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**UNCERTAINTY REIGNS AS CONSUMERS BEGIN TO MAKE HEALTH INSURANCE DECISIONS FOR 2018**

*Avalere Experts Preview the 2018 ACA Open Enrollment Season*

Consumers will begin to choose health plans in the exchanges when open enrollment launches on November 1 for the 2018 plan year. According to Avalere experts, recent action by the Administration and legislation in Congress, has created an unprecedented amount of uncertainty for consumers and the market. Below are key issues at play for consumers, health plans and the exchanges in 2018.

## Enrollment

**Total enrollment in exchanges remains much lower than expectations.** Exchange enrollment lagged behind projections well before the Trump Administration took office. In 2016, end-of-year exchange enrollment was less than one-half of what the Congressional Budget Office (CBO) originally projected when the Affordable Care Act (ACA) was passed. Enrollment continued to stagnate in 2017, with 12.2M people selecting coverage during open enrollment compared to 12.7M in 2016, according to data compiled by Avalere.

**A shorter open enrollment period and uncertainty about the market may lead to lower enrollment.** In 2018, a shorter open enrollment period, limited outreach activities, and general confusion caused by the ACA repeal and replace debate, may result in very limited growth or modest shrinking of the market. In 2018, consumers will have half the time to sign up for a plan during open enrollment: 45 days, as compared to 91 days during the previous open enrollment period. The Department of Health and Human Services (HHS) also announced it will not fund typical outreach and enrollment activities. At the same time, consumers have expressed confusion over the impact of Congress's nearly year-long debate over the future of the law. Avalere experts predict that these factors are likely to exacerbate the challenges faced by a market already struggling to attract enrollees.

*"Exchanges continue to be small markets comprised largely of lower-income individuals who receive subsidies and higher income individuals with ongoing health needs," said Caroline Pearson, senior vice president at Avalere. "This year, a shorter open enrollment period, decreased outreach and enrollment activities, and confusion over the current status of the Affordable Care Act could result in fewer people signing up for coverage."*

## Plan Participation

**Many consumers who visit their state's exchange will have fewer plan options.** Insurer participation in the exchanges decreased for the 2016 and 2017 plan years, with a third of counties having only 1 plan option in 2017. Avalere experts expect this trend to continue in 2018, with the latest estimates from HHS indicating that nearly half of all counties have only one participating Insurer. Nonetheless, all consumers will likely have a choice of health plan, with no "bare" counties projected—i.e., counties with zero insurers participating.

**Without CSR funding, insurers will raise rates, but largely remain in the market.** The Administration's decision to not fund cost sharing reductions (CSRs) will drive financial losses for plans in 2017, but insurers will likely continue to participate in 2018, according to Avalere experts. A recent Avalere analysis finds that the Administration's decision to end federal funding for the CSR payments could lead to substantial losses for health plans—ranging from -$1.2M in North Dakota to -$200M in Florida through the end of 2017. Nevertheless, most states already have or will allow carriers to account for non-payment of CSRs in premiums, giving those insurers that committed to staying in the exchanges for 2018 a degree of predictability. However, over time, the general unpredictability of the regulatory environment surrounding exchanges may lead more insurers leaving the exchanges.

*"While consumers will have fewer plans to choose from in 2018, it appears as though all counties will have at least one participating health plan," said Chris Sloan, senior manager at Avalere. "Most insurers will stay in the exchanges, if they can account for non-payment of cost sharing reductions in premiums."*

## Premiums

**Average premiums will rise substantially in 2018, driven by lack of federal CSR payments.** Under the ACA, the federal government is expected to reimburse insurance companies for offering more generous CSR plans at no additional cost to the consumer. With insurers unable to expect these payments in 2018, premiums need to increase to compensate for lost funds. The CBO projects that non-payment of CSRs will increase premiums by 20% compared to expectations.

**Subsidized consumers can avoid premium increases by switching plans, but new auto-enrollment policies may make changing plans challenging.** 84% of exchange consumers receive a premium tax credit subsidy that caps their premium at a percentage of their income. As a result, if subsidized exchange enrollees are willing to switch plans and pick one of the lowest cost options in the market, most consumers will be protected from premium increases. In the past, exchange enrollees who are automatically enrolled in their same plan have had the opportunity to switch plans before open enrollment closed. However, unlike in previous years, automatic enrollment for 2018 is scheduled to take place after the close of the annual enrollment period, potentially prohibiting consumers from switching to a lower cost option if they do not select a different plan during open enrollment.

**Picking a plan may be especially complex for unsubsidized consumers.** States took varying approaches to adjusting premiums to account for lack of CSR payments. In some states, unsubsidized consumers experience large premium increases across all plan options. In other states, unsubsidized consumers may be able to find comparable, lower-cost options off the exchange or in bronze or gold exchange plans.

*"Average premiums will increase significantly in 2018, especially for silver plans," said Elizabeth Carpenter, senior vice president at Avalere. "Premiums are rising, in part, to compensate for non-payment of cost sharing reductions. Subsidized consumers will be largely protected from these premium increases, but other individuals may face significantly higher costs."*

**Future Policy**

**While Congress may act to stabilize the exchanges, changes will not impact the premiums consumers see during the open enrollment period.** According to Avalere experts, the Alexander-Murray market stabilization package could improve stability to the market by funding CSRs and making it easier for states to introduce reinsurance or other risk mitigation programs. Any legislative effort, however, is unlikely to impact 2018 rates at this late date. Instead, if Congress approves CSR funding, the Administration and state Departments of Insurance would need to work together to identify a way for consumers and the federal government to claim refunds for higher premiums caused by CSRs.

**Despite bipartisan support, stabilization efforts may be stalled without further guidance from the Administration.** Last week, Senators Alexander and Murray announced 48 Democrats and 12 Republicans supported their legislation to provide short-term stability to the individual exchanges. However, a new plan being outlined by Senators Hatch and Brady and ongoing uncertainty about whether the President supports a stabilization effort is likely to slow Congressional progress.

**Over time, the pending Executive Order may have an impact on individual market dynamics.** While it may be several months before there are regulations finalized related to President Trump's Executive Order on individual market stability, Avalere experts note that the included policies could shape the individual and small group exchanges in 2019 and beyond. In particular, association health plans (i.e., individuals or small businesses banding together to purchase insurance) and short-term limited-duration insurance plans (often called stop-gap coverage) may attract healthy enrollees away from the individual exchanges, causing risk to deteriorate and premiums to rise for consumers that remain in the exchanges. Meanwhile, allowing employees to use health reimbursement accounts to purchase individual market insurance may drive enrollment from the small group market to the individual market, potentially improving the individual market risk pool.

*“It is too late for Congress to impact 2018 premiums before open enrollment,” said Dan Mendelson, president at Avalere. “Over time, policymakers in Congress and the administration have the power to shape the future of the individual market.”*

Avalere will continue to monitor the evolution of the exchange market and will publish analytics on the exchange landscape when relevant files become available for the 2018 plan year.

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