



**BlueCross
BlueShield**
Association

**THE HEALTH
OF AMERICA**
R E P O R T

The Evolving Affordable Care Act Marketplaces

The 2015 to 2016 Transition

JANUARY 2016

INTRODUCTION

With the Affordable Care Act (ACA) now in its third open enrollment period, insurance carriers are applying more data – including the actual health care costs of newly-enrolled members – to design offerings that meet the needs of consumers and manage risk for health insurers in this new market. The marketplaces continue to demonstrate that this is a time of transition.

To gain both a national and local picture of how competition and product offerings on the ACA marketplaces have changed in 2016, the Blue Cross Blue Shield Association (BCBSA) compiled and analyzed a county-level database of every individual market health insurance carrier and product sold across the country. Blue Cross and Blue Shield (BCBS) companies participate extensively in the ACA marketplaces, with more members than any other insurance carrier and more extensive geographic coverage.

The analysis includes the findings below:

- **Continued wide range of insurance carriers and product choices:** Although some smaller carriers are no longer offering coverage, choices for consumers are relatively unchanged. On average, consumers in urban markets have 44 product choices in 2016, down slightly from 50 choices in 2015. Rural markets saw a somewhat smaller decline; consumers in those markets have 32 products to choose from, on average – four fewer than they saw in 2015.
- **Carrier offerings are evolving¹ :** Insurers are offering more product choices with networks and benefits designed to offer options to consumers who are seeking lower out-of-pocket costs. The share of HMO and EPO products offered in the marketplaces increased from 41 percent in 2015 to 52 percent in 2016. In addition, in 2015 the lowest-cost silver product² in 47 percent of all counties was an HMO product. In 2016, that figure increased to 58 percent. Insurers are also offering varying benefit designs, such as plans that couple a high deductible with two to five primary care physician office visits before the deductible is met.
- **Markets are showing less variation in price:** With more data and greater experience in this new market, insurers are able to price their products more accurately. In 2014, 53 percent of counties had lowest-cost silver plans priced more than 10 percent lower than the next lowest-cost competitor's option. In 2016, that number dropped to 38 percent of counties.

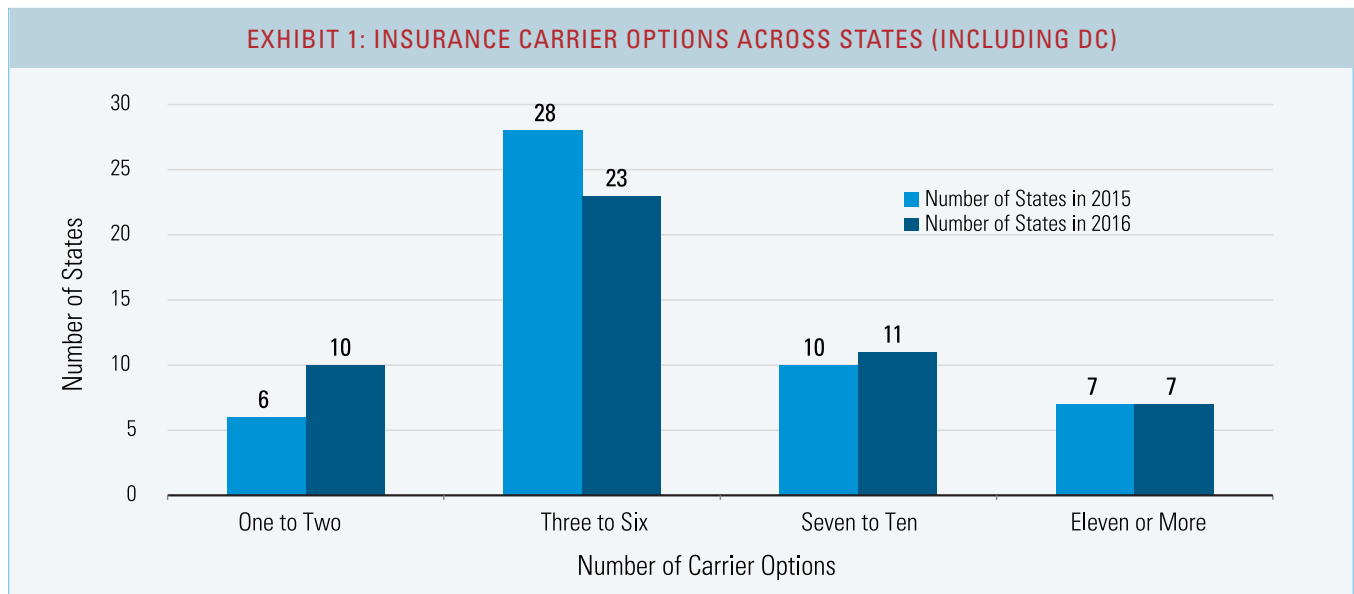
1 EPO stands for Exclusive Provider Organization and is a health insurance product in which a primary care provider is not necessary, but in which health care providers must be seen within a predetermined network.

2 The ACA defines four types of health insurance products for individuals and families. The four types of products, ranked from highest out-of-pocket costs for consumers to lowest, are: Bronze, Silver, Gold, and Platinum. All of these products will offer the same minimum of benefits determined by the federal and state government. Silver Products have lower out-of-pocket costs than Bronze Products but higher out-of-pocket costs than both Gold and Platinum Products.

CONTINUED WIDE RANGE OF INSURANCE CARRIERS AND PRODUCT CHOICES

Most states have at least three health insurance carriers offering product options to consumers, similar to 2015, as identified in Exhibit 1 below. (See the Appendix for a map with the number of insurance carriers in each state.)

Not all carriers operate statewide in every county and rating area. For example, only seven states have a consistent number of insurance companies and products available across all counties within every rating area in the state.³ As the market evolves insurance carrier participation within and across states will continue to change.



Urban counties have a greater number of insurance carriers and product options available compared to rural counties per Exhibit 2 below.

EXHIBIT 2: CARRIER AND PRODUCT OPTIONS ACROSS RURAL AND URBAN COUNTIES

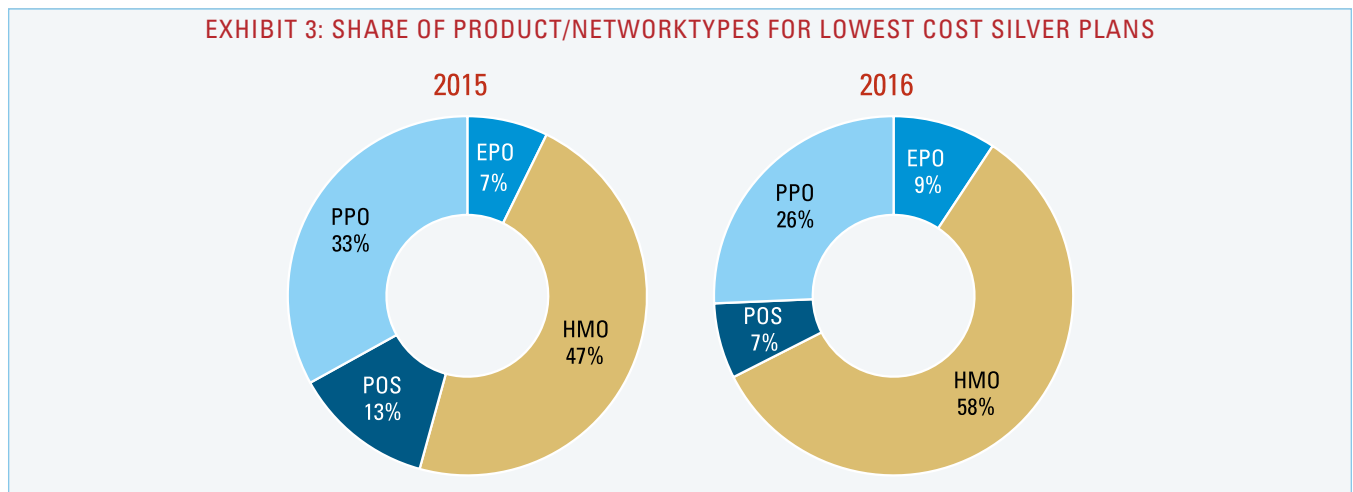
	2015	2016
URBAN		
Average Number of Carriers	4.1	3.8
Average Number of Products	50	44
RURAL		
Average Number of Carriers	3.0	2.9
Average Number of Products	36	32

³ States where all rating regions have a consistent number of carriers and products in every county they encompass are: AK, CT, DC, DE, FL, HI, and SC. Note, both FL and SC have a different rating region for each county, so by default all rating regions would have to contain a consistent number of carriers and products

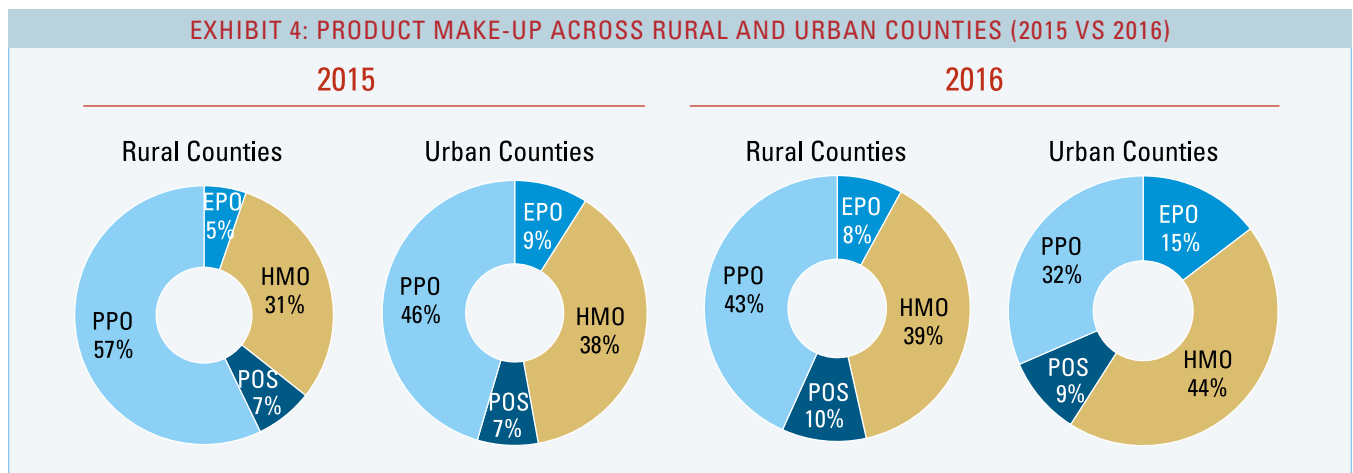
CARRIER OFFERINGS ARE EVOLVING

Beyond the changes in the number of carriers and choice of products offered on the marketplaces, the types of products offered also are changing. Insurance carriers are offering more moderately-priced products. Many of these emerging and more affordable products are HMOs or EPOs. In fact, the share of HMO and EPO products offered on the exchange increased from 41 percent in 2015 to 52 percent in 2016. Those changes reflect the challenge of serving many members with previously unmet, ongoing health care needs by providing greater care coordination and cost-effective choices that enable consumers to have lower out-of-pocket costs.

As seen in Exhibit 3, the lowest-cost silver product available in a given market in 2016 is far more likely to be an HMO compared to 2015. In 2015, the lowest-cost silver product in 47 percent of all counties in the U.S. was an HMO product. In 2016, that figure increased to 58 percent. Although consumer demand appears to be gradually shifting in the direction of moderately-priced HMO and EPO options, insurers continue to make available and sell policies that vary widely in terms of benefits, network design, and cost-sharing. For example, platinum products (covers about 90 percent of allowable costs) are available in 2016 in 30 states. In addition, plans that enable consumers to see a primary care physician for two to five visits prior to having to meet the deductible are available in 24 states.



As seen in Exhibit 4 below, urban counties are more likely to have HMO and EPO products than rural counties.



MARKETS ARE SHOWING LESS VARIATION IN PRICE

With more data and greater experience with customers in this new market, insurance companies are able to price their products more accurately. In 2014, in 53 percent of counties, the lowest-cost silver product was priced more than 10 percent lower than the next lowest-cost competitor's silver product. This variation is emblematic of the challenges insurers faced in trying to price products without actual experience in paying for the medical care provided to consumers in this market. Over time, many of those very low- and very high-priced products have been taken off the marketplace. In 2016, the share of counties with products priced more than 10 percent lower than the next lowest-cost competitor's silver product dropped to 38 percent – demonstrating the advantages of data and experience.

CONCLUSION

The Blue Cross Blue Shield Association used public information to get a national picture of the Affordable Care Act marketplaces for 2015 and 2016, to see how they are evolving for shoppers across the nation. Currently, BCBS companies serve millions of members through exchanges in 46 states and the District of Columbia, with coverage in 89 percent of counties in both urban and rural areas. In addition to offering products on the marketplaces, all BCBS companies sell individual and group health insurance products throughout the country.

The choices in products have changed somewhat over time, as health insurance carriers have responded to the demands of the market with a better understanding of the needs of this new group of consumers. In 2016, the number of coverage options available for a typical consumer is about the same as it was in 2015. However, carriers are offering more cost-effective choices for consumers seeking lower out-of-pocket costs. Finally, with growing experience, insurance carriers are able to more accurately price their offerings, resulting in less variation in premiums for products within the same metal level.

APPENDIX

EXHIBIT 5: NUMBER OF CARRIER OPTIONS BY STATE

