With ACA in Limbo, Insurers Brace for Drop in Enrollment

With big rate increases and continued uncertainty about the future of the Affordable Care Act, insurers rush to reassure enrollees about 2018 health plans.

With enrollment for 2018 Affordable Care Act health-insurance plans starting in just two weeks, insurers are bracing for a drop-off among consumers put off by higher rates, confusion about the law’s standing and a shorter window to choose coverage.

Companies like Blue Cross Blue Shield of Michigan, Florida Blue and Medica are rushing to shore up their customer base as the future of the 2010 health law continues to be debated on Capitol Hill, where two senators Tuesday announced a tentative deal aimed at bolstering the ACA marketplaces. The insurers are using advertising, letters, emails and other outreach techniques to reassure enrollees about their insurance options under the ACA in 2018.

Other industry players, including online insurance vendor eHealth Inc., see an opening to offer consumers cheaper alternatives to ACA policies. While less comprehensive, these plans could become more appealing if the Trump administration moves forward with loosening some restrictions on them, as the president proposed in an executive order last week.

Separately, the Trump administration said it would halt payments to insurers that are used to reduce health-care costs for low-income ACA enrollees. Partly because of the anticipated loss of those federal payments, expected to total $7 billion this year, major insurers are sharply raising rates in many states.

And many firms say they expect to lose consumers who will bear the full brunt of the rate increases—those who aren’t eligible for the health law’s premium subsidies, which help enrollees with annual incomes of less than around $48,000.

“The people we’ll lose will likely be the ones who have affordability issues,” said Rick Notter, an executive at Blue Cross Blue Shield of Michigan. The insurer is raising rates on its ACA health maintenance organization plans by around 23% on average. It predicts the state’s ACA enrollment will drop by around 9% next year.
Despite significant rate increases in 2017, enrollment in ACA plans by subsidized consumers rose an estimated 5.4% in the second quarter of this year compared with a year earlier, according to Oliver Wyman, a consulting unit of Marsh & McLennan. But enrollment in individual coverage by people not receiving subsidies dropped around 22.4%.

“We will likely see this accelerate in 2018,” said Kurt Giesa, a partner at Oliver Wyman.

Insurers are particularly nervous about losing healthy enrollees like Daniel Ramos, a 29-year-old massage therapist and personal trainer in Richmond, Va.

Mr. Ramos, who says he rarely needs health care, was already skeptical about spending around $250 a month for his current ACA plan from Anthem Inc. Next year, the only insurer expected to still sell ACA coverage in Richmond, Cigna Corp., will boost rates 51% on average across all of its Virginia exchange offerings.

Mr. Ramos, who doesn’t get a premium subsidy, says he isn’t sure he will buy an ACA plan again if the options are far more expensive—despite the risk of a penalty under the health law’s coverage mandate.

“It feels like a big money hole,” he says of the premiums he pays. “If it becomes more, I’d rather just go ahead and take the hit and pay the fine next year.”

Insurers fear other factors could weigh on 2018 exchange sign-ups, too. The open enrollment period this year will start on Nov. 1 in most states and last only about six weeks—shorter than in previous years. And the Trump administration has cut back on advertising and other outreach efforts.

Industry officials also point to confusion over the status of ACA after months of talk about repealing the law and the president’s comments about Obamacare being “dead” and “finished.” Despite the tentative Senate deal—which would restore the federal cost-sharing payments and, potentially, funding for ACA outreach—passing legislation before the start of November would be a heavy lift for Congress.

“It’s all of those things together” that will push down enrollment, along with “the sheer size of the rates,” said Chet Burrell, chief executive of CareFirst BlueCross BlueShield, who predicts a “decline that will be quite substantial.”

CareFirst’s ACA rates in Maryland are going up 34.5% for health maintenance organization plans and 50% for preferred provider organization plans. The insurer is seeking permission from the state insurance regulator to make a further boost because of the halt to federal cost-sharing payments.
A spokesman for the Department of Health and Human Services said the ACA marketplaces were troubled before the president took office, and that Mr. Trump’s executive order “is intended to provide Americans with more affordable health-care choices and allow them to exercise greater control over their health-care decisions.”

Despite the uncertainty, insurers say they’re focused on making sure consumers know when to sign up and understand what’s available. For many people with subsidies, the rate increases will be largely neutralized because the federal help will rise in tandem with the cost of plans. Those who don’t get subsidies may find that rate hikes are far sharper on middle-tier “silver” plans, but less for other types, because of how insurers in some states loaded their increases.

Insurers will likely be helped by an automatic re-enrollment process that remains in effect for this year, pushing passive consumers into new plans.

But that automatic process could mean some consumers will be signed up for coverage with big rate increases and won’t realize it until they are billed later on.

“We’re trying to remind people, ‘shop, shop, shop,’ ” said Geoff Bartsh, a vice president at Medica, an ACA insurer. Medica, which is raising rates around 30% or more in states including Iowa, Nebraska and Wisconsin, is sending letters to people who will automatically be signed up for its plans. It is also setting up a special website to help them pick the best option.

Florida Blue, meanwhile, has created new, lower-cost plans at the cheapest ACA bronze level to appeal to people who don’t get subsidies, said Jon Urbanek, a senior vice president at the insurer. The insurer is also sending postcards to prompt people to shop during open enrollment, and is holding events around the state. “People are seeing all kinds of confusing messages out there,” Mr. Urbanek said, so the insurer is trying to reassure them.

For companies that provide cheaper non-ACA products with fewer benefits, the open enrollment season may offer a chance to snag more customers.

“We expect a continued acceleration in demand,” said Gavin Southwell, chief executive of Health Insurance Innovations Inc., which sells short-term insurance.

Short-term products often are sold only to people who qualify as healthy, lack certain benefits like maternity care, and don’t cover costs related to pre-existing conditions. Under current regulations, the plans can’t be sold with durations longer than three months, though that will likely stretch to nearly a year in many states under changes...
pushed by Mr. Trump's executive order. Also, people with short-term plans can still be hit by the ACA's coverage mandate penalty.

EHealth, the online insurance vendor, is rolling out new packages that pull together products including short-term insurance, coverage of online and telephonic doctor visits and indemnity plans, which generally pay a set sum toward medical services such as a hospital stay. The bundles provide limited protection compared with ACA plans. For instance, they lack full prescription-drug coverage, though they sometimes include discounts on certain medications. But they are expected to be cheaper than health-law plans.

The packages are for “those folks who want coverage but are facing that affordability barrier when they look at the major medical” plans sold under the ACA, said Paul Rooney, a vice president at eHealth.

When J. Mitchell Stockdale shopped for ACA plans last year, he said he found premiums too expensive. So this September, the 53-year-old retired engineering manager in Lenoir City, Tenn., decided to buy an eHealth package with an indemnity plan and dental coverage.

The health plan has limited benefits, including $2,000 a day for hospital stays, which is less than many hospitals typically bill. But Mr. Stockdale, who isn't eligible for ACA plan premium subsidies, says he is betting he won't have major health needs.

“It's a small risk,” he said. “I'm willing to take it.”