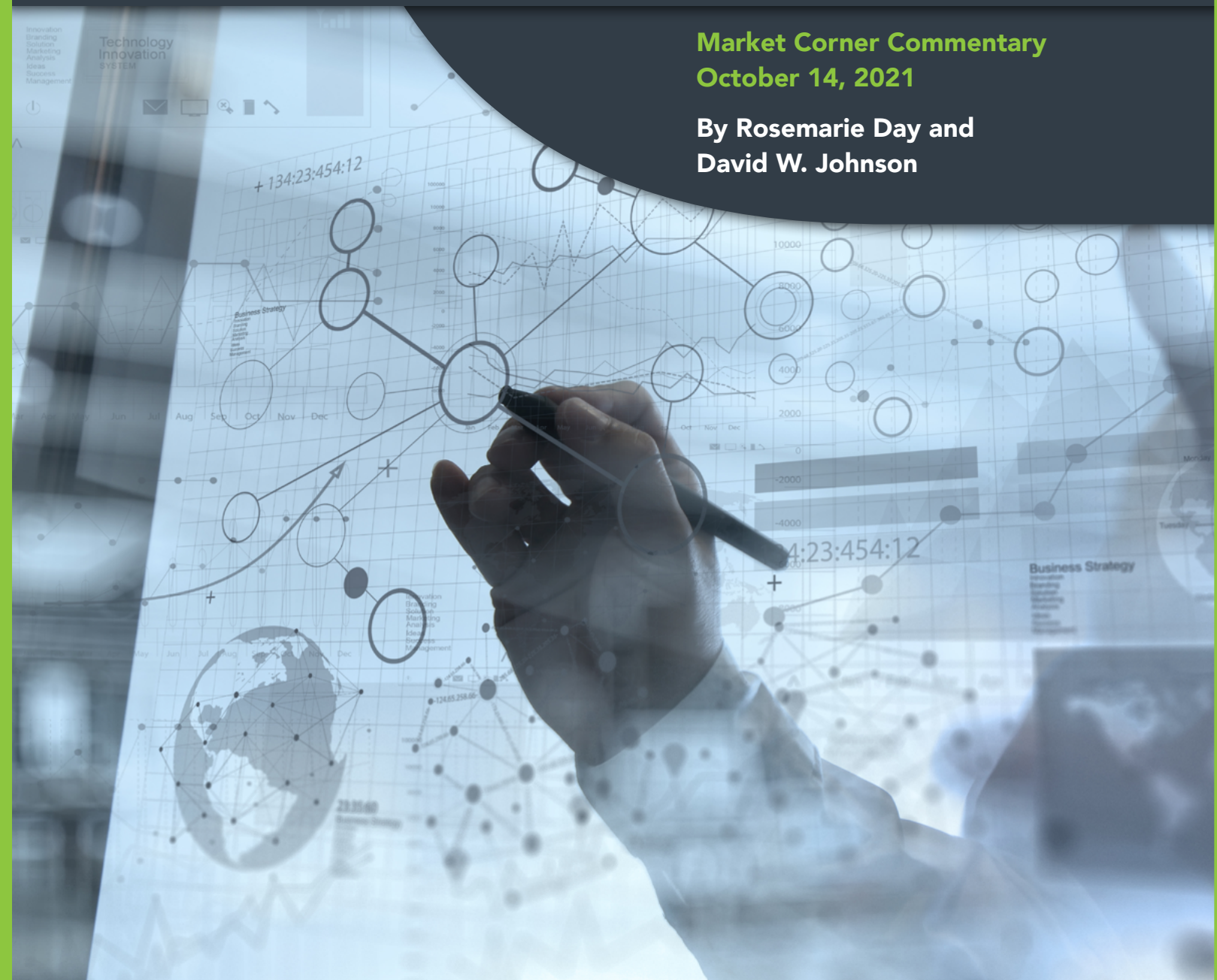


State-Based Marketplaces 2.0

Part 1: The Coming Expansion in Access, Affordability and Value

Market Corner Commentary
October 14, 2021

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A CRITICAL SAFETY NET

Including HealthCare.gov, 12 million consumers have enrolled in market-based plans for calendar year 2021, an increase of 600,000 from 2020. Over 3.8 million of the 12 million enrolled through SBMs. The vast majority of enrollees (including 88% of the consumers enrolled through HealthCare.gov) receive some financial assistance in the form of subsidies.³

Despite the increased enrollment, more than 30 million Americans remain uninsured⁴ and 43.4% of the population has inadequate health insurance coverage.⁵ The number of uninsured people in America declined significantly with implementation of the ACA in 2014, then began to rise in 2017 as the Trump Administration reduced support for enrollment.

The pandemic-related economic shutdown seemed likely to balloon the ranks of the uninsured. Instead, employer-based coverage largely held and many who found themselves suddenly uninsured secured coverage through Medicaid or marketplace health plans.

The extension of the open enrollment period and the enhanced subsidies have facilitated enrollment in SBMs and HealthCare.gov this year. For an estimated one million people, marketplace health plans provided a critical safety net.⁶

CONTINUED GROWTH & IMPROVEMENT

Despite the charged political debate since the ACA's passage, SBMs have shown great promise and resilience. Many SBMs have adopted targeted solutions to make health plan premiums more attractive and affordable. Some have enabled consumers to shop and compare plans more easily. Others have included reinsurance, enhanced subsidies and/or individual mandates that strengthen the risk pool and help to reduce prices.

Different approaches among states can lead to drastic differences in the affordability and attractiveness of health plan offerings. Minnesota's decision to offer reinsurance to insurers with health plans on its SBM lowered its 2021 monthly benchmark rate to \$292. Across the state line in Wisconsin, the monthly benchmark rate jumped to \$782. The 2021 national average benchmark premium is \$443 per month.⁷

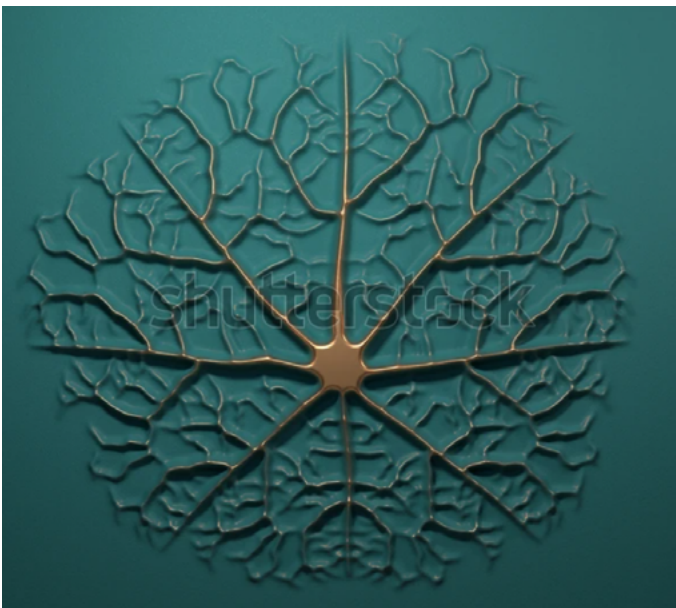
Analysts, administrators and policy makers are studying these different approaches to better understand the factors influencing elasticity of demand in state and federal marketplaces. The results can be striking.

One study showed that the existence of individual mandates in state-based marketplaces increases the likelihood that individuals will purchase health insurance policies, regardless of financial penalties.⁸ Other studies confirm that individual tolerance for higher premiums increases with a greater perceived need for health insurance, as occurs with factors such as poor health and older age. Such priorities increase demand for health insurance and reduce price elasticity.

That said, a standardized menu of affordable options increases consumer sensitivity to price.⁹ States can adopt an evidence-based approach by using this type of knowledge to tweak program offerings and make them more attractive to marketplace consumers.

SBMs monitor each other's strategies closely, often adopting innovations appropriate to local needs. By using an evidence-based approach, they can make their offerings even stronger. Progress will also stimulate interest in other states for developing their own marketplaces. As noted above, SBMs' collective success has already influenced several traditionally red and purple states, including Kentucky, Maine, New Mexico, and Virginia, that are now implementing their own SBMs.¹⁰

With political headwinds now turning into tailwinds, SBMs are finding it easier to enact modest but practical structural improvements that can make their marketplaces even more robust and attractive. Growth will continue as more product offerings come to SBMs, consumers gain more choices, value-driven transactions increase, health outcomes improve and system-wide costs decrease.



Individual Marketplace and SBM Status, By State

The table highlights several provisions adopted by states operating a state-based exchange. Of note, this table calls out which states have implemented an individual mandate – the primary “stick” states may use to drive enrollment – as well as enhanced premium or cost-sharing subsidies, the main “carrot.” In addition, the grid notes which states have extended their SBM’s open enrollment period for 2021, among other consumer protections.

For additional detail, please see a summary of these and many other state actions to support access to health insurance coverage from the Commonwealth Fund.

	Federal Platform	Individual Mandate	Enhanced Premium or Cost Sharing Subsidies	Reinsurance	Limits on Sale of STLD Plans	Extended OE Period for 2021	Public Coverage Option
Arkansas	●						
California		●	●		●	●	
Colorado			●	●	●	●	
Connecticut					●	●	
D.C.		●			●	●	
Idaho						●	
Kentucky	●						
Maine	●			●			
Maryland				●	●	●	
Massachusetts		●	●		●	●	
Minnesota				●	●	●	●
Nevada					●	●	
New Jersey		●	●	●	●	●	
New Mexico	●				●		
New York					●	●	●
Oregon	●			●	●		
Pennsylvania				●		●	
Rhode Island		●		●	●	●	
Vermont		●	●		●	●	
Virginia	●				●		
Washington					●	●	●

CONCLUSION: LOCAL SOLUTIONS ADVANCING MEANINGFUL REFORM

The ACA gives states the flexibility to implement SBMs and encourage private sector participation. The federal government is responsible for establishing coverage standards, financing subsidies, and operating the HealthCare.gov platform. But it faces some challenges when it comes to innovating.

By contrast, states can be nimble. They can tailor program offerings to meet market demands and dynamics. Factors influencing program design could also include the state’s urban/rural mix, the size of its employer base, the payer mix, social determinants of health, demographics and cultural attributes. This ability to accommodate market preferences and other factors validates the federalist approach that the ACA takes in granting SBM program design to the states.

This flexibility avoids the “one-size-fits-all” approach incorporated within the federally-run marketplace. By tailoring their SBMs to local circumstances, the states have become vital engines of experimentation and innovation for advancing the overall effectiveness of the nation’s healthcare marketplaces.

With enhanced program design and expansion to more states, along with support from the Build Back Better Act, SBMs are well positioned to serve as a catalyst for meaningful healthcare reform. Not all progress is revolutionary. As SBMs have demonstrated, evolutionary improvements in benefit design, enrollee engagement, risk management and outreach enable millions of American consumers to gain affordable access to high-quality care.

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AUTHORS



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