Center for Health Economics and Policy
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Lack of Issuer Participation Associated with Higher Marketplace Premiums in Rural Areas in Missouri

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Introduction

In 2014, the Affordable Care Act (ACA) launched Health Insurance Marketplaces to offer non-elderly Americans without access to employer-sponsored insurance or Medicaid the opportunity to purchase non-group health insurance through a state-based or federally-facilitated marketplace.[1,2] Missouri utilizes a federally-facilitated marketplace, and in 2019, more than 220,000 people enrolled in plans in Missouri.[3] However, in that same year, 9.3% of Missourians remained uninsured.[4] The ACA created subsidies to cover part of the monthly premiums for low-income individuals and families,[5] but the overall cost of health insurance may still pose a barrier for many individuals seeking coverage. Additionally, the lack of health insurance issuers in certain areas may lead to disproportionately higher premiums.[6] In 2019, only 13 counties in Missouri had two or more insurance issuers, while the remaining 112 had just one.[7] Understanding the factors that contribute to the premium variation could inform policy interventions targeted at more equitable and affordable Marketplace plan costs across Missouri.

This brief describes the changes in the 2020 Health Insurance Marketplace pre- and post-subsidy premiums in Missouri compared to national trends as well as changes in issuer participation.

Data and Methods

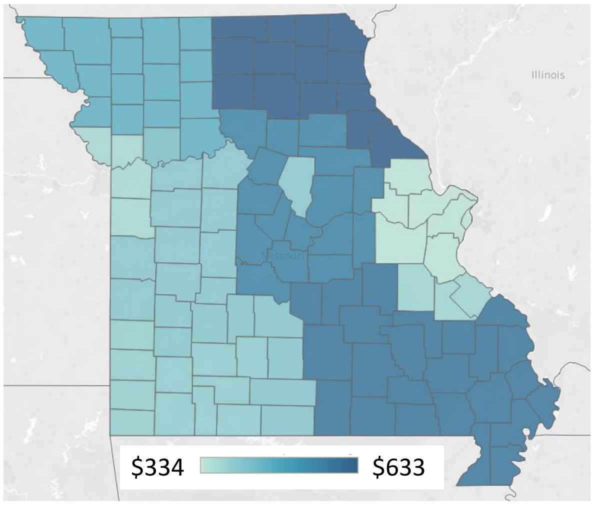
Using the 2019 and 2020 health plan data files from healthcare.gov, we focused on offerings in Missouri and analyzed premiums for 27-year-old individuals.[8] This is the youngest age at which a person may no longer be covered on his or her parents' policy. Per the ACA, premium increases are limited with age such that an unsubsidized 64-year-old only pays about three times as much as a young adult. Family coverage is the sum of the costs of individual policies, with the caveat that subsidies are determined on the basis of household income (in comparison to the Federal Poverty Level [FPL]). Premiums for bronze, silver, and gold plans, which represent increasing coverage levels, are available in the data, but here we report on the second-lowest silver plan premiums in each county since subsidies are calculated based upon this "benchmark" plan.

Subsidies

Pre-Subsidy Premiums

In Missouri, the northeast and southeast regions face the highest benchmark premiums in 2020 (Figure 1). The lowest premiums are available in urban cores like St. Louis and Kansas City areas. Across the state, the pre-subsidy monthly benchmark premiums varied widely – ranging from $334 to $633.

***Figure 1:* 2020 Marketplace Monthly Benchmark Premiums (Before Subsidies)**



This represents a slight decrease from 2019, as average benchmark premiums in Missouri decreased from $499 to $483 (3.2% drop).[9] This mirrors a national trend, as U.S. average benchmark premiums decreased from $478 to $462 (3.5% drop).[9]

KEY FINDINGS

- **2020 Missouri marketplace benchmark premiums have declined slightly from 2019, but they vary by county and region with urban areas having the lowest premiums.**
- **Subsidies significantly lowered premiums for individuals with low to middle incomes across Missouri.**
- **Rural areas faced disproportionately higher benchmark premiums and had fewer issuers participating in the marketplace. Therefore, rural individuals not receiving subsidies had much higher premium costs.**
- **Issuer participation was strongly associated with lower premiums.**
- **Increasing issuer participation in rural areas may reduce disparities in premium costs and increase coverage.**

POLICY BRIEF

Subsidies (cont'd)

Post-Subsidy Premiums

The ACA provides two different mechanisms to help lower the costs of health insurance: cost-sharing reductions (CSRs) and advance premium tax credits (APTCs).

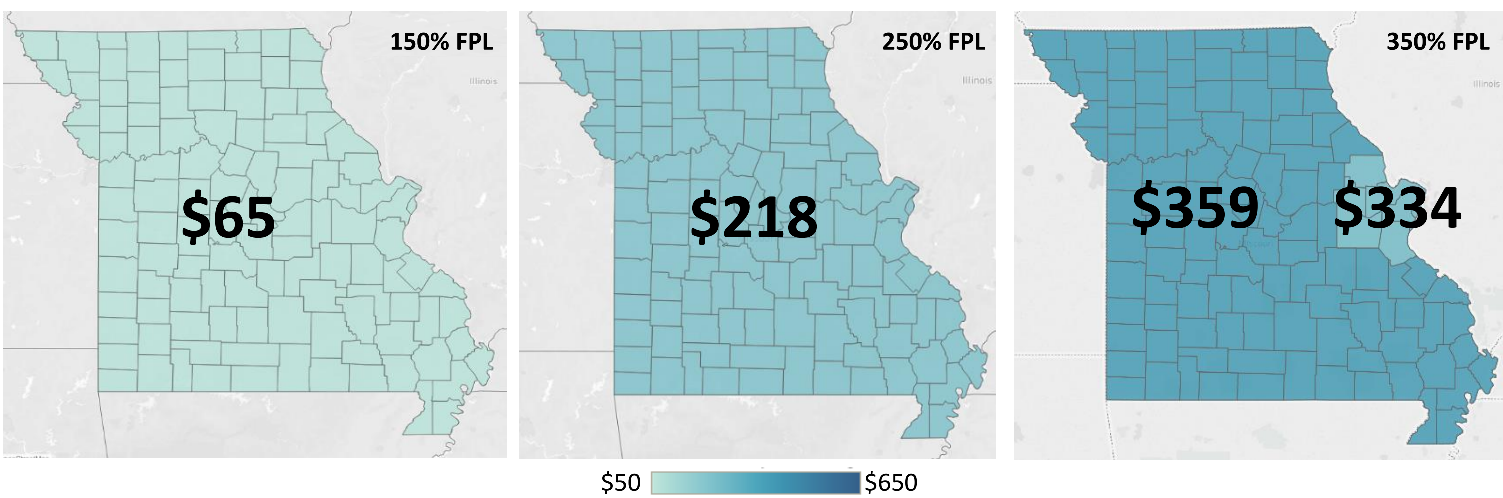
Cost-sharing reductions apply to out-of-pocket costs and are available to marketplace consumers with incomes from 100 to 250% of the FPL. These are only available with the purchase of a silver-level plan, and they apply to deductibles, copayments, and coinsurance. However, in October 2017, explicit federal funding for CSRs ended, but the legal obligation to offer plans with CSRs did not. As a result, many insurers began "silver loading," that is, increasing premiums for their silver plans to cover the anticipated cost of providing CSRs to their lower-income enrollees.[10]

APTCs, which are premium subsidies, are available for marketplace consumers with incomes between 100% and 400% of FPL. These subsidies, which can be applied to any plan, are calculated as the difference between the benchmark plan premium and the maximum amount determined by the government that an individual or family could afford, based upon their income. Approximately 85% of Missouri Marketplace consumers receive APTCs.[11]

Recent premium trends in Missouri have shown declines: for 2019, the benchmark premium for a 40-year-old non-smoker in Missouri was $421, a 9.5% decrease from $465 in 2018.[12] That individual's monthly APTC received was $214, down from $263 in 2018. So, the final premium paid after APTCs was about $207 in 2019, which is a 2% increase from the 2018 value.

Our analysis of benchmark premiums for 27-year-old non-smokers found that, once APTCs were included, 2020 subsidized premiums paid by eligible enrollees no longer vary based on geography for the majority of those eligible for subsidies. Low and mid-income individuals' premiums are capped based upon income; therefore all individuals with the same income pay the same monthly premium for the benchmark plan (Figure 2). For individuals with incomes at 150% FPL ($17,820 for 1 person), benchmark monthly premiums were $65; For those with incomes at 350% FPL ($41,580 for 1 person), the benchmark premium was $359 for the majority of the state, however, because of certain less expensive offerings in the St. Louis area, the benchmark plan was also less expensive ($334).

Figure 2: **2020 Marketplace Benchmark Monthly Premiums in MO for 27-year-old Non-Smokers, Including Subsidies**



Issuer Participation

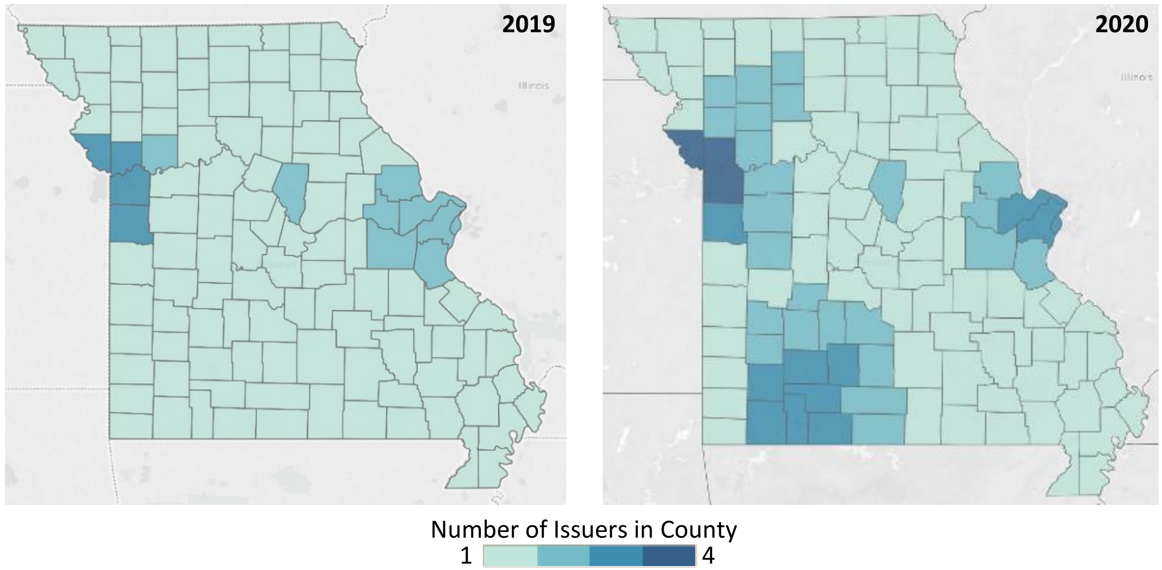
Issuer Participation

From 2019 to 2020, the total numbers of issuers in Missouri grew from four to seven.[3] However, the number of issuers per county varied greatly, especially by urban-rural status (Figure 3). In 2019, counties containing the urban areas of St. Louis, Kansas City, and Jefferson City had more issuers, with the rest of the state relying on just one issuer. In 2020, urban areas, especially near Springfield, saw a growth in the number of issuers, but 77 mostly rural counties in Missouri continued to have only one issuer in 2020.

Issuer Participation (cont'd)

Overall in the US from 2019 to 2020, the average number of insurers per state grew from 4 to 4.5.[13] In 2020, 25% counties had one issuer offering plans, 46% had two issuers, and 29% had three or more options.[13] Compared to rural counties in 2020, urban counties on average had more insurers (2.6 vs 1.8).[13]

***Figure 3:* 2019 and 2020 Issuer Participation in the MO Marketplace**

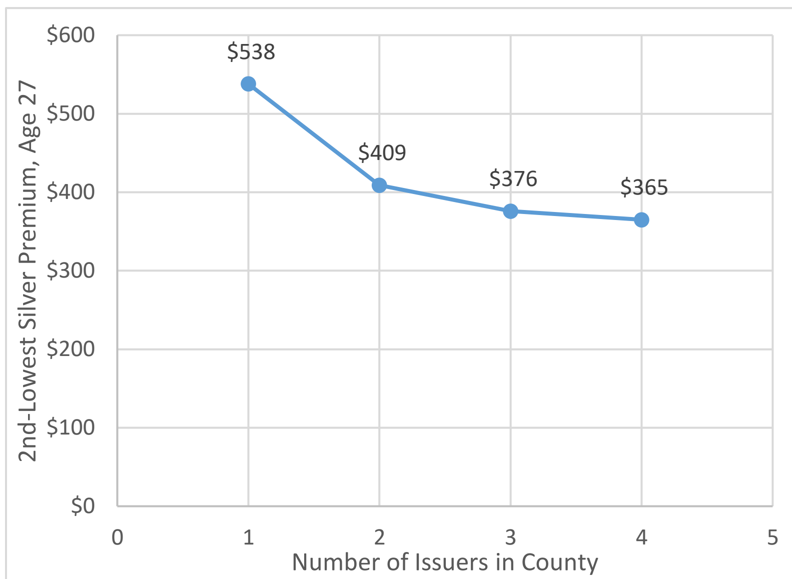


Lack of Issuer Participation and Costs

Previous studies suggest that lower premiums are driven by the price competition that comes from having more issuers.[14] Specifically, one study reported that the adding another insurer in a county reduced the benchmark premiums by 3.5%.[15] Another study noted that at least three insurers were necessary to create a competitive environment to minimize premium growth.[16]

In Missouri, lack of issuer participation was strongly correlated with higher premiums (Figure 4). The average benchmark premium decreased from $538 to $365 as the numbers of issuers in a county increased from one to four. Greater firm participation was associated with lower premiums, in particular when there are at least three issuers.

***Figure 4*: Relation between Number of Issuers and Average Benchmark Premium**



Policy Implications

Without factoring in subsidies, Missouri's second-lowest silver "benchmark" premiums varied greatly based on county location, causing differential affordability issues for those with higher incomes who do not obtain insurance from an employer. After subsidies are included (for individuals with incomes between 100 and 400% of FPL), premiums do not vary as much by geography. Additionally, urban areas had a greater number of issuers than rural areas, and the number of issuers was associated with higher premiums.

While premiums cannot be based on medical history or health, insurance companies can set different premiums at the rating area level, i.e. at a geographic level consisting of a group of Missouri counties.[17] These rating areas, designed by the state, may contribute to the large variation in premiums observed between urban and rural areas, because some rating areas do not contain large or even midsize cities. Nationwide studies on rural-urban difference in premiums suggest that rating areas with larger total populations may be better able to spread risk and costs across patients, allowing insurance companies to lower premiums.[18,19]

Despite the significant amount of geographic variation in pre-subsidy premiums, the inclusion of subsidies, which are calculated based upon income, greatly reduced regional differences in premiums in Missouri. Reducing costs may help reduce barriers to coverage, as almost 50% of low-income uninsured Missourians were unable to enroll in plans

Policy Implications (cont'd)

either due to high costs or because they were ineligible to enroll,[2] with 65% of low-income uninsured Missourians reporting high costs as the reason for being uninsured.[2]

Our findings suggest that one reason rural areas in Missouri disproportionately face higher benchmark premiums than urban areas may be related to the lack of issuer participation. Insurers may be disincentivized to participate in rural areas due to lower enrollment rates[20], limited provider supply,[21] and poorer health outcomes.[22] Although other factors such as cost of living and provider networks affect premium size, incentivizing issuer participation in rural areas may reduce disparities in healthcare costs.[6,23] Furthermore, lower premiums overall would reduce the financial burden of the subsidies that the federal government pays to insurers.

Overall, these findings have implications for policymakers seeking to increase healthcare coverage and reduce healthcare costs for Missouri residents. Increasing issuer participation, specifically in rural areas, would likely lower premium costs and lower the financial burden of subsidies. While some policy options depend upon actions taken at the federal level, rating area redesign is a choice at the state level.

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