With Nongroup Premiums Rising Sharply, Several Proposals to Reduce Premium Growth Have Strong Support

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At a Glance

- In September 2017, nearly one-quarter of adults in the Marketplace target population reported difficulty paying family health insurance premiums in the past year.
- Several proposals to reduce nongroup market premiums have strong support, including provider reimbursement limits, reinsurance funding, and enhanced premium subsidies.
- Within the Marketplace target population, support for these proposals was greatest among adults with Marketplace coverage.
- However, efforts to stabilize premiums may not be enough to offset the impact of repealing the individual mandate.

Recent growth in premiums for Marketplace and other nongroup health plans has accelerated in the wake of significant policy changes and uncertainty. The US Department of Health and Human Services estimated that 2018 premiums for benchmark plans in states using the federally facilitated Marketplace platform (i.e., HealthCare.gov) would increase by an average of 37 percent from the previous year, with several states facing increases above 50 percent (ASPE 2017).[1] The rapid growth in premiums follows earlier rate hikes, despite improvements in the financial performance of insurers selling plans on the nongroup market (Holahan et al. 2017; Semanskee and Levitt 2017). Premium increases stem in part from the administration's decision to eliminate cost-sharing reduction payments; many insurers added a surcharge to their 2018 premiums to offset expected losses from this policy change (Kamal et al. 2017). In addition, premiums are projected to rise further because of the repeal of the individual mandate (CBO 2017b) and may be driven higher if new rules lifting restrictions on short-term health plans and association health plans take effect.

The effects of recent premium changes vary for adults with nongroup coverage, depending on their eligibility for premium tax credits. Because premium tax credits are tied to the cost of the second-lowest-cost silver plan in the enrollee's area of residence, rising gross premiums for silver plans have increased tax credits for people eligible for them, enabling many to avoid a net premium increase for silver plans, pay a lower net premium for a bronze plan, or purchase a more generous gold plan for the same net premium. In contrast, premiums have risen for many adults ineligible for the tax credits. Premium changes vary by state, partly based on how insurers and state regulators responded to the withdrawal of cost-sharing reduction payments.[2]

Federal and state policymakers are currently considering ways to restrain premium growth, even as the repeal of the individual mandate threatens to trigger further premium increases (CBO 2017b). In an effort to stabilize premiums beyond the 2018 plan year, Senators Lamar Alexander (R-TN) and Patty Murray (D-WA) spearheaded a bipartisan compromise bill that would restore cost-sharing reduction payments, expand access to catastrophic plans (described as lower-premium "copper" plans), increase funding for outreach and enrollment assistance, and give states more

flexibility to apply for the ACA's Section 1332 state innovation waivers (which Alaska, Minnesota, and Oregon have used to support reinsurance programs). Yet passage of the Alexander-Murray bill—along with a separate bill cosponsored by Senators Susan Collins (R-ME) and Bill Nelson (D-FL) that would fund state reinsurance programs—became a bargaining chip to secure votes for tax legislation that repealed the individual mandate. Repeal of the mandate is inconsistent with the goals underlying the two bipartisan bills, which have yet to be voted on.

In this brief, we examine premium affordability for the population of adults who will be most affected by recent nongroup premium increases and these adults' support for various proposals to reduce premiums. We find that many adults in the target population for the health insurance Marketplaces struggled to pay premiums in the last year. We also find support for some short-term stabilization measures now under consideration in Congress, as well as for other reforms designed to promote long-term stability.

What We Did

We used data from a sample of approximately 9,500 nonelderly adults who participated in the September 2017 Health Reform Monitoring Survey. Respondents were asked whether they or someone in their family had problems paying or were unable to pay premiums in the past year. They were also asked whether they support or oppose four strategies proposed by policymakers and researchers to reduce nongroup plan premiums (table 1). Two of these strategies are short-term stabilization measures: establishing a reinsurance program to cover the costs of adults with high medical needs, and allowing greater access to catastrophic plans with high deductibles. The other two strategies are designed to strengthen the nongroup market over the long term: augmenting existing premium subsidies for adults with modest incomes, and capping provider reimbursements (e.g., at Medicare payment rates plus a percentage) to address insurer and provider consolidation (Blumberg and Holahan 2015, 2017a, 2017b).

Table 1. Proposals to Reduce Nongroup Health Insurance Premiums

Proposal	Description in survey
Enhanced premium subsidies	Use government funds to make additional reductions in premiums for people with modest incomes who have those health plans.
Reinsurance	Use government funds to cover the higher costs that come from providing those health plans to people with very high medical needs so that overall premiums will be lower.
Provider reimbursement caps	Limit the amount doctors and hospitals can charge under those health plans so that overall premiums will be lower.
Catastrophic plans	Allow insurance companies to offer "catastrophic" health plans that have higher deductibles so that those plans can have lower premiums.

Source: Health Reform Monitoring Survey, quarter 3 2017.
Notes: Respondents received the following prompt: "The following are recommendations that people sometimes make for reducing the premiums for health plans that are purchased directly from an insurance company. Please indicate whether you support or oppose the following recommendations for health plans purchased directly from an insurance company." Respondents could indicate that they "strongly support," "somewhat support," "neither support or oppose," "somewhat oppose," or "strongly oppose" each of the four proposals.

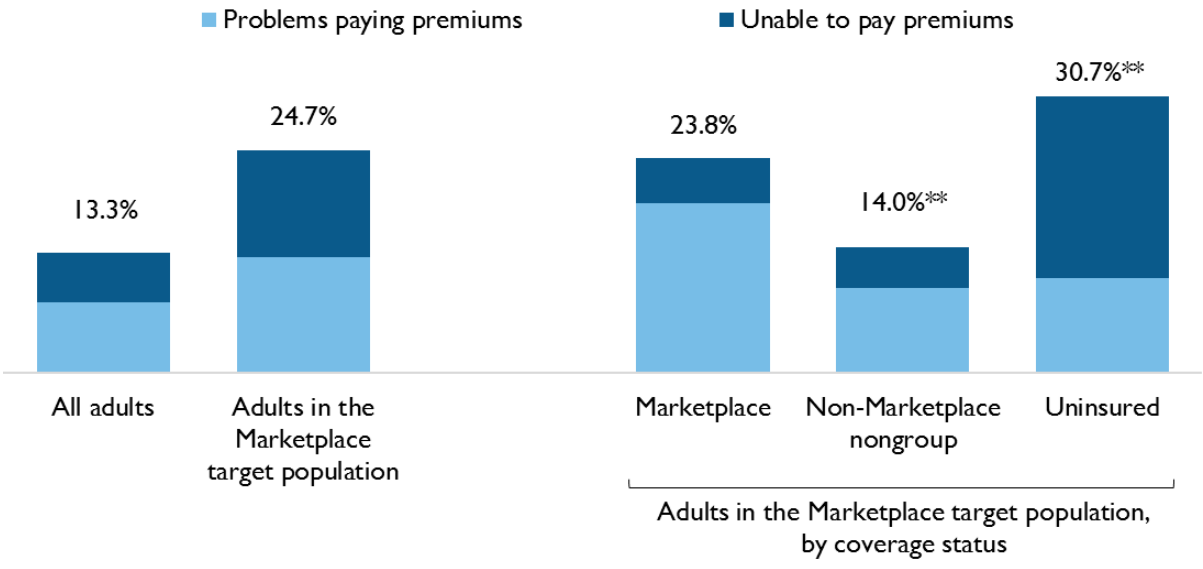
Our analysis focuses on the Marketplace target population, which includes adults who are uninsured or have Marketplace or non-Marketplace nongroup coverage and who have incomes within or above the premium tax credit eligibility limits.[3] Because of measurement error in the reporting of health insurance coverage type in surveys (Pascale 2008), we use a logical editing process to identify respondents who are likely enrolled in a Marketplace or have other types of coverage (Blavin, Karpman, and Zuckerman 2016).

What We Found

In September 2017, nearly one-quarter of adults in the Marketplace target population reported difficulty paying family health insurance premiums in the past year. Before the most recent premium changes, paying for health insurance was already a challenge for many adults in the Marketplace target population. Nearly one-quarter (24.7 percent) of these adults reported that they or someone in their family had problems paying or were unable to pay premiums in the past year; this is higher than the national average of 13.3 percent for all nonelderly adults (figure 1).

Although most adults with Marketplace coverage receive tax credits that lower their premiums, 23.8 percent of adults enrolled in Marketplace coverage still reported that they or a family member had problems paying premiums in the past year.[4] Among those with non-Marketplace nongroup plans, who generally have higher incomes that make them ineligible for tax credits, 14.0 percent reported problems paying family premiums. Although only 30.7 percent of uninsured adults in the Marketplace target population reported problems paying family premiums, cost was the most commonly reported reason they did not have insurance (data not shown).[5] Premiums were more affordable for adults with employer-sponsored insurance who would have been in the Marketplace target population based on income if they did not have access to employer coverage. Only 7.9 percent of these adults had problems paying family premiums (data not shown), but those with incomes below 400 percent of the federal poverty level (FPL) were more likely to have had problems paying family premiums than those with higher incomes.

Figure 1. Problems Paying Family Health Insurance Premiums in Past 12 Months among Adults Ages 18 to 64, September 2017



Source: Health Reform Monitoring Survey, quarter 3 2017.
Notes: Marketplace target population includes adults who are uninsured or have nongroup coverage and have incomes above 138 percent of FPL in Medicaid expansion states or above 100 percent of FPL in nonexpansion states.
** Estimate differs significantly from adults with Marketplace coverage at the 0.05 level, using a two-tailed test.

Several proposals to reduce nongroup market premiums have strong support. Of the four proposals described in the survey, support (among all adults) was highest for limiting the amount that health care providers can charge (61.0 percent) and lower for expanding access to catastrophic plans with high deductibles (43.8 percent; table 2). About half of adults supported proposals to enhance current premium subsidies (48.7 percent) and to establish a reinsurance program (49.5 percent) that lowers premiums by covering the high costs of people with significant medical needs. Adults of all incomes and coverage statuses were more likely to express support than opposition on each proposal. Opposition was below 20 percent for each of the four proposals and was lowest (9.1 percent) for limiting the amount providers can charge.

Table 2. Support for Proposals to Reduce Nongroup Premiums among Adults Ages 18 to 64, September 2017

			Adults in the Marketplace Target Population, by Coverage Type		
	All adults	All adults in the Marketplace target population	Marketplace	Non-Marketplace nongroup	Uninsured
Enhanced premium subsidies					
Support	48.7%	52.1%	68.4%	45.6%***	44.3%***
Neither support nor oppose	33.5%	32.3%	21.9%	28.4%	41.3%***
Oppose	16.6%	13.9%	8.5%	25.2%***	11.9%
Reinsurance					
Support	49.5%	51.9%	64.1%	45.4%***	46.8%***
Neither support nor oppose	33.8%	31.2%	22.5%	28.1%	38.8%***
Oppose	15.6%	15.3%	11.7%	25.7%***	12.4%
Provider reimbursement caps					
Support	61.0%	62.1%	73.2%	59.4%***	55.9%***
Neither support nor oppose	28.7%	27.2%	19.1%	23.6%	34.6%***
Oppose	9.1%	9.0%	6.2%	16.3%**	7.1%
Catastrophic plans					
Support	43.8%	44.6%	48.9%	47.5%	40.2%**
Neither support nor oppose	39.0%	38.2%	31.7%	36.8%	43.3%***
Oppose	15.9%	15.7%	18.1%	15.1%	14.4%
Sample size	*9406*	*1250*	*416*	*295*	*539*

Source: Health Reform Monitoring Survey, quarter 3 2017.
/* Estimate differs significantly from adults with Marketplace coverage at the 0.05/0.01 level, using two-tailed tests.

Within the Marketplace target population, support for these proposals was greatest among adults with Marketplace coverage. Support among adults in the Marketplace target population was similar to the national average. Within the Marketplace target population, adults with Marketplace coverage were more likely to support enhanced premium subsidies, reinsurance, and provider reimbursement caps than adults with non-Marketplace nongroup coverage or uninsured adults. Nearly half of Marketplace enrollees supported expanding access to catastrophic plans, compared with 40 percent of uninsured adults. Nearly 40 percent of adults in the Marketplace target population neither supported nor opposed expanding access to catastrophic plans; this suggests that adults are more ambivalent about this proposal than about other proposals in the survey.

What It Means

Although many adults in the Marketplace target population are eligible for premium tax credits, about one-quarter of them reported problems paying family health insurance premiums in the past year. Adults in this population, particularly those who are currently enrolled in Marketplace plans, support various strategies for reducing premium costs. Limiting provider reimbursement has the strongest support, followed by reinsurance and enhanced premium subsidies; expanding access to high-deductible catastrophic plans has the weakest support of the four proposals.

Proposals to restore funding for cost-sharing reductions, provide new funding for reinsurance, and allow more adults to purchase catastrophic coverage are part of the Alexander-Murray and Collins-Nelson bills now under consideration in Congress. Yet it is difficult to predict

how these changes would interact with repeal of the individual mandate, which will take effect in 2019. The Congressional Budget Office projects that passage of the Alexander-Murray bill would do little to offset the premium increases resulting from repeal of the mandate (CBO 2017a), and the reinsurance funding in the Collins-Nelson bill would expire after two years. If many healthy individuals withdraw from the nongroup market, people who want ACA-compliant nongroup coverage and have been struggling to pay nongroup premiums are unlikely to see much relief any time soon. Policies such as reinsurance and augmented subsidies are likely to help restrain premium growth and garner public support, but state policymakers may also consider strategies similar to the individual mandate to keep healthy adults in the nongroup insurance pool.

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About the Series

This brief is part of a series drawing on the HRMS, a survey of the nonelderly population that explores the value of cutting-edge Internet-based survey methods to monitor the ACA before data from federal government surveys are available. Funding for the core HRMS is provided by the Robert Wood Johnson Foundation and the Urban Institute.

For more information on the HRMS and for other briefs in this series, visit www.urban.org/hrms.

About the Authors

Michael Karpman is a research associate and John Holahan is an Institute fellow in the Urban Institute's Health Policy Center. The authors gratefully acknowledge the suggestions and assistance of Linda Blumberg and Katherine Hempstead.

Notes

[1] The report by the Office of the Assistant Secretary for Planning and Evaluation focuses on the second-lowest-cost silver plan in each county, even though some consumers in the county will have a different benchmark plan. The "metal tier" of a Marketplace plan is based on the average share of health care costs the plan will pay for covered services. On average, gold plans pay 80 percent, silver plans pay 70 percent, and bronze plans pay 60 percent of costs for covered services, with enrollees paying the remainder of their costs through deductibles, copayments, and coinsurance. The average premium increase in this analysis was estimated for a 27-year-old. But under the age rating schedules used to determine premium variations by enrollee age, the average percentage increase in premium for a 27-year-old is the same as the average percentage increase in premium for a person of any age enrolled in ACA-compliant nongroup insurance.

[2] Sabrina Corlette, Kevin Lucia, and Maanasa Kona, "States Step Up to Protect Consumers in Wake of Cuts to ACA Cost-Sharing Reduction Payments," *To the Point* (blog), Commonwealth Fund, October 27, 2017, http://www.commonwealthfund.org/publications/blog/2017/oct/states-protect-consumers-in-wake-of-aca-cost-sharing-payment-cuts.

[3] Adults who do not have an affordable offer of employer-sponsored insurance are eligible for premium tax credits to purchase Marketplace coverage if they have family incomes between 138 and 400 percent of FPL in Medicaid expansion states or between 100 and 400 percent of FPL in nonexpansion states. Our definition of the Marketplace target population includes uninsured and nongroup-insured adults with incomes in these ranges or above 400 percent of FPL; the latter are not eligible for tax credits but are still targeted for outreach by the Marketplaces. However, a small number of people with incomes below 100 percent of FPL are eligible for Marketplace tax credits because they are eligible for Medicaid based on their income but have not been a resident in the US for at least five years.

[4] Some adults with coverage at the time of the survey reported that they or someone in their family were unable to pay premiums in the past year. This could indicate that the respondent lost coverage earlier in the year but regained coverage by the time of the survey, or that the respondent was able to pay premiums but another member of the respondent's family was unable to pay premiums (if the respondent and family member had separate health plans).

[5] Problems paying premiums among people who were uninsured at the time of the survey may have been reported on behalf of a family member with coverage. Uninsured adults may also have reported being unable to pay premiums if they lost coverage at some point in the past year or if they looked for information about health plan options but decided the premiums were not affordable.