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What worked and what didn't in Obamacare exchange? Study might offer lessons for Congress

By Daniel Chang

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Health insurance companies sorely underestimated the costs of covering Florida's newly insured on the Affordable Care Act's exchange at healthcare.gov, leading to fewer choices and higher premiums for many consumers, according to a new study by a Florida State University professor released Thursday.

But the study, part of a broader analysis of competition on ACA exchanges in five states, found that the financial success of insurance companies depended on more than just the cost of caring for the newly insured.

Local factors, such as the number of hospitals and doctors in a region, also were key because they affected insurers' ability to build adequate provider networks and negotiate discounts for care, which would lower premiums for consumers.

Additionally, Florida's refusal to expand Medicaid coverage to nearly all low-income adults, as provided for under the ACA, likely contributed to higher costs and fewer choices, according to the study.

These and other findings from the research, which was sponsored by the Brookings Institution and the Rockefeller Institute of Government, should serve as lessons for Congress as members consider dismantling the health law better known as Obamacare, said Alice Rivlin of the Brookings Institution.

For starters, Rivlin said, the importance of local markets for insurers demonstrates that one popular proposal in Washington — selling insurance across state lines — likely would have little effect on quality or affordability.

"It's likely that it wouldn't make much difference," she said, "because the insurer, to insure you in Miami-Dade, has got to have a good network in Miami-Dade, and a New York-based insurance company doesn't have that. And they would have trouble moving in and creating it, and even if they did it might not be so different from what's already available."

Another finding of the study was that narrow networks, or plans that provide consumers with fewer choices of doctors and hospitals, are likely here to stay because they give insurance companies the ability to negotiate lower prices and might even discourage sicker consumers from enrolling.

Rivlin said narrow networks — which often are cheaper for consumers — pose a problem for members of Congress trying to create a replacement health law.

"They've complained that this isn't very good insurance," she said, "because the networks are so narrow and you may not have access to the hospital of your choice, which is true. But it's hard to know how to fix it. So, if you're in the business of fixing it, it's not clear what you want to do, especially since the objective is to keep the cost down."

The Florida study, written by Patricia Born, an FSU professor of insurance economics, also found that despite the state's adversarial relationship with the law — Florida adopted legislation restricting the operations of federally funded enrollment counselors known as navigators and refused federal funds to establish its own insurance exchange — more than 1.7 million people signed up for coverage on the ACA exchange for 2016.

For 2017, Florida once again enrolled about 1.7 million people, more than any of the other 38 states using healthcare.gov, with the Miami-Fort Lauderdale market leading all regions with an estimated 635,000 enrollments.

"Despite having an oppositional state to the Affordable Care Act in the first place, and defaulting to the federal exchange, we had really good success in Florida because we really had the need," said Born, whose report noted that the state's uninsured rate dropped from about 20 percent in 2013, the year before the ACA exchange launched, to about 15 percent in 2015.

She attributed Florida's success enrolling eligible consumers to the work of navigators and local partnerships.

But Born also pointed out the need for some consumers to stop "gaming" the system by signing up during open enrollment and then dropping their plans after receiving needed care — particularly during the 90-day grace period that insurers must give to consumers if they stop paying premiums.

"Insurance companies have a hard time anticipating that behavior and therefore they're losing a significant amount of money on people who are doing that," she said. "We have to find an incentive for people to keep insurance for the whole year. But that would have to be something everyone would have to agree with."