The State of Missouri'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, Missouri's uninsured rate has dropped from 13.2 to 9.8 percent, a 26 percent decrease that translates into 203,000 Missourians gaining coverage. Those gains are due in large part to the ACA's individual market reforms, which prevent discrimination against Missourians with pre-existing health conditions, provide 211,000 Missourians with tax credits that help pay for coverage, and allow all Missourians to shop and compare plans in a transparent marketplace.

Health insurers in Missouri and across the country are 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 Missouri's marketplace. Here are a few key points to keep in mind.

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

- Insurer performance. Blue Cross Blue Shield of Kansas City, a critical insurer in western Missouri, improved its financial performance in 2016, earning a gross profit (not counting administrative costs) for the first time in several years. And the Chief Financial Officer of Anthem, the major insurer in much of the rest of Missouri, noted on a recent call, "I just want to be clear that the individual [market] business [nationwide] is doing markedly better than it did last year."
- Market stabilization policy. Missouri'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 Missouri's.
- The anticipated end of the transitional policy. Missouri'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 them are likely healthier than average.

Trump Administration Sabotage Has Set Back Missouri's Progress

Unfortunately, the Trump Administration has already acted to sabotage marketplace progress, in Missouri 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 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 Missouri would have to **raise premiums for affected plans by 18 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 are already affecting Missouri's market. Despite improved financial performance for 2016 and rate increases that should have put it on track to break even or make a profit in 2017, Blue Cross Blue Shield of Kansas City announced that it will not participate in the marketplace for 2018. Its announcement came days after the Trump Administration signaled that it would not provide certainty around cost-sharing reduction payments before insurers have to finalize individual market rates.

Final Marketplace Options Will Depend on What Policymakers Do Next

Already, Centene — a major marketplace insurer in other states — has announced that it will start offering plans in Missouri in 2018, potentially serving the parts of the state that Blue Cross Blue Shield of Kansas City is exiting. But Missouri's market remains vulnerable to sabotage. In particular, Anthem has warned that it might contract its marketplace participation across multiple states if the Administration does not at least guarantee continued payment of cost-sharing reductions. It has already followed through on that warning in Ohio.

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.

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

Ending federal sabotage is the minimum necessary requirement for keeping the ACA marketplace on track toward greater price stability and competition. But some of Missouri's problems are of its own making, and the state has the power to make improvements. Missouri could take adopt a number of steps other states have taken to strengthen their marketplaces including, but not limited to:

- Ending transitional policies. At least a dozen states have made the decision to end transitional policies. The Kaiser Family Foundation found that states that ended transitional policies generally had healthier ACA market risk pools than states that did not.
- Expanding Medicaid. In addition to expanding coverage to thousands of low-income Missourians, expanding Medicaid could help lower marketplace rates and stabilize Missouri's marketplace. Studies have found that Medicaid expansion results in healthier marketplace risk pools and lower rates, because the near-poor consumers who shift to Medicaid coverage when states expand tend to be sicker than average.
- 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.

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 Missouri 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.

This year, for example, headline premiums rose significantly, as marketplace insurers adjusted their premiums to make up for earlier underpricing. Even so, 78 percent of Missouri marketplace consumers could buy a plan for less than $100 per month — almost exactly the same share as in 2016 — because the tax credits shielded them from premium increases.

Marketplace consumers also benefit from the ability to shop around for coverage. Missouri marketplace consumers had a choice of 17 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.

> Most Missouri marketplace consumers could buy plans for less than $100 per month in premiums.

The House ACA Repeal Bill Would Make Missouri'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 Missouri marketplace consumers by an average of $4,000 in 2020, and by far more for older and lower-income people. These increases would cause thousands of Missourians to lose coverage altogether and leave thousands more burdened with unaffordable premiums or deductibles that would keep them from accessing care.

June 21, 2017

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-mo.pdf.