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

Since the Affordable Care Act (ACA) was enacted in 2010, Tennessee's uninsured rate has dropped from 14.4 to 10.3 percent, a nearly 30 percent reduction that translates into 266,000 Tennesseans gaining coverage. Those gains are due in large part to the ACA's individual market reforms, which prevent discrimination against Tennesseans with pre-existing health conditions, provide 199,000 Tennesseans with tax credits that help pay for coverage, and allow all Tennesseans to shop and compare plans in a transparent marketplace.

Health insurers in Tennessee 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 Tennessee's marketplace. Here are a few key points to keep in mind.

Tennessee'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 Tennessee, Blue Cross Blue Shield of Tennessee ("Tennessee Blue") saw among the largest improvements in financial performance in the nation in 2016, and it recently noted that it has seen further improvement in 2017.

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 Tennessee's Progress

Unfortunately, the Trump Administration has already acted to sabotage marketplace progress, in Tennessee 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 Tennessee would have to **raise premiums for affected plans by 21 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, actuaries at Oliver Wyman concluded that uncertainty about CSRs and the individual mandate will add 20 to 29 percent to rate increases for 2018 and that **2018 rate increases would be about two-thirds lower without these factors.** That's consistent with statements from Tennessee Blue, which warned regulators: "Given the potential negative effects of federal legislative and/or regulatory changes, we believe it will be necessary to price-in those downside risks, even at the prospect of a higher-than-average margin for the short term, or until stability can be achieved. These risks include but are not limited to the elimination of Cost Sharing Reduction subsidies (CSRs), the removal of the individual mandate, and the collection of the health insurer tax."

Final Marketplace Options Will Depend on What Policymakers Do Next

Earlier this year, it appeared that some Tennessee counties might lack marketplace plan options for 2018. In May, Tennessee Blue announced that it would expand its marketplace participation and offer plans in those counties, but also cautioned that it still might withdraw from the marketplace for 2018 "in the event of … changes that destabilize the market and affect our risk exposure." Likewise, Tennessee's Insurance Commissioner, Julie McPeak, observed, "I asked my colleagues at a meeting of insurance commissioners nationwide, and no one feels optimistic about the market if CSRs are not funded… It's that instability, that uncertainty, the insurers hate the most."

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.

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

Ending federal sabotage is the minimum necessary requirement for keeping the marketplaces on track toward greater price stability and competition. But some of Tennessee's problems are of its own making, and the state has the power to make improvements. For example, Tennessee policymakers and regulators have let the Farm Bureau continue selling health insurance based on pre-ACA rules, allowing it to sell medically "underwritten" coverage with premiums that are lower for healthy people and higher for people with pre-existing conditions. These plans almost certainly attract healthier-than-average enrollees, hurting the ACA market risk pool and leading to higher marketplace premiums and, potentially, less predictable costs for insurers.

Tennessee could take a number of steps to strengthen its marketplace, including, but not limited to:

- Closing the loophole that allows the Farm Bureau to offer underwritten coverage. Tennessee has chosen not to treat the Tennessee Farm Bureau Health Plan as health insurance, which lets Farm Bureau policies avoid the rules all other Tennessee insurers are required to follow. Tennessee could change that approach at any time, bringing thousands of healthier consumers back into its ACA market risk pool.
- Ending transitional policies. At least a dozen states have made the decision to end "transitional policies": pre-2014 plans that, like Tennessee's Farm Bureau plans, are exempt from ACA rules and likely attract healthier-than-average enrollees. The Kaiser Family Foundation found that states that ended transitional policies generally had healthier ACA risk pools than states that did not.
- Expanding Medicaid. In addition to expanding coverage to thousands of low-income Tennesseans, expanding Medicaid could help lower marketplace rates and stabilize Tennessee'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 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, 85 percent of Tennessee 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 85 percent of Tennessee marketplace consumers with tax credits actually fell — from $104 per month in 2016 to $79 per month in 2017 — as tax credits shielded them from premium increases.

Marketplace consumers also benefit from the ability to shop around for coverage. Tennessee consumers had a choice of seven plans on average for 2017, and *all* marketplace consumers had at least some choice of plans. That compares with almost one-third of people with employer coverage who can opt only for the single plan their employer offers.

The House ACA Repeal Bill Would Make Tennessee'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 Tennessee marketplace consumers by an average of $5,700 in 2020, and by far more for older and lower-income people. These increases would cause thousands of Tennesseans 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-tn.pdf.