

# Marketplace models and premiums: Evidence from the first open enrollment period

Kelly Krinn, University of Minnesota

Pinar Karaca-Mandic, University of Minnesota and NBER

Lynn Blewett, University of Minnesota



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# Hallmark of ACA

- The Affordable Care Act (ACA) of 2010 included many provisions to make health insurance coverage more accessible and more affordable
- ACA health insurance marketplaces enrolled over 8 million individuals during the first open enrollment period



# Marketplace Models

- Significant variation in state decisions regarding the design and implementation of states' marketplace
- **Exchange Governance**
- **Plan Management Strategy**
- **Plan Management Authority**



# Governance

- State-Based
  - Manage the marketplace
  - Online portal for consumers
  - Raising revenue to fund the marketplace
  - Encourage enrollment through marketing/consumer assistance
- State-Federal Partnership
- Federally Facilitated



# Plan Management Strategy

- State-Based Marketplace
  - Clearinghouse model (SBM-C)
    - All health plans that meet the published criteria are accepted to the Marketplace
  - Active purchaser (SBM-A)
    - States can directly negotiate premiums, provider networks, number and benefits of plans; and can contract with a select group of health plans
- Partnership Marketplaces and Federally Facilitated Marketplaces all had the clearinghouse model

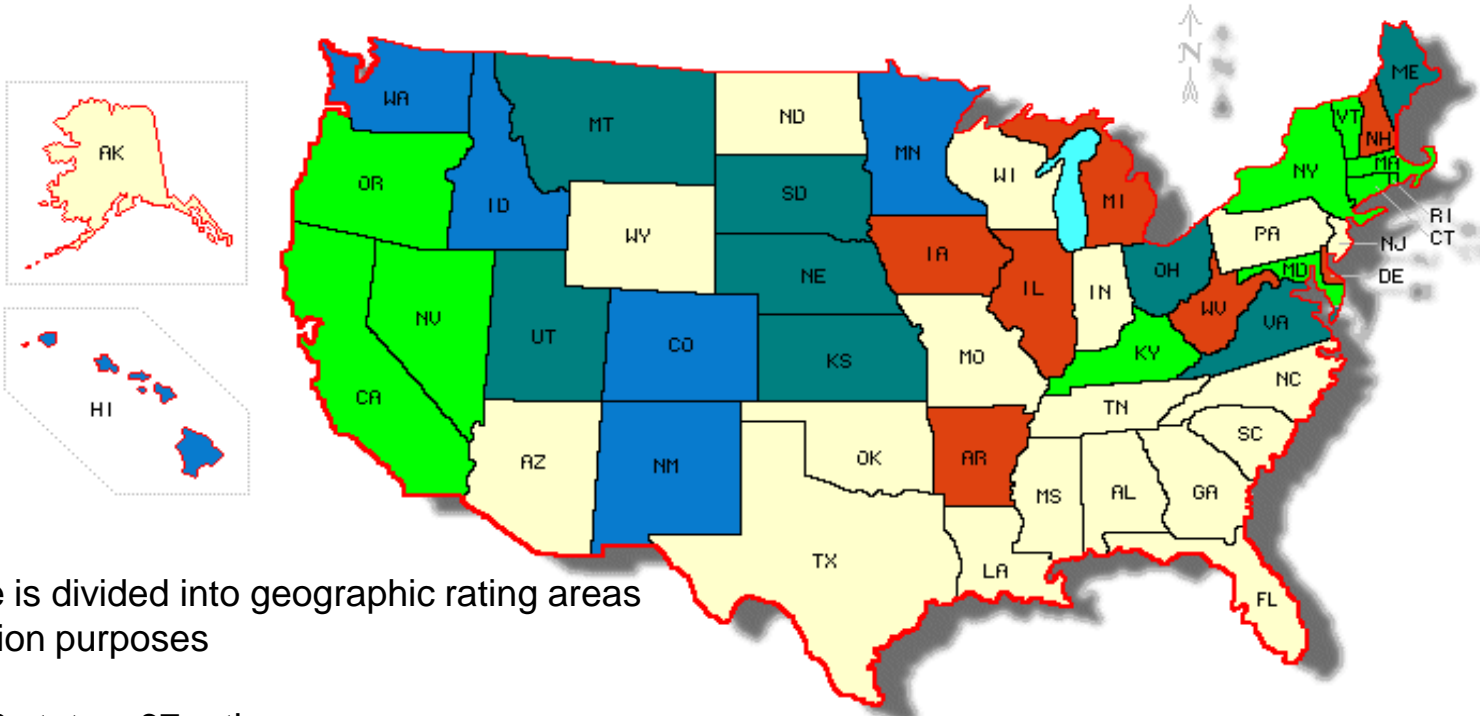


# Plan Management Authority

- In state-based marketplaces (SBMs) and in state-federal partnership marketplaces (SPM), state has the plan management authority
  - For example on approving qualified plans and being proactive in contracting with plans in regard to quality targets and premium rates
- In federally facilitated marketplaces
  - State conducts plan management (FFMS)
  - Federal government conducts plan management (FFM)



- - SBM-A
- - SBM-C
- - SPM
- - FFMS
- - FFM



Each state is divided into geographic rating areas for regulation purposes

SBM-A: 10 states; 67 rating areas

SBM-C: 7 states; 39 rating areas

SPM : 7 states; 56 rating areas

FFMS : 8 states; 58 rating areas

FFM : 19 states; 281 rating areas

Source: diymaps.net (c)



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# Important questions

- Did plan premiums vary across state-based, partnership, federally facilitated governance models?
- Did premiums in state-based marketplaces with active purchaser models (SBM-A) differ from those with clearinghouse models (SBM-C)?
- Did premiums in federally facilitated marketplaces with states performing plan management (FFMS) differ others with federal plan management authority (FFM)?





# Our study

- First look at marketplace implementation and assesses the premium differences across different marketplace models
  - Stratified analysis by plan type (bronze, lowest silver, second lowest silver and gold), and
  - Controlled for a rich set of plan characteristics and rating-area characteristics



# Dependent variable: Premiums

- State marketplace websites and U.S. HHS website
  - By rating area: premiums and plan information for
    - Lowest cost bronze, lowest cost silver, lowest cost gold and second lowest cost silver plans
    - Premiums for a 29 year old non-smoker individual
- Health Insurance Exchange (HIX) Compare dataset
  - By rating area: premiums and plan information for all silver plans
    - Premiums for a 27 year old and a 50 year old non-smoker individual



# Control variables at the rating area level - baseline

- Number of participating insurance companies
- Hospital HHI
- Age-Race/ethnicity composition of population
- Uninsurance rate, unemployment rate, median household income
- Population health: Health status, diabetes, obesity, per-capita medical costs

Sources: Exchange websites, County Health Rankings, Dartmouth Atlas  
Variables collected at the county level, and aggregated to rating area level



# Control variables at the state level - baseline

- Rate review authority: prior approval or not
- Medicaid fee index
- Baseline average premiums
- Whether state recommended an essential health benefit (EHB) benchmark beyond the ACA default
- Whether the state expanded Medicaid under the ACA Medicaid expansion option.

Sources: Kaiser Family Foundation and the National Conference of State Legislatures



# Statistical model

- Analysis 1: examined premiums of lowest cost plans by metal-type (bronze, silver, gold) as well as the second-lowest silver plans in each rating area
  - Unit of analysis: plan type for each rating area
- Analysis 2: examined premiums of all silver plans
  - Unit of analysis: each silver plan in each rating area
- Generalized estimating equations model
  - Log link, gamma distribution
  - Allow for correlation of errors within states
- Key independent variables: marketplace model indicators (SBM-A, SBM-C, SPM, FFMS, FFM)
  - Also control for plan benefit design (copay, deductible, OOP max) and other controls listed earlier



# Selected rating area characteristics by marketplace model

	<b>SBM-A</b>	<b>SBM-C</b>	<b>SPM</b>	<b>FFMS</b>	<b>FFM</b>
Number of insurers participating in the marketplace	5 (2.5)	4.5 (1.4)	4.1 (2.7)	3.9 (1.5)	3.2 (1.8)
% in a state with Medicaid expansion	100 (0)	82.1 (38.9)	98.2 (13.4)	29.3 (45.9)	4.3 (20.3)
% in a state with state recommended EHB	100 (0)	59.0 (49.8)	67.9 (47.1)	37.9 (48.9)	11.7 (32.3)
% obese	25.9 (4.2)	24.9 (4.6)	30.8 (2.8)	29.2 (2.9)	31.0 (4.5)
% diabetes	8.6 (1.5)	7.5 (1.6)	10.1 (1.9)	9.4 (1.6)	10.9 (2.1)
% uninsured	15.3 (5.9)	17.2 (5.3)	15 (3.3)	15.8 (2.7)	20.3 (5.2)

Standard deviations in parentheses



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Standard deviations in parentheses



# Adjusted premiums by metal-type and marketplace model

	Lowest cost bronze		Lowest cost silver		Second lowest cost silver		Lowest cost gold	
	Mean	P	Mean	P	Mean	P	Mean	P
		Diff from SBM-C		Diff from SBM-C		Diff from SBM-C		Diff from SBM-C
SBM-A	\$179.49	0.008	\$225.37	0.006	\$245.27	<0.001	\$266.91	0.007
SBM-C	<b>\$157.53</b>	<b>Ref</b>	<b>\$196.92</b>	<b>Ref</b>	<b>\$205.30</b>	<b>Ref</b>	<b>\$233.96</b>	<b>Ref</b>
SPM	\$182.51	0.004	\$229.87	0.003	\$242.72	0.001	\$272.92	0.003
FFMS	\$185.14	0.003	\$224.02	0.019	\$234.91	0.014	\$268.97	0.012
FFM	\$189.94	<0.001	\$233.16	<0.001	\$241.63	<0.001	\$277.35	<0.001



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# Adjusted premiums of all silver plans by marketplace model

	27 year old		50 year old	
	Mean	P	Mean	P
		Diff from SBM-C		Diff from SBM-C
SBM-A	\$258.25	0.023	<b>395.56</b>	0.56
SBM-C	<b>\$221.64</b>	Ref	<b>380.46</b>	Ref
SPM	\$273.70	0.004	450.24	0.021
FFMS	\$279.63	0.003	473.79	0.005
FFM	\$263.79	0.012	446.62	0.020



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FFM	<b>\$263.79</b>	0.012	<b>446.62</b>	0.020



# Discussion

- First look at ACA marketplace premiums by marketplace model
- SBM with clearinghouse had the lowest premiums
  - Clearinghouse encourages more competition?
  - Maybe too early for active purchaser model to be active
- No statistically significant difference between SPM, FFMS and FFM
- Limited to first year of the marketplaces
- Provide a benchmark going forward





# Thank You



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