

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



Since the Affordable Care Act (ACA) was enacted in 2010, Iowa's uninsured rate has [dropped](#) from 9.3 to 5.0 percent, a 46 percent reduction that translates into 132,000 Iowans gaining coverage. Those gains are due in part to the ACA's individual market reforms, which prevent discrimination against Iowans with pre-existing health conditions, provide [44,000 Iowans](#) with tax credits that help pay for coverage, and allow all Iowans to shop and compare plans in a transparent marketplace.

Health insurers in Iowa and across the country are now in the process of submitting proposed 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 Iowa's marketplace. Here are a few key points to keep in mind.

Iowa'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.

For consumers, these improvements should translate into lower premium increases and more insurer competition. Consistent with that, an [Oliver Wyman survey](#) of marketplace insurers found that nearly all planned to continue their marketplace offerings in 2018, with some planning to expand participation. And a Standard & Poor's [analysis](#) concluded, "if it remains business as usual, we expect 2018 premiums to increase at a far lower clip than in 2017."

While Iowa's market has faced some unique challenges, it too was on a path toward greater stability. Reasons for optimism included:

- [An improving risk pool](#). In 2015, the most recent year for which data are available, average [per-enrollee costs](#) in Iowa's ACA market fell by more than 8 percent. Since 2015, enrollment in Iowa's marketplace has grown by about 15 percent, which should have contributed to further risk pool improvement.
- [New market entrants](#). Wellmark, Iowa's Blue Cross Blue Shield insurer, entered the marketplace for the first time in 2017.
- [Market stabilization policy](#). Iowa's market will benefit from a new nationwide [stabilization policy](#) that takes effect starting in 2018. Thanks to a regulatory change to the ACA's permanent risk adjustment program, risk adjustment will now spread the cost of very high-cost enrollees (those with claims above \$1 million) across all states. This particularly helps reduce risk for insurers in smaller markets like Iowa's.
- [The anticipated end of the transitional policy](#). Iowa's ACA market was also expected to benefit from Obama Administration [guidance](#) that "transitional" plans had to end by the start of 2018. These pre-2014 plans are not subject to ACA rules requiring comprehensive coverage and prohibiting charging premiums based on health status, so the people still enrolled in these plans are probably healthier than average. Transitional plans make up an unusually large share of Iowa's individual market, harming its ACA market risk pool.

Trump Administration Sabotage Has Set Back Iowa's Progress

Unfortunately, the Trump Administration has already acted to sabotage marketplace progress, in Iowa 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") to lower-income consumers. The federal government then reimburses insurers 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 Iowa would have to **raise premiums for affected plans by 14 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, make it harder for people to sign up for coverage, and undermine the marketplace risk pool](#). 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**. Of particular importance to Iowa, the Trump Administration also issued guidance allowing transitional plans to continue to be sold for 2018.

The uncertainty and higher costs resulting from these decisions have already affected Iowa's market. Wellmark, new to the marketplace in 2017, announced in April that it will withdraw for 2018. Wellmark specifically [cited](#) uncertainty around whether the Administration would enforce the individual mandate as a factor in its decision. Aetna also announced that it will withdraw from Iowa's market for 2018.

Final Marketplace Options Will Depend on What Policymakers Do Next

Iowa's remaining marketplace insurer, Medica, recently [announced](#) that it intends to offer marketplace coverage statewide next year. But it requested a large rate increase, likely reflecting uncertainty about cost sharing reduction payments and the individual mandate. Nationwide, **actuaries at Oliver Wyman expect that these factors will add 20 to 29 percent to rate increases for 2018** and that 2018 rate increases would be about two-thirds lower without them.

Moreover, Medica has made clear that whether it will continue offering plans depends on policymakers' actions going forward. Medica's CEO [noted](#), "It is challenging to stay focused on our mission to provide access to high-quality affordable health care when there's noise around the system and a lack of clarity of rules... [A]s we went into these markets, there were pretty clear rules in a given year: Here's how the market works. And then, all of a sudden, the rules changed."

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 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, 86 percent of Iowa 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 benchmark 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 rose significantly, as marketplace insurers adjusted their premiums to make up for earlier underpricing. Even so, average premiums for the 86 percent of Iowa marketplace consumers with tax credits

increased by just \$10 per month – from \$122 per month in 2016 to \$132 per month in 2017 – because the tax credits shielded them from premium increases.

Marketplace consumers also benefit from the ability to shop around for coverage. Iowa marketplace consumers had a choice of [15 plans](#) on average for 2017, and *all* marketplace consumers had at least some choice of plans, compared with almost one-third of people with employer coverage who can opt only for the single plan their employer offers.

Iowa Policymakers Also Have a Role to Play in Strengthening Its Market

Ending federal sabotage is critical to keeping the ACA marketplace on track toward greater price stability and competition. But some of Iowa's problems are of its own making, and the state has the power to make improvements. According to the state's Division of Insurance, over [115,000 consumers](#) were enrolled in transitional plans (plans not subject to ACA rules) for 2016, compared to [about 50,000](#) marketplace consumers. In contrast, nationwide, there are far fewer enrollees in transitional plans than in marketplace plans. Allowing healthier people to remain enrolled in transitional plans hurts the ACA market risk pool and leads to higher marketplace premiums.

Iowa could take a number of steps to strengthen its individual market, including, but not limited to:

- [Ending transitional policies](#). At least a dozen states have made the decision to end transitional policies, and in few other states are these plans as large a share of the individual market as in Iowa. The Kaiser Family Foundation [found](#) that states that ended transitional policies generally had healthier ACA risk pools than states that did not.
- [Investing in outreach and enrollment assistance](#). Many states have undertaken their own outreach efforts, which help draw healthier enrollees into the ACA market, promoting a balanced risk pool. Experts continue to find that [nearly half](#) of uninsured adults don't know about the financial assistance available for marketplace coverage, and only about [20 percent](#) of Iowans who are potentially eligible to enroll in marketplace coverage have done so, according to one estimate – the lowest percentage of any state.
- [Creating a reinsurance program](#). By covering part of the cost of high-cost enrollees, reinsurance reduces financial risk for insurers, lowering premiums and encouraging insurers – especially smaller, regional plans – to participate in the marketplace. States can also obtain [federal matching funds](#) for reinsurance programs, an option Alaska is pursuing to help it maintain the program state policymakers adopted on a bipartisan basis last year.

Instead, Iowa is seeking a federal waiver allowing it to make major changes to its individual market. The waiver does propose to create a reinsurance program, which would contribute to market stability. But it also proposes changes to premium tax credits and cost sharing reductions that would make coverage [less affordable](#) for consumers, especially those with lower incomes and living in higher-cost parts of the state.

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

Along with sabotage by the Administration, legislative efforts to repeal the ACA threaten marketplace consumers' 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 individual market enrollment by about 30 percent in 2018, according to Congressional Budget Office [estimates](#). And uncertainty about possible legislation makes it even harder for insurers to price and plan for next year, compounding the effects of administrative sabotage.

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, copays, and coinsurance costs.

Overall, it would [increase total out-of-pocket costs](#) (premiums net of tax credits, deductibles, copays, and coinsurance) for current Iowa marketplace consumers by an average of \$3,900 in 2020, and by far more for older and lower-income people. These increases would cause thousands of Iowans 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-ia.pdf>.