchmark plans for insurance in 2015 will need to enroll in a new plan in 2016 to avoid potentially significant spikes in premiums and reductions in cost-sharing due to the plan's loss of benchmark status. This may mean they are forced to choose a different doctor as provider networks

change with the plans.

Non-Benchmark Plans

Cost assessments that only include the premium of the benchmark plan are incomplete. Although benchmark Silver plans boast the highest enrollment numbers in the marketplace, they only enroll about 11 percent of all consumers. Benchmark silver plans also have the highest enrollment because of the cost sharing reductions (CSR) these plans provide for those who are eligible. Non-benchmark Silver plans enrolled about 59 percent and Bronze plans enrolled roughly 20 percent of all individual market consumers in 2015.[3] As health insurance costs in the individual market rise and people ineligible for CSRs begin to look at cheaper options, it is important to understand what premiums are doing in these two categories. One report stated that Bronze plans are set to increase by 12.7 percent on average in the major metro areas in 37 different states.[4] This number provides some insight, and suggests a more thorough examination of non-benchmark plans is needed.

Averages Still Won't Tell the Story

Though we are entering the third year under the exchange structure of the Affordable Care Act (ACA), there is still much uncertainty surrounding the health insurance marketplace as it settles. There is ongoing volatility evidenced by insurers leaving some exchanges, and failures among the consumer operated and oriented plans (co-ops)—11 of the 23 co-ops established by the ACA have collapsed thus far. From rating area to rating area, premiums are rising and falling as new plans are being introduced and old plans are being removed from the market. Although the data released on the 37 states by CMS is helpful, it is important to keep in mind that all of these factors affect the cost of health insurance in ways that a single average of premium changes cannot fully capture.

[1] https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheets-items/2015-10-26-2.html#_ftn2