



Exchange Enrollment Outlook: 10.5 Million to Sign Up by End of 2015

A new analysis by Avalere Health estimates that exchange enrollment will total 10.5 million people by the end of 2015, though enrollment could fluctuate up or down by approximately 1 million individuals.

As of late 2014, 6.7 million individuals enrolled in coverage through state and federal exchanges.¹ In the first three weeks of open enrollment for 2015, 664,000 new consumers applied for coverage and selected a plan through healthcare.gov.² Since the federally facilitated exchange has generally represented 68 percent³ of total exchange enrollment, Avalere estimates that roughly 977,000 individuals signed up for coverage across all exchanges between November 15 and December 5.

“Growth in 2015 enrollment is helping to solidify the exchanges as a viable commercial market for health plans and consumers,” said Dan Mendelson, CEO of Avalere. “There are still millions of low-income people who will benefit from federal subsidies -- an important incentive to drive growth provided they have the information to make informed decisions.”

The Congressional Budget Office (CBO) previously estimated⁴ exchange enrollment would more than double from 6 million enrollees in 2014 to 13 million in 2015. However, the Obama Administration recently projected enrollment would be more modest, targeting 9.1 million enrollees in 2015.⁵

Based on the initial pace of sign-ups in the first three weeks of open enrollment, Avalere estimates that new enrollment by February 15 is likely to be between 4.5 and 6 million individuals.

However, based on the 2014 exchange experience, about 16 percent of these individuals may drop out of coverage by the end of the year—either by failing to pay premiums or electing to disenroll. Furthermore, it is unclear what portion of 2014 enrollees will reenroll in plans for 2015.

“Altogether, total 2015 enrollment is tracking between 9.5 and 11.5 million, including people renewing their plans,” said Caroline Pearson, vice president at Avalere. “While 2015 enrollment may fall short of CBO estimates, it is still likely to exceed the Administration’s projections.”

¹ Enrollment based on HHS announcements about total enrollment in exchanges as of October, adjusted to exclude the roughly 400,000 individuals with dental-only plans that were counted erroneously in the October enrollment report.

² HHS, Open Enrollment Week 3: November 29 – December 5, 2014, <http://www.hhs.gov/healthcare/facts/blog/2014/12/open-enrollment-week-three.html>.

³ ASPE Issue brief, “Health Insurance Marketplace Summary Enrollment Report for the Initial Annual Open Enrollment Period,” May 1, 2014, adjusted to reflect NV and OR newly using healthcare.gov and ID becoming a state-based exchange website in 2014.

⁴ CBO, Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act, April 2014.

⁵ Public statement by Secretary Burwell on November 10, 2014.

Specifically, enrollment is likely to be lower than CBO projections because of demographics, limited public awareness, and higher-than-expected attrition rates:

- **Demographics of the remaining uninsured:** In 2014, exchanges largely enrolled “easy-to-reach” populations, including sicker, older, lower-income, and non-Hispanic populations. By contrast, in 2015, exchanges will need to enroll harder-to-reach populations that were elusive during the 2014 enrollment period. Factors for consideration include:
 - *Health status.* Individuals with existing health problems flocked to exchanges where they benefited from new insurance rules that require plans to sell to everyone, regardless of health status. Enrollment growth will require attracting more healthy individuals to exchanges in 2015.
 - *Age.* Older people were more likely to sign-up because they benefited from larger subsidies and new rules that limit premium costs for older individuals. In 2014, 48 percent of exchange enrollees were over 45 years old. Over time, the percentage of enrollees in the elusive 18-34 age bracket must grow to meet enrollment targets.
 - *Income.* Very low-income individuals benefited from significant premium and cost-sharing subsidies to reduce their cost of coverage. Avalere estimates that more than half of all people who enrolled last year earned less than 250 percent of the poverty line and qualified for cost-sharing reductions. Subsidies provide clear value to many low-income enrollees; however, attracting higher income individuals to the market will be more challenging.
 - *Race and ethnicity.* Lastly, 2014 enrollment skewed heavily away from Hispanics, who comprised only 11 percent of 2014 enrollees, despite making up nearly 30 percent of the uninsured population eligible for subsidies. Experience has shown that Hispanics have been harder to sign-up for coverage, and problems with the Spanish language healthcare.gov website and other bilingual services did not help increase their enrollment.
- **Low public awareness:** Recent polling shows that many Americans are not aware of the current exchange open enrollment period or available subsidies. Furthermore, there has been limited effort to educate the public about the individual mandate, which will penalize individuals who remain uninsured. Therefore, enrollment will continue to rely heavily on proactive outreach and education campaigns led by the administration and its partners.
- **Higher attrition:** Throughout 2014, exchange enrollment fell from 8 million people who chose a plan by the end of open enrollment in mid-April, to just 6.7 million who were still enrolled in October. Before accounting for an unknown number of people who qualified for a special enrollment period throughout this year, this represents a 16 percent attrition rate, much higher than initially expected. If a significant number of individuals continue to voluntarily disenroll or fail to pay premiums, enrollment will likely fall below previous expectations.

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Despite each of the factors that may reduce enrollment below CBO's estimate, it remains likely that enrollment will exceed the Administration's projections of 9.1 million. Ultimately, several critical issues will determine enrollment success, including state and federal executive attention, commitment from other outreach organizations, issuer outreach efforts (via direct enrollment, advertising, and agents and brokers), and the consumer friendliness of the sign-up process.

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