

Stabilizing the Individual Market

NIHCM

November 14, 2017



**BlueCross
BlueShield**
Association

Blue Cross Blue Shield Association is an association of independent Blue Cross and Blue Shield companies.

Agenda

- Why do we need an individual market?
- How has the individual market changed since 2014?
- How can we address major challenges to the market?

Why do we need an individual market?

- **17 million** people rely on the individual health insurance market today
- This is an important source of coverage for those without job-based coverage
 - Small business owners and self-employed individuals
 - Employees who are not eligible for an employer plan
 - Individuals who are between jobs
 - Retirees who are not eligible for Medicare
- The individual market plays an important role in the economy
 - Simplifies hiring costs for new small employers, who are important job creators in our economy
 - Availability of coverage makes it easier to switch jobs, lessening job lock

We may all rely on the individual market at some point in our lives.

Action is needed to Stabilize the Individual Market

2018 Exchange Trends*

Total issuer participation (by state)	132  from 167
Average number of issuers per state	3  from 4
HealthCare.gov states with only one issuer	8  from 5
Average premium for 2nd lowest cost silver plan (27-yr-old: \$411/mo)	37%  from 2017
Average premium tax credit	 45%

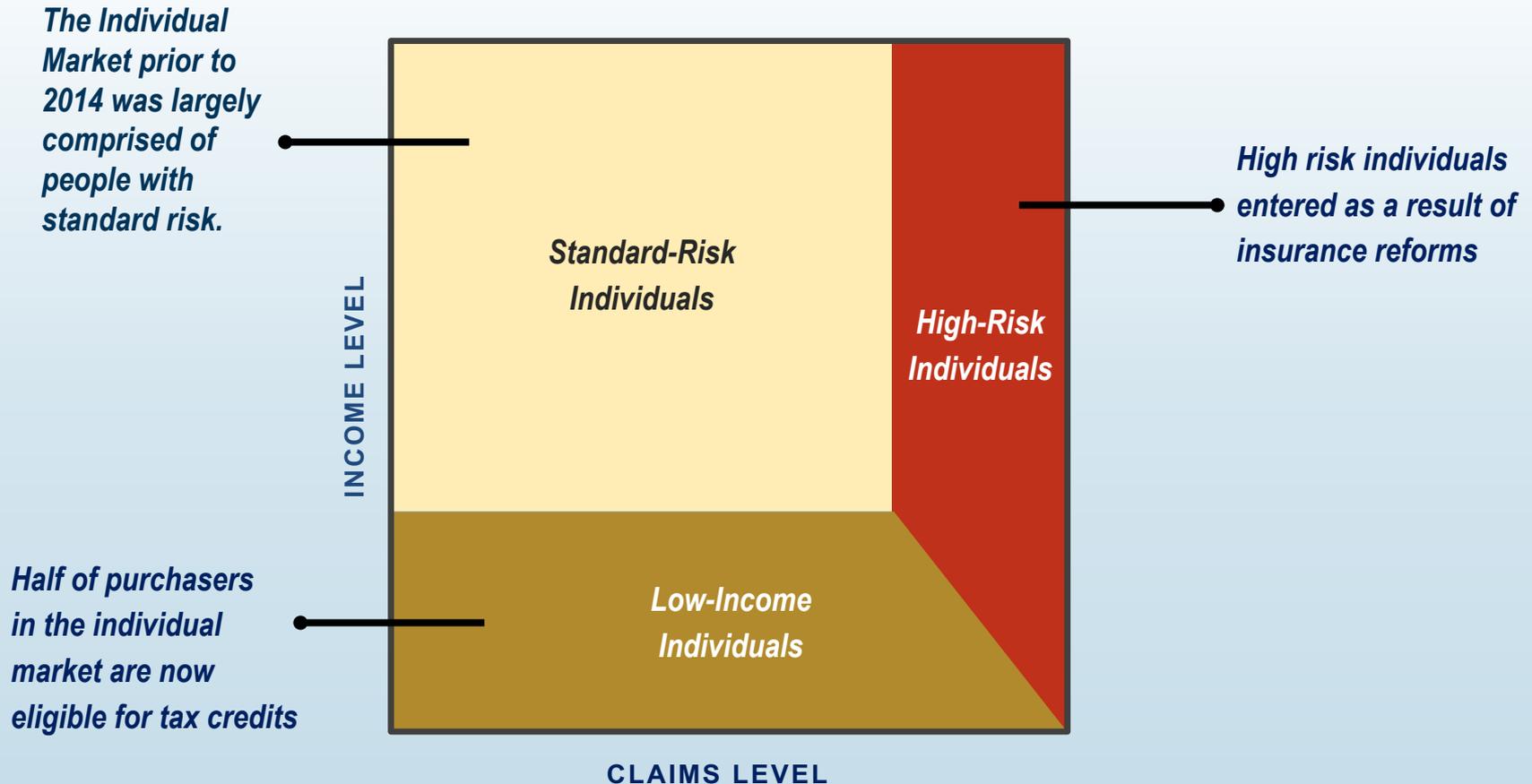
*<http://aspe.hhs.gov> 10.30.2017

**Kaiser Family Foundation: <https://www.kff.org/health-reform/press-release/analysis-aca-marketplace-premiums-rise-substantially-in-2018-but-many-will-pay-less-for-coverage/>

What's Driving Instability

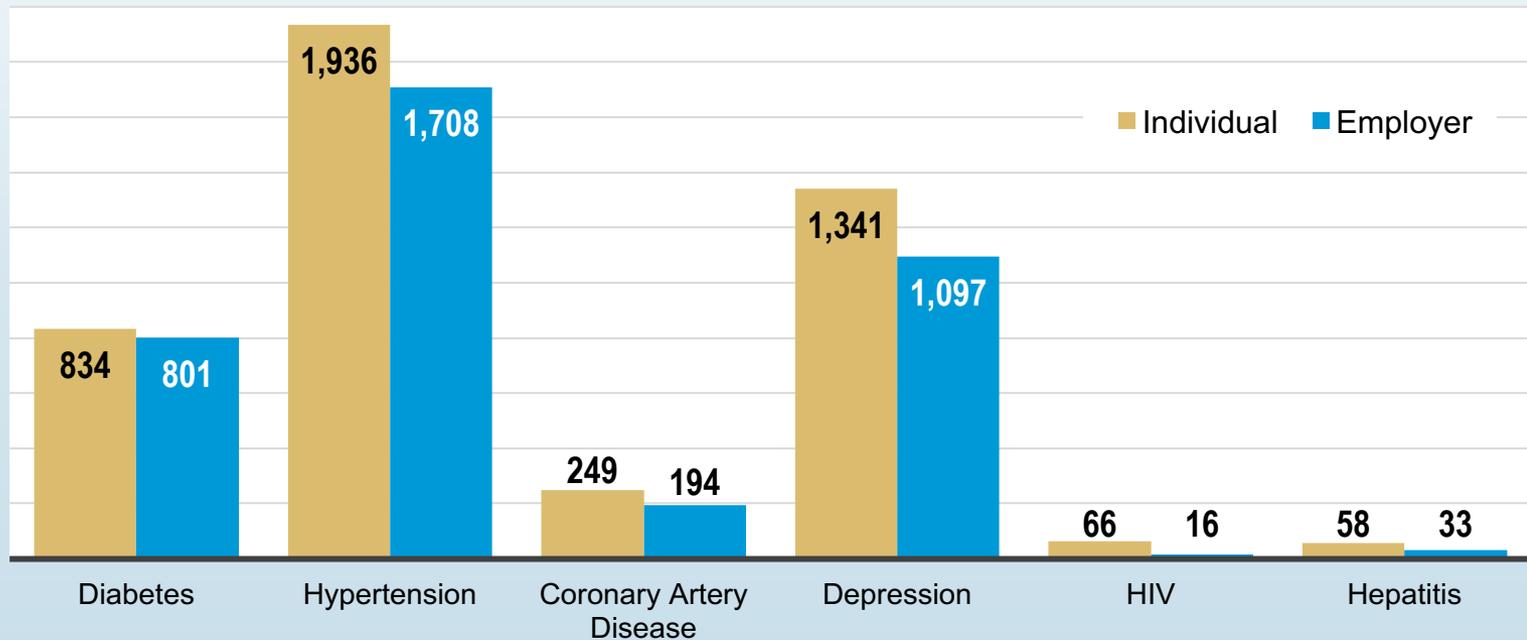
- Rising costs/premiums – making coverage unaffordable for middle class, long-term customers
 - Uncertainty (CSRs, individual mandate, who knows what's next?)
 - Return to market segmentation (e.g., through Short-Term Limited Duration policies)?
 - Provider steerage of high-cost patients to individual market
 - Transition to new models of marketing and distribution
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How has the individual market changed since 2014?



The Individual Market has Greater Disease Burden

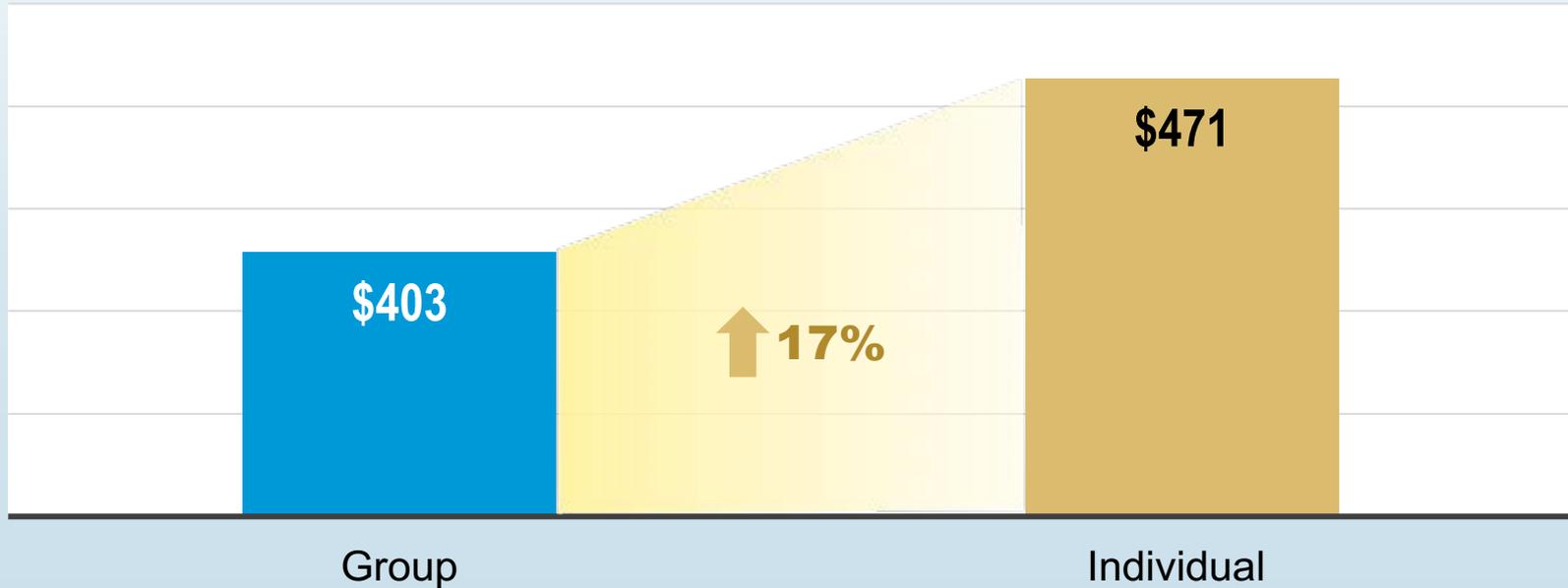
**Prevalence of High-Cost Medical Conditions
Individual and Employer Insurance Markets**
(Per Ten Thousand Enrollees)



Source: Claims data of 2.4 million individual market enrollees in Blue Cross Blue Shield Plans in 2016

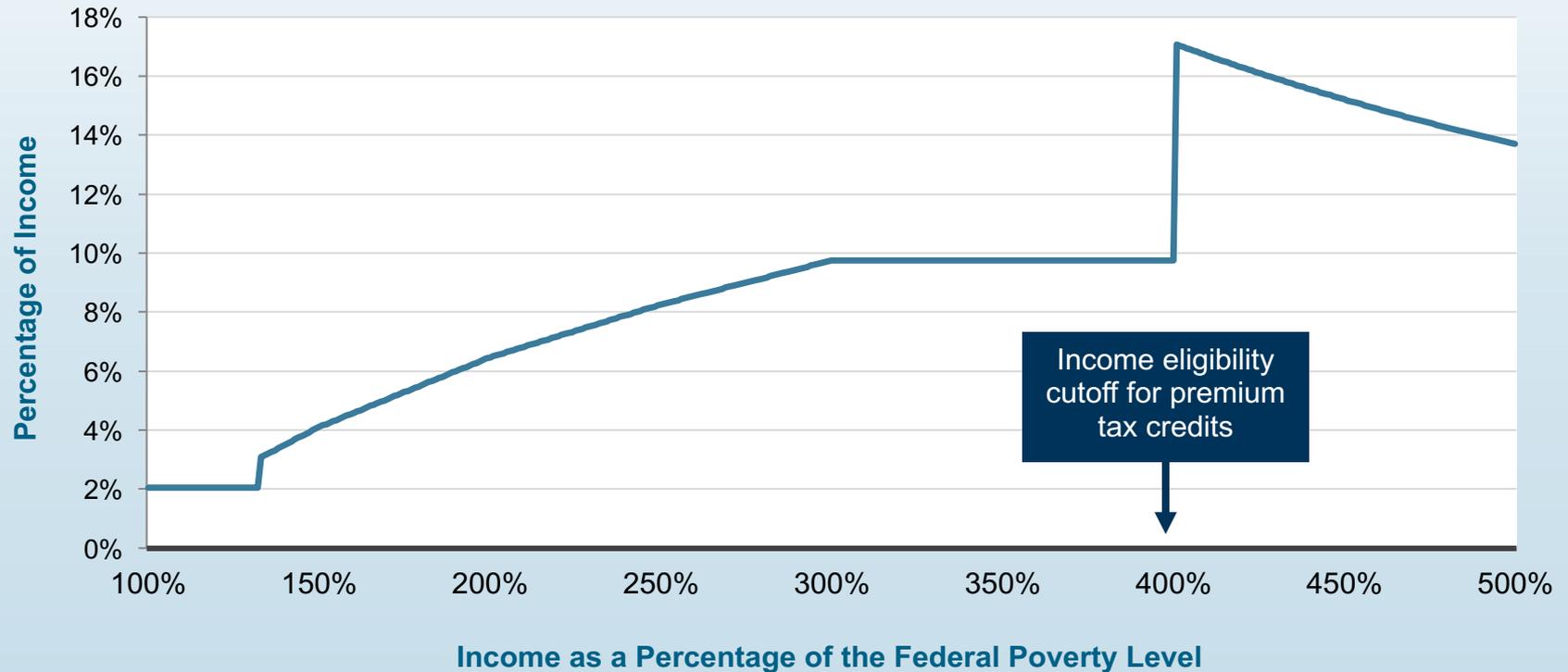
Claims in Individual Market Now Exceed Employer Plans

Claims 17% Higher in Individual Market



Affordability in the individual market is a major challenge for people with incomes just above 400% FPL

National Average Net 2018 Premium as a Percentage of Income
(for a single, non-smoking 55-year-old)



Source: BCBSA analysis using projected average nationwide premium for 2018 (\$8,256 before application of premium tax credit; assuming CSRs were fully funded), and the 2018 federal poverty level of \$12,060 (400% FPL is \$48,240). For people with incomes above 400% FPL, the premium reflects what such a person would be likely to obtain in off-exchange, ACA-compliant coverage.

How can we Stabilize the Individual Market?

Invest in broad-based funding for individuals with the greatest medical needs

- About **\$15 billion annually** is needed to bring claims costs in line with costs in the employer health insurance market
- The net cost of **\$5 billion** (after savings in premium tax credits) — this represents less than **1% of the \$800 billion** in total federal expenditures supporting private health insurance in 2019
- This one step could reduce premiums in the individual market by about **19%** by 2019 if done in a way that insurers could operationalize quickly



5 Keys for Stabilizing the Individual market

- 1** Provide broad-based funding for those with significant medical needs
- 2** Provide a stable, predictable regulatory environment
- 3** Reduce taxes and fees that drive up premiums
- 4** Ensure powerful incentives for individuals to remain continuously insured
- 5** Avoid destabilizing policies (364 day short-term policies, exempting AHPs from state regulation)

Must also address broader issue of affordability for all Americans