Panel Examines What Works, What Doesn't in ACA Marketplaces

By Michael Laff
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Washington, D.C. – The Patient Protection and Affordable Care Act (ACA) scored success in terms of reducing the number of uninsured patients, yet a broader range of plan options and greater incentives for insurers to stay in state marketplaces are needed to bolster competition, according to health analysts who spoke at a recent Brookings Institution event(www.brookings.edu).

The panel discussion was based on studies of marketplaces(www.brookings.edu) in Texas, Florida, North Carolina, California and Michigan. The states were chosen based on their geographic, political and population diversity. The group included states that expanded Medicaid, as well as states that did not.

The panelists agreed that among the elements of the ACA that should be dropped was the requirement for companies with at least 50 full-time equivalent employees to make health insurance available. They also said more incentives are needed to encourage both sick and healthy individuals to enroll in plans and to discourage people from dropping coverage after they receive care.

Another fix they suggested involves the risk-adjustment calculation that enables insurers to continually absorb a high percentage of sicker patients who previously were not covered. Insurers are prohibited from charging higher premiums for sicker individuals.

"The individual market is going to be sicker than the employer market because many of those people are too sick to work," said Cynthia Cox, M.P.H., associate director for the Program for the Study of Health Reform and Private Insurance at the Kaiser Family Foundation in Washington. "Their health costs are high. A lot of subsidies will be needed for insurers."

Other needed fixes have more to do with the country's changing demographics and unanticipated market factors.

"The ACA seems to work in urban areas where there is no consolidation of providers," said moderator Thomas Gais, Ph.D., director of the Rockefeller Institute of Government at the State University of New York in Albany. "What can be done to make them work in smaller markets?"

Michael Morrisey, Ph.D., a professor of health policy at the Texas A&M University School of Public Health in College Station, said consolidation in health care, which limits insurance competition, is difficult to stop in rural areas where medical facilities are limited. But he noted that if North Carolina, Florida, and Texas had expanded Medicaid, they could have ensured coverage for individuals with chronic conditions whose incomes were too high to qualify for Medicaid.

Mark Hall, J.D., director of the health law and policy program at Wake Forest University School of Law in Winston-Salem, N.C., said that some North Carolina residents who were previously opposed to the idea of a federally managed insurance plan came to think it might

be a viable solution given limited competition in the state.

Blue Cross dominated the North Carolina market with an 85 percent share when the exchanges began, before dropping to 65 percent with the entry of two competitors. But premiums there are among the highest in the nation, and 90 percent of enrollees in the exchanges are eligible for premium subsidies. Premiums in the state remain high because of health system consolidation and the small number of health care providers in rural areas, according to the North Carolina study(www.brookings.edu).

Michigan, on the other hand, could be considered a model for insurance competition and consumer choice. The state study(www.brookings.edu) said the level of competition may be partly due to Michigan's strong history of local and regional JMOs. Although the number of insurers participating in the state exchange dropped from 13 in 2014 to 10 today, the number of available plans has risen from 67 to 167. Two of the insurers that withdrew were large, but they did not have significant market share, according to Marianne Udow-Phillips, M.H.S.A., executive director of the Center for Healthcare Research & Transformation at the University of Michigan in Ann Arbor.

One cause for concern nationwide is that most insurers are reducing their plan offerings and are creating narrow networks to reduce costs. For example, Texas residents can no longer purchase a PPO plan on the state's insurance exchange, although Medicaid managed care plans reported high success in the state.

Cox said one of the achievements of the ACA was its elimination of coverage restrictions, noting that insurance companies now compete based on price even while covering people who have pre-existing conditions.

Also of note, said Cox, was the fact that although premiums have risen, prices were 20 percent lower in 2014 than the Congressional Budget Office had projected, so these increases should be interpreted as a market correction.

"It gave the appearance of instability, but that is what they should have been from the beginning," Cox said.

None of the panelists advocated repeal of the ACA.

"If you want to make the ACA work, it will work," said Micah Weinberg, Ph.D., president of the Bay Area Council Economic Institute.