

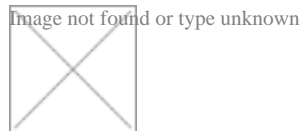


## Weekly Checkup

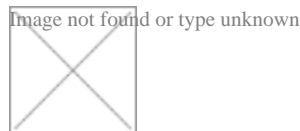
# Room for More Competition in the Marketplace

CONOR RYAN | JUNE 19, 2014

Competition is good. The adage has been a mantra for free market economists, antitrust lawsuits, and now, the Health Insurance Marketplace. A recent report from the Department of Health and Human Services (HHS) touts competition in the Marketplace and shows that higher competition can lead to lower premiums.<sup>[1]</sup> In the chart below, each point represents a single rating area, and the benchmark silver plan premium is plotted with respect to the number of competitors. The red trend line in the graph demonstrates the point made by HHS: rating areas with many competitors generally have lower premiums.



However, the report does not attempt to draw any conclusions on whether the Marketplace is fostering or discouraging competition. A working paper from Jonathon Gruber, published by the National Bureau of Economic Research, estimates that the decision by large insurers not to participate in federal exchanges lead to an average increase in benchmark silver plan premiums of 5.4 percent.<sup>[2]</sup> The regulatory burden and uncertainty of the new Marketplaces made some insurance companies hesitant to participate in 2014. Moving forward, fostering competition and new entrants in the Marketplace should be a priority. As shown in the chart below, the majority of rating areas have 3 competitors or less; there remains plenty of room for improvement.



### Source:

Breakaway Policy Strategies, *HIX Compare Dataset*, 2014, available at: <http://www.rwjf.org/en/research-publications/find-rwjf-research/2014/03/breakaway-policy-dataset.html>.

<sup>[1]</sup> Burke, Amy et al, *Premium Affordability, Competition, and Choice In The Health Insurance Marketplace*, ASPE Research Brief, Department of Health and Human Services, June 18, 2014, available at: <http://aspe.hhs.gov/health/reports/2014/Premiums/2014MktPlacePremBrf.pdf>