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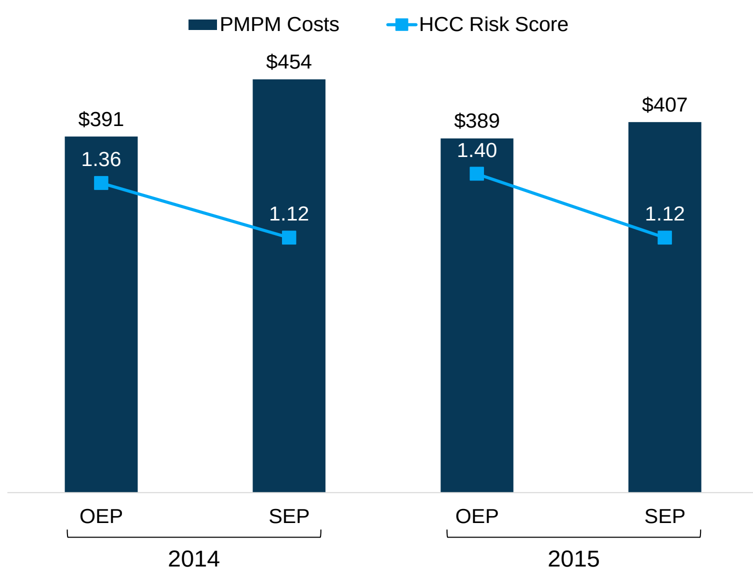
Consumers Enrolling in Exchanges through Special Enrollment Periods Have Higher Costs, Lower Risk Scores, than Open Enrollment Consumers

A new analysis from Avalere finds that individuals who enroll in exchange coverage during special enrollment periods (SEP) have higher costs and lower risk scores than open enrollment period (OEP) consumers. Specifically, 2015 SEP enrollees have 5 percent higher per-member, per-month (PMPM) costs, but risk scores that are 20 percent lower on average than those choosing a plan during the OEP. Risk scores represent a measure of predicted healthcare costs assigned as part of the risk adjustment program.

The Affordable Care Act (ACA) established an annual OEP when individuals can enroll in coverage at the same time every year. The law also allows for enrollment outside of the OEP, through SEPs. Consumers qualify for SEPs under a range of scenarios, including loss of health coverage, changes in household size, changes in residence, changes in exchange eligibility or income, enrollment or plan errors, and other qualifying events. Enrollment through SEPs has been significant. Specifically, in the first half of 2015, approximately 940,000 individuals, or 15 percent of year-end federal exchange enrollment, enrolled in coverage on the federal exchange through a SEP. In 2015, consumers enrolling through SEPs were enrolled in their plan for a shorter period of time (7.8 months for OEP enrollees vs. 3.6 months for SEP enrollees) than their OEP counterparts.

“Consumers enrolling through special enrollment periods have higher healthcare spending than those picking a plan during open enrollment, and they are staying in the program for shorter periods of time,” said Dan Mendelson, President of Avalere. “This is one of many technical problems that is presently destabilizing this program, and should be fixed by the Administration and the Congress to ensure continuity for patients.

Figure 1: Average PMPM Healthcare Costs and Average Hierarchical Condition Categories (HCC) Risk Scores for OEP and SEP Enrollees, 2014 and 2015



“The shorter enrollment duration of individuals enrolling through special enrollment periods may lead to risk scores that are not reflective of expected costs,” said Elizabeth Carpenter, senior vice president at Avalere. “As a result, plans may not be compensated appropriately for these consumers.”

In light of these concerns, the Centers for Medicare & Medicaid Services (CMS) has proposed in its annual exchange rulemaking, also known as the Notice of Benefit and Payment Parameters (NBPP), to adjust risk scores beginning in 2017 for individuals enrolled in insurance for part of the year. In addition, CMS continues to seek comment in the proposed rule on how to balance appropriate access through SEPs with concerns regarding risk pool impact.

The findings described above are part of a report entitled “The State of Exchanges: A Review of Trends and Opportunities to Grow and Stabilize the Market.” The paper identifies the key challenges facing exchanges and considers a range of potential policy options that could be combined to improve the sustainability of the market into the future.

The full report can be found here.

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Sources and Methodology:

Avalere analysis of exchange enrollee costs, enrollment duration, and risk scores is based on Inovalon’s Medical Outcomes Research for Effectiveness and Economics Registry® (MORE^2) from 2014 and 2015.

SEP enrollment figures are based on February 23 – June 30, 2015 SEP enrollment and 2015 year-end exchange enrollment data released by the Centers for Medicare & Medicaid Services (CMS), August 2015 and March 2016. Figures include enrollment through the federal exchange, HealthCare.gov.

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