The State of North Carolina'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, North Carolina's uninsured rate has dropped from 16.8 to 11.2 percent, a one-third reduction that translates into 552,000 North Carolinians gaining coverage. Those gains are due in large part to the ACA's individual market reforms, which prevent discrimination against North Carolinians with pre-existing health conditions, provide 496,000 North Carolinians with tax credits that help pay for coverage, and allow all North Carolinians to shop and compare plans in a transparent marketplace.

Insurers in North Carolina and across the country are 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 North Carolina's marketplace. Here are a few key points to keep in mind.

North Carolina'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.

In North Carolina, Blue Cross Blue Shield, the state's major marketplace insurer, went from seeing large losses on its individual market business in earlier years to breaking even or earning a profit in 2016, and the company recently commented that North Carolina's ACA market "has become more stable."

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."

Trump Administration Sabotage Has Set Back North Carolina's Progress

Unfortunately, the Trump Administration has already acted to sabotage marketplace progress, in North Carolina 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 CSR payments. To make up for the lost payments, insurers in North Carolina would have to **raise premiums for affected plans — 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.**

North Carolina's preliminary rate filings offer a stark illustration of the impact of sabotage. **Blue Cross Blue Shield requested an average rate increase of 22.9 percent — but said that request would have been almost two-thirds lower, 8.8 percent, if continued payment of cost-sharing reductions were guaranteed, and even lower if continued individual mandate enforcement were guaranteed as well.** As CEO Brad Wilson explained, "The failure of the Administration and the

House to bring certainty and clarity by funding CSRs has caused our company to file a 22.9 percent premium increase, rather than one that is materially lower. That will impact hundreds of thousands of North Carolinians."

Final Marketplace Options Will Depend on What Policymakers Do Next

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, 90 percent of North Carolina 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 rose significantly, as marketplace insurers adjusted their premiums to make up for earlier underpricing. Even so, average premiums for the 90 percent of North Carolina marketplace consumers with tax credits actually fell — from $98 per month in 2016 to $87 per month in 2017 — as the tax credits shielded them from premium increases.

The House ACA Repeal Bill Would Make North Carolina'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 North Carolina marketplace consumers by an average of $7,500 in 2020, and by far more for older and lower-income people. These increases would cause thousands of North Carolinians 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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