The state of individual insurance exchanges?

Although it may be premature to perform last rites on insurance exchanges created under the Affordable Care Act (ACA), it's fair to say that they are on life support in many states.

“We continue to see a decline in issuer participation in the health insurance exchanges, leaving consumers with fewer and fewer insurance options,” Seema Verma, administrator of the federal Centers for Medicare & Medicaid Services, said in a report issued in late July. “I am deeply concerned about the crisis situation facing the individual market in many states across the nation.”

The agency projects that residents of 49 counties will have no options to choose from when they try to enroll in a plan through an exchange for 2018. Another 2.4 million exchange participants in 1,300 counties may have only one carrier option next year, according to the report (see chart below).

The Heritage Foundation, a conservative think-tank in Washington, D.C., says the reduction in the number of carriers continues a pattern that started with the inception of the ACA:

“One of the stated aims of the ACA was to increase competition among health insurance companies. That goal has not been realized, and by several different measures, the ACA's exchanges offer less competition and choice in 2017 than ever before. Now in the fourth year of operation, the exchanges continue to be far less competitive than the individual health insurance market was before the ACA's implementation. Moreover, insurer participation in the law's government-run exchanges has declined over the past two years and is now at the lowest level yet. This lack of insurer participation leaves exchange customers in 70 percent of U.S. counties with no insurer choice, or a choice between merely two insurers.”

Clouded crystal ball

Trying to project the fate of the exchanges in 2018 and beyond is like peering into a kaleidoscope. The picture can change as quickly as it comes into focus. Republicans ran in 2016 on a platform of repealing and replacing the ACA. When all was said and done, however, much more was said than done.

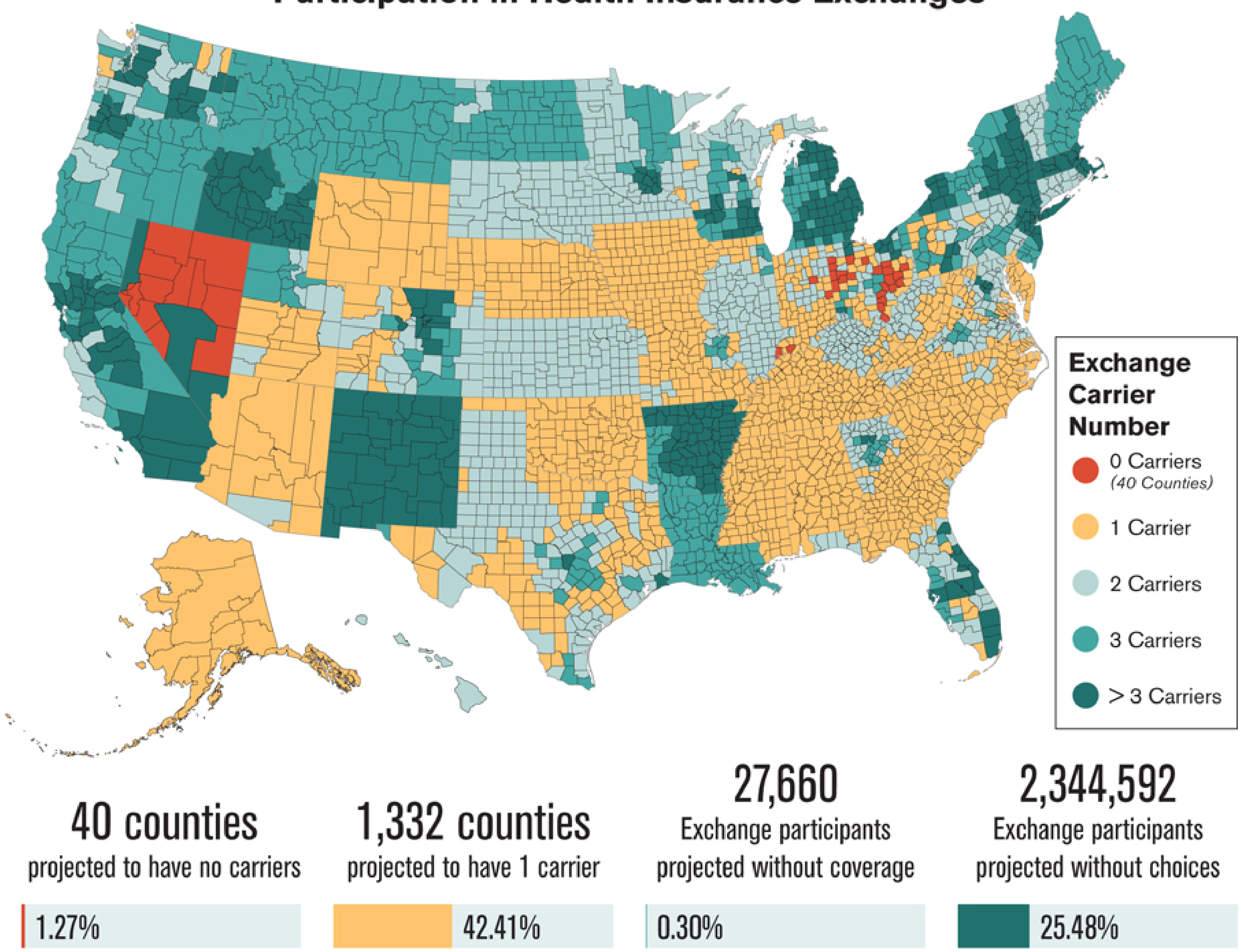
In late July, the Senate voted against what was termed the “skinny repeal.” This bill would have permanently ended the individual coverage mandate and its employer mandate for eight years. It also would have given states flexibility to opt out of some Obamacare regulations, repealed the medical device tax for three years and allowed more pre-tax money to pay for health savings accounts.

Now what? Many states face a situation similar where they have one carrier, Blue Cross Blue Shield.

The problems plaguing exchange plans are two-pronged. Along with a number of carriers pulling out, the ones that remain have filed for significant premium increases. The insurance companies have lost millions of dollars in the past several years, mainly because they are attracting less-than-healthy people. Young, healthy people are not buying into it and instead are opting not to buy coverage or buy short-term type products.

Although short-term medical plans exclude pre-existing conditions and don't meet the ACA requirements, they are popular options. Some healthy consumers find that the combined cost of these policies and the fine for not buying insurance under the ACA is still less than the price of approved plans offered on the exchanges.

County by County Analysis of Current Projected Insurer Participation in Health Insurance Exchanges



eHealth, a national online exchange in Mountain View, California, estimates that 2018 rate increases will make health insurance unaffordable for 29 percent of individuals and 54 percent of families who purchased insurance on exchanges this year. (The ACA considers a plan unaffordable if the lowest-cost plan available costs more than 8.13 percent of the insured's adjusted gross income.)

Researchers arrived at these percentages based on estimates by Oliver Wyman Health, which projects rate increases ranging from 28 percent to 40 percent next year.

“What we’re seeing now in Obamacare is death-spiral pricing, and in many states, only the heavily subsidized will be able to afford coverage in 2018,” says Scott Flanders, CEO of eHealth. “Obamacare made real improvements in the individual health insurance market by increasing access to health care for millions of Americans, but it has proven to be a deeply flawed piece of legislation that needs to be repaired or replaced in order to help people stay covered.”

At this point, we can plan for the status quo in 2018 instead of any major changes to the ACA. The absolute earliest anything could change in the individual market is 2019. We are too far gone now. Carriers have already had to file rates, which would make change impossible for 2018. In North Texas, we expect BCBS and Scott & White to continue to offer HMO plans, but we will not see the 2018 plans and rates before Nov. 1.