The State of Arizona's Marketplace: Making Sense of Individual Market Rate Filings

Center on Budget and Policy Priorities

Since the Affordable Care Act (ACA) was enacted in 2010, Arizona's uninsured rate has dropped from 16.9 to 10.8 percent, a more than one-third reduction that translates into 410,000 Arizonans gaining coverage. Those gains are due in part to the ACA's individual market reforms, which prevent discrimination against Arizonans with pre-existing health conditions, provide 155,000 Arizonans with tax credits that help pay for coverage, and allow all Arizonans to shop and compare plans in a transparent marketplace.

Insurers in Arizona and across the country are now in the process of submitting individual market plan offerings and premiums for 2018 to state and federal regulators. These rate filings will contribute to the ongoing debate about health insurance affordability and the state of Arizona's marketplace. Here are a few key points to keep in mind.

Arizona's Marketplace Was Poised for Greater Stability and Success

Nationwide, it's increasingly clear that the Trump Administration inherited a marketplace that was poised for greater price stability and growing insurer competition going forward. For example, the Kaiser Family Foundation found that individual market insurers substantially narrowed the gap between premiums and costs in 2016, meaning that premium increases already in place for 2017 should put them on track to break even or earn a profit this year.

Arizona saw the largest marketplace rate increases in the nation last year, but its market too is now stabilizing. Centene, one of the state's two marketplace insurers, has said its financial performance in Arizona is in line with its strong financial performance in the ACA marketplaces nationwide. Blue Cross Blue Shield of Arizona, the state's other insurer, saw significant improvement in its individual market financial performance in 2016, and a company vice president recently commented, "we are starting to see some signs of stability" as "premiums in Arizona are [now] more in line with the underlying claims."

For consumers, these improvements in insurer financial performance should translate into lower premium increases and more insurer competition going forward. Consistent with that, the Arizona Blue Cross Blue Shield vice president predicted, "It is safe to say that rate increases will not be at the significantly high levels that you have seen the past couple of years."

Trump Administration Sabotage Has Set Back Arizona's Progress

Unfortunately, the Trump Administration has already acted to sabotage marketplace progress, in Arizona and around the country, by:

- Threatening to withhold billions of dollars owed to insurers. Under the ACA, insurers are required to offer plans with lower deductibles and copays ("cost-sharing reductions," or CSRs) to lower-income consumers; the federal government then reimburses them for the roughly $10 billion annual cost. The Trump Administration has repeatedly threatened to withhold these cost-sharing reduction payments. To make up for the lost payments, insurers in Arizona would have to **raise premiums for affected plans by 13 percent or more — or they might decide not to offer coverage at all.**
- Creating uncertainty about whether it will enforce the ACA's individual mandate. The individual mandate encourages healthy consumers to buy health insurance by requiring them to pay a penalty if they don't. But the Administration has intimated that it may stop enforcing the mandate. If insurers believe the mandate won't be enforced, they will **raise premiums by up to 20 percent** nationwide to cover the resulting increase in per-enrollee costs.
- Discontinuing outreach during one of the most critical weeks of open enrollment. In its first week in office, the Administration abruptly halted outreach and marketing activities for the final week of the 2017 open enrollment period. That decision likely led to tens or hundreds of thousands fewer sign-ups nationwide for 2017, especially among younger, healthier consumers, which will mean **higher per-enrollee costs and premiums going forward.**
- Finalizing rules that will cut tax credits and make it harder for people to sign up for coverage. Under new rules finalized in April, millions of consumers will likely receive less help paying for coverage, the open enrollment period for 2018 will be shorter, and consumers who need coverage outside of open enrollment — if they lose coverage through their job, for example — will have a harder time signing up. These changes are likely to mean fewer sign-ups and again will contribute to **higher per-enrollee costs and premiums going forward.**

In a recent analysis, Oliver Wyman concluded that uncertainty about CSRs and the individual mandate will add 20 to 29 percent to rate increases for 2018, meaning 2018 rate increases would be about two-thirds lower without these factors.

Final Marketplace Options Will Depend on What Policymakers Do Next

Even more troubling, Trump Administration sabotage may lead some insurers to exit the ACA marketplaces altogether. Already, Anthem has withdrawn from Ohio's marketplace, citing uncertainty around CSRs as a key factor in its decision.

In the ACA marketplaces' first four years, every consumer nationwide had options for marketplace coverage. To ensure that the same is true this year, federal policymakers must, at a minimum:

- Give insurers certainty that they will receive the cost-sharing reduction payments they're owed. Without that certainty, governors and insurance commissioners of both parties, insurers, providers, and the Chamber of Commerce have predicted that insurers won't just raise prices, many will stop offering marketplace plans altogether.
- Commit to administering the law of the land. That means enforcing the ACA's individual mandate and undertaking the outreach needed to make sure consumers know about the coverage options available to them.
- Work with insurers and state insurance commissioners — as the previous Administration did — to facilitate insurer entry into new markets and make sure consumers everywhere in the country have options.

Provided There Are Marketplace Options, Most Consumers Will Be Protected

Fortunately, the ACA is designed to shield most consumers from the rate increases that could result from the Trump Administration's actions, as well as from normal increases that will occur as insurers continue to bring premiums in line with costs. Consumers will be protected as long as the Administration's sabotage does not leave people in some parts of the country without marketplace options — and as long as the ACA itself stays intact.

That's because, under the ACA, most marketplace consumers don't pay sticker price for their health coverage. Instead, 79 percent of Arizona enrollees qualify for tax credits that are designed to keep coverage affordable for consumers no matter what headline premiums are. Under the ACA, people with incomes up to 400 percent of the federal poverty level — about $100,000 for a family of four — pay no more than a set percentage of their income for benchmark health coverage. If the price of coverage increases, tax credits increase to compensate, and the amount families pay stays the same.

> Headline premiums rose for 2017, **but average premiums for most consumers did not.**

This year, for example, headline premiums in Arizona rose significantly, as marketplace insurers adjusted their premiums to make up for earlier underpricing. Even so, average premiums for the 79 percent of Arizona marketplace consumers with tax credits actually fell — from $120 per month in 2016 to $104 per month in 2017 — as tax credits increased to shield them from premium increases.

The House ACA Repeal Bill Would Make Arizona's Challenges Far Worse

Along with sabotage by the Administration, legislative efforts to repeal the ACA threaten access to affordable coverage. The House ACA repeal bill, for example, would significantly worsen disruption in the individual market next year, raising individual market premiums by 20 percent and reducing enrollment, according to Congressional Budget Office estimates.

Over the longer run, the House bill would further worsen affordability for marketplace consumers because tax credits would shrink and would no longer adjust based on people's income or the cost of their coverage. The bill would also increase headline premiums (by repealing the individual mandate) and would increase deductibles and other costs.

Overall, it would increase total out-of-pocket costs (premiums net of tax credits, deductibles, copays, and coinsurance) for current Arizona marketplace consumers by an average of $4,900 in 2020, and by far more for older and lower-income people. These increases would cause thousands of Arizonans to lose coverage altogether and leave thousands more burdened with unaffordable premiums or deductibles that would keep them from accessing care.

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For a version of this fact sheet with links to sources, see http://www.cbpp.org/sites/default/files/atoms/files/6-21-17health-factsheets-az.pdf.