

May 30, 2013

MEMORANDUM TO INTERESTED PARTIES

FROM: ADMINISTRATION OFFICIALS

SUBJECT: Early Results: Competition, Choice, and Affordable Coverage in the Health Insurance Marketplace in 2014

This memorandum describes early information on the likely competition and choices in the new Health Insurance Marketplace, based on data that States have released and information submitted by health plans that the Administration will have a role in overseeing. It also provides a baseline description of competition in the individual market in States in 2012. Many individuals currently have little choice among health insurers, and the Affordable Care Act is working to create a market that will attract new entrants and increase competition and choice.

BACKGROUND

Open enrollment begins on October 1, 2013 for coverage through the Health Insurance Marketplace (also called Exchanges). Whether individuals are uninsured, or just want to explore new options, the Marketplace will provide more choice and control over health insurance options. Individuals will also be able to learn, with a single application, whether they qualify for financial assistance such as a new kind of tax credit that lowers monthly premiums right away.

Consumers in every State will have access to a Marketplace, but each State can choose how it will operate. In 2014, 17 States (including the District of Columbia), will fully run their own Marketplace. The Department of Health and Human Services (HHS) will fully run a Marketplace in 19 States. In 15 States, HHS will work with the State to run a Marketplace. Given market sensitivities and the fact that plan agreements are not signed until September, HHS will not release State-specific rate information until September when rates are finalized.

In addition, the Office of Personnel Management (OPM) will run the Multi-State Plan Program. This program is designed to promote additional choices in all States over time. Multi-State plans are certified by OPM based on comparable standards, and must adhere to requirements that apply to other plans offered through the Marketplace, which will ensure a level playing field across all health plans. While discussions continue, OPM has preliminary information on applications.

To put this early information into the context of today's market, HHS has estimated the baseline percent of enrollees in the individual market in each State who are enrolled in plans offered by two largest health insurance issuers by enrollment. This information, which is based on 2012 reports related to medical loss ratios, identifies States where there is little competition to date.

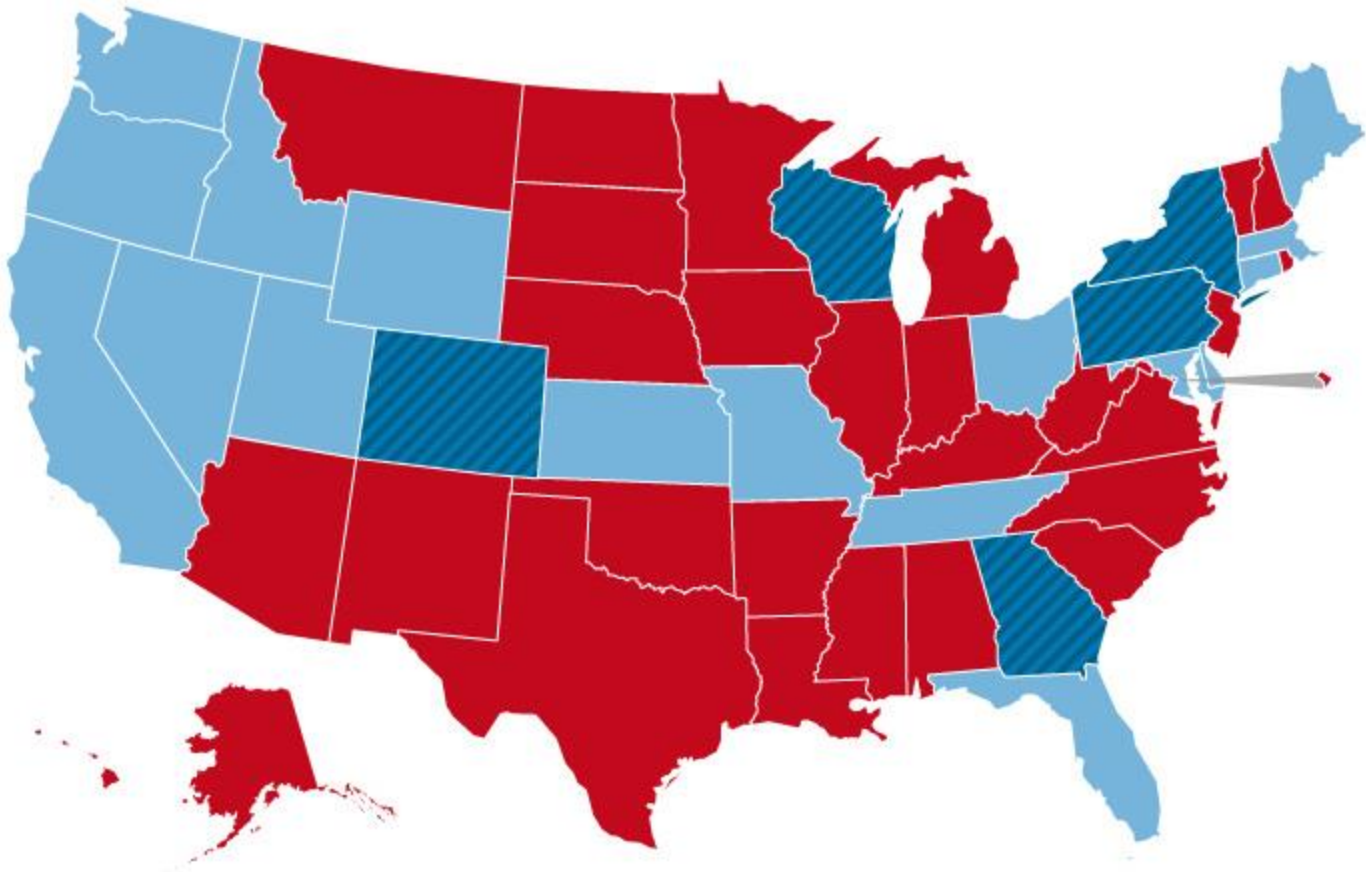
This memo highlights aggregate data about competition in the new Marketplace. While these data are not final, the early signs are promising and demonstrate a significant increase in competition and an array of options for consumers everywhere.

## KEY STATISTICS

### Status Quo: Limited Choices:

- Consumers in the individual market have long had only limited – if any – choice among plans.
  - In 2012, the individual insurance market was dominated by one or two different insurance companies in most States. For example:
    - In 11 States, the largest two issuers cover 85% or more of the individual market.
    - In 29 States, one insurer covered more than 50% of all enrollees in the individual insurance market.
    - In 46 States (including DC), two insurers covered more than half of all enrollees (see map).
- Most of the people expected to enroll next year live in States with limited health insurance choices.
  - An estimated 85% of the 7 million people that the Congressional Budget Office (CBO) projects will enroll in the Marketplace in 2014 live in the 46 States where currently two insurers cover more than half of all enrollees.
- Unlike the current market – where people are often locked into a health plan due to their pre-existing conditions – starting in 2014, anyone can switch plans and, through the Marketplace, shop based on price and the level of coverage that fits their budget and needs.

# 2012 LIMITED HEALTH INSURANCE COMPETITION



**OVER 50% ENROLLED IN TOP ISSUER**

**OVER 50% ENROLLED IN TOP 2 ISSUERS**

**ENROLLEES IN 3+ ISSUERS**

### New Choices for Consumers:

- The Marketplace is attracting new insurance choices and increasing competition for consumers, especially in States where it is really needed.
- The majority of States will have new health insurance choices that are not available today. The insurance reforms, coupled with premium tax credits, and premium stabilization programs, have made the Marketplace an attractive option for new entrants.
  - In about 75% of the States with an HHS-run Marketplace, at least one new insurance company intends to enter the market and plans to offer individual market coverage.
  - One out of every four insurance companies proposing to offer coverage next year in the HHS-run Marketplace has newly entered the individual market.
  - About 65% of new issuer entrants to the individual market in the HHS-run Marketplace will be in States where only one insurance company dominates the market today.
  - Multi-State plans will be offered in at least 31 States nationwide in 2014, with coverage expanding to all 50 States and D.C. no later than 2017. OPM is currently reviewing over 200 proposed Multi-State qualified health plan options. This type of plan offers similar coverage across State lines, and helps promote choice and competition.

### Strong Competition:

- About 90% of target enrollees will have five or more different insurance company choices – based on data from the 19 States with a HHS-run Marketplace and from other State-run Marketplaces that have publicly released information about their submissions. Together, these States represent an estimated 80% of the 7 million people CBO estimates will enroll in the Marketplace in 2014.
- While the number of issuers may change, today, over 120 issuers have applied to offer qualified health plans in the HHS-run Marketplace.
- Consumers will have multiple options in each tier of coverage: catastrophic, bronze, silver, gold, and platinum. On average, issuers plan to offer more than 15 qualified health plans per State, with some plans being offered in part rather than all of the State.<sup>1</sup>

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<sup>1</sup> Only aggregated rather than State-specific information is presented to prevent disclosure of market-sensitive information that is subject to change.

## NEXT STEPS

HHS, State-run Marketplaces, and State Departments of Insurance will continue to review applications, including proposed rates, in the coming months. State-run Marketplaces like California may post the rates that they have negotiated. In some States where HHS will run the Marketplace, States may post the initial rate filings or approvals prior to September. HHS plans on posting premiums in States where it is running the Marketplace when final contracts are signed in September.

## METHODOLOGY

### Individual Market Concentration Methodology:

Data, as of May 1, 2013 from the 2012 Supplemental Health Care Exhibits (SHCEs), filed by most issuers with the National Association of Insurance Commissioners (NAIC), were used to develop current individual market concentration estimates. California HMOs and certain other companies do not submit data to the NAIC. Their SHCE 2012 values are proxied using their 2011 submissions to HHS. The latest available SHCE data omits issuers that have not yet filed, most notably HCSC. HCSC values are proxied using their 2011 submissions to HHS. Enrollment is the total number of member months divided by 12, and represents average enrollment during the year.