

2017 Obamacare Marketplace Slowdown Expected: S&P Global

By Sara Hansard | October 13, 2016 7:30PM ET

- 2017 enrollment forecasted at between 10.2 million and 11.6 million
- Some individuals without subsidies likely will drop ACA coverage

Oct. 13 (BNA) -- After two years of quick enrollment gains, Obamacare marketplaces in 2017 likely will see a “significant slowdown” in growth, S&P Global said Oct. 13.

Affordable Care Act marketplace enrollment for 2017 is forecast to be between 10.2 million and 11.6 million, the credit rating company said. “Our forecasted modest-to-negative growth is clearly a bump in the road, but doesn't signal ‘game-over’ for the marketplace,” said the report, by analysts Deep Banerjee and James Sung.

The coming year may be the most difficult for the health insurance marketplaces, as premiums are rising at much higher rates than the previous two years and some of the largest insurers —UnitedHealth Group Inc., Aetna Inc., Humana Inc. and some state Blue Cross Blue Shield plans —are withdrawing from many states due to mounting plan losses.

As of March 31, about 11.1 million consumers had paid premiums for ACA marketplace coverage for 2016, and the Department of Health and Human Services projected enrollment of about 10 million people by the end of this year.

Outreach Will Help Enrollment

Increased outreach to eligible uninsured people will add to ACA enrollment, but potential premium increases will mean some people currently enrolled who aren't eligible for the subsidies will drop out of the marketplaces, the report said.

“We expect 2017 to be one step forward in increasing penetration to the subsidy-eligible uninsured and off-marketplace population, but one step back for the nonsubsidized marketplace population,” it said.

In 2014, 6.3 million people were effectuated, meaning they paid premiums and had active policies, S&P Global reported. In 2015 the number rose to 9.1 million and by March 2016 it had risen to 11.1 million, it said. S&P Global said its forecast is lower than the Congressional Budget Office's latest estimate that there would be 15 million marketplace enrollees for 2017.

About 85 percent of the marketplace enrollees that S&P Global estimated will be in the 2017 marketplaces—9.4 million enrollees—will be protected against premium increases because they receive income-based subsidies under the ACA. The subsidies are tied to the cost of the “benchmark” second-cheapest silver-tier plan, and the subsidies will increase with higher premiums.

About 2.5 million people buying coverage in the individual market outside of the ACA marketplaces may be eligible for the premium tax credit subsidies if they move to the marketplace, the report noted. Premium increases also may make a greater portion of individual market enrollees eligible for subsidies in 2017, it said.

In addition to the 2.5 million people with individual plans who could be eligible for subsidies in marketplace plans, another 9 million uninsured people may be eligible for tax subsidies, the HHS reported Oct 4.

Some Unsubsidized Expected to Drop Out

But about 1.5 million—15 percent of marketplace enrollees—don't receive subsidies, and S&P Global expects a portion of them won't re-enroll in 2017.

“These individuals are the most price-sensitive,” it said, “since they are paying full premiums and will be most affected by the premium rate increases expected in 2017.”

S&P Global expects the ACA marketplaces to take five years to stabilize. “During this period, pricing corrections by insurers are an unwelcome, but somewhat needed side-effect of the evolving insurance marketplace,” it said.

“Although the sticker shock of the premium increases will slow overall growth rates in 2017, continued targeted outreach, regulators' attempts to improve marketplace rules as they affect insurers, and moderation of premium rate increases beyond 2017 will likely bring growth back to the marketplace in future years,” S&P Global said.

Changes in Risk Adjustment Needed

Thomas Policelli, chief executive officer of Minuteman Health Inc., an ACA Consumer Operated and Oriented Plan (CO-OP) based in Boston, told Bloomberg BNA in an e-mail Oct. 13 that to make marketplace plans more affordable, changes need to be made to the health-care law's risk adjustment program.

Under that program, plans with lower-cost enrollees are required to make payments to plans with higher-cost enrollees, and many small, new plans and CO-OPs that don't have historical data on their enrollees' health conditions have had to make large payments to established plans under the program.

The current risk adjustment program “actively discriminates against younger and healthier people,” Policelli said.

In addition, “it actively discriminates against lower-cost and higher-efficiency doctors and hospitals,” he said. “By driving out the healthier people and subsidizing the over-priced and inefficient providers, we end up with very high premiums that make insurance unaffordable to all but those with a lot of their own money or those who get huge subsidies.”

In addition to the S&P Global report, Avalere Health released a report Oct. 13 finding consumers with common health conditions could reduce their spending between \$8,800 and \$90,020 by purchasing health insurance through the ACA, even after paying premiums, deductibles and cost-sharing.

Avalere, a health-care policy consulting firm, examined the potential financial benefits for consumers with a range of ages, incomes and family size who have diabetes, a broken leg, breast cancer and stroke, comparing expected spending for those conditions “assuming a person has no insurance to various subsidized and non-subsidized coverage options available through insurance exchanges.”

About 30 million people remain uninsured, including 13.7 million people eligible to buy coverage through the ACA exchanges and 7 million who are eligible for premium tax credit subsidies, the Avalere report said.

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For More Information

S&P Global's report is at <http://src.bna.com/jlJ>.

The HHS's report is at <http://src.bna.com/jlZ>.

Avalere's report is at <http://src.bna.com/jl1>.

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