



# ASPE

## ISSUE BRIEF

### HEALTH INSURANCE MARKETPLACE PREMIUMS AFTER SHOPPING, SWITCHING, AND PREMIUM TAX CREDITS, 2015–2016

April 12, 2016

Health insurance rate information becomes available each spring as issuers file proposed rates with federal and state regulators. Rates then undergo review before being finalized in the fall, prior to the annual Health Insurance Marketplace Open Enrollment Period.<sup>1</sup> Neither the proposed nor final rates offered by any individual issuer provide a reliable basis for predicting what typical Marketplace consumers will pay in the following year. Consumers' actual health insurance premiums will be lower because public rate review can bring down proposed increases, shopping gives all consumers a chance to find the best deal, and tax credits reduce the cost of coverage for the vast majority of Marketplace consumers.

#### Key Highlights

- Initial issuer rate filings do not provide sufficient information to predict what premiums Marketplace consumers will actually pay next year because they do not account for rate review, consumer shopping behavior, or tax credits. For plan year 2016, early estimates based on rate filings alone suggested higher premium increases than what Marketplace consumers paid.
- Two-thirds (67 percent) of HealthCare.gov consumers selected a new plan in 2016: all new consumers, plus 43 percent of returning consumers. Taking into account shopping, the increase in the average premium was 8 percent between 2015 and 2016.
- Among the roughly 85 percent of HealthCare.gov consumers with premium tax credits, the average monthly net premium increased just \$4, or 4 percent, from 2015 to 2016.

<sup>1</sup> "U.S. Department of Health and Human Services Rate Review Annual Report," December 2015, available at: [https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/Rate-Review-Annual-Report\\_508.pdf](https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/Rate-Review-Annual-Report_508.pdf)

## Rate Changes without Shopping or Tax Credits

The Marketplace is a dynamic environment. New consumers sign up during Open Enrollment, while returning consumers can explore their health coverage options and either remain with their plan or select a different plan. In addition, enrollees have the flexibility to come and go as their life circumstances change. For example, consumers may move to a new source of coverage because of a job with employer-sponsored insurance or may become eligible for Medicaid or Medicare. In addition, the vast majority of Marketplace consumers also qualify for tax credits that dramatically reduce their premiums.

By contrast, the average premium changes reported in insurers' rate announcements assume a scenario in which no consumer leaves the Marketplace, no new consumers enroll, nobody switches plans, no new plans are offered, and no one receives tax credits. That means that the average rate changes reported in issuer filings do not accurately represent the changes in the premiums consumers will actually pay. Using rate filing information alone, some observers last year suggested that consumers would see double-digit percentage increases in the premiums they paid in 2016. For example, a McKinsey analysis based on rate filings estimated that median premiums would rise by an average of 10 to 15 percent in 2016.<sup>2</sup>

## Consumers' Shopping Sharply Reduces Premium Changes

During the Marketplaces' annual Open Enrollment Period, new consumers select plans and current consumers have the option to switch plans. Overall, 6.4 million individuals (67 percent) of HealthCare.gov consumers selected a new plan for 2016: 4.0 million new consumers, plus 2.4 million (43 percent) of returning consumers. After taking into account shopping, the average premium among all HealthCare.gov consumers increased 8 percent from 2015 to 2016 (Table 1), not much higher than the 7.2 percent increase in the second-lowest silver plan premium reported at the start of the 2016 open enrollment. The 8 percent increase in the average premium after shopping demonstrates that enrollees' actual premiums depend on the dynamics of the entire market not just issuers' pricing decisions.

Among 2015 consumers that re-enrolled in the Marketplace for 2016 coverage, 43 percent chose to switch plans. Compared to what they would have paid to remain in their 2015 plan, consumers that switched plans saved an average of \$42 per month in premium costs, equivalent to over \$500 in annual savings. (See Table 2 for average savings by state.) In addition, new consumers, who accounted for 42 percent of 2016 plan selections in the 38 HealthCare.gov states, necessarily shop around, and prior research shows they overwhelmingly gravitate toward low-premium plans.<sup>3</sup>

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<sup>2</sup> McKinsey Center for U.S. Health System Reform, "2016 exchange market remains in flux: Pricing trends," November 2015, available at: <http://healthcare.mckinsey.com/2016-exchange-market-remains-flux-pricing-trends>.

<sup>3</sup> Amy Burke, Arpit Misra, and Steven Sheingold, "Premium Affordability, Competition, and Choice in the Health Insurance Marketplace, 2014," *ASPE Issue Brief*, June 18, 2014, available at: <https://aspe.hhs.gov/sites/default/files/pdf/76896/2014MktPlacePremBrf.pdf>.

Shopping by new and returning consumers is important because the Marketplace is dynamic, which means that the issuer that offers a market's lowest price product one year is not necessarily the price leader in the next year. Each year, new issuers enter the Marketplace, and consumers have a wide variety of choices for coverage. Currently, the average HealthCare.gov consumer has a choice of 46 qualified health plans available in his or her county for 2016 coverage.<sup>4</sup> (See Table 3.)

### **Tax Credits Limit Premium Changes for the Overwhelming Majority of Consumers**

The vast majority of HealthCare.gov consumers receive premium tax credits, which, like consumer shopping behavior, are not accounted for in the premium changes reported in insurers' rate filings. Among all Marketplace plan selections in HealthCare.gov states, 85 percent were with tax credits in 2016. The average monthly tax credit amount in 2016 is \$290 and reduces a consumer's premium by 73 percent. (See Table 4 for details by state.)

Table 3 shows the resulting net premiums for the 85 percent of Marketplace consumers who receive tax credits. The average net premium—that is, taking into account tax credits—in 2016 among those who qualified for tax credits was \$106 per month. The average net premium was \$102 for tax credit recipients in 2015. Therefore, between 2015 and 2016, the average out-of-pocket premium obligation consumers' with tax credits paid rose just 4 percent, or \$4 a month.

The fact that consumers saw only small premium increases after tax credits is not a coincidence. The premium tax credit is designed to ensure that affordable options are available to consumers. An eligible consumer's tax credit amount is based on the premium of the second-lowest cost silver plan (also known as the benchmark plan) available to him or her, and the tax credit amount a consumer is eligible for adjusts if the benchmark plan's premium changes. That means that if premiums for all plans in an area rise similarly, that increase is essentially fully offset for eligible consumers by a higher premium tax credit. After taking into account tax credits, nearly seven in 10 HealthCare.gov consumers had the option of coverage for \$75 or less in monthly premiums for 2016 coverage, and 74 percent had an option for \$100 or less. (See Table 5.)

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<sup>4</sup> The weighted average numbers of issuers and plans per county were calculated using the March 21, 2016 version of the 2016 plan landscape file, weighting by number of 2016 plan selections, which produces a slightly different premium than what was reported in the March 2016 report. The plan landscape file is available at: <https://www.healthcare.gov/health-and-dental-plan-datasets-for-researchers-and-issuers/>

**TABLE 1: Health Insurance Marketplace Monthly Premium Changes  
for 2015–2016 in HealthCare.gov States**

	2015 Average Monthly Premium	2016 Average Monthly Premium	Increase in Average Monthly Premium	
			Dollars	% Change
<i>Full</i> monthly premium among all plan selections	\$356	\$386	\$30	8%
<i>Net</i> monthly premium among plan selections with premium tax credits	\$102	\$106	\$4	4%

**Notes:** Information is for enrollees in the 37 states that used the HealthCare.gov platform for 2015 and in the 38 states that used the HealthCare.gov platform for 2016. 2015 enrollees are those who selected plans during the second Open Enrollment Period. 2016 enrollees include those who had an active Marketplace plan selection as of 2/1/2016 but exclude those whose plans were terminated prior to that date.

## Conclusion

Even after rate announcements begin for the Marketplaces' 2017 benefit year, more information will be needed to pinpoint how issuers' proposed rate changes will impact what consumers ultimately pay for coverage. Last year, rate filings alone led some to predict nationwide double-digit increases in the premiums paid by consumers. In fact, for the 85 percent of HealthCare.gov consumers eligible for tax credits, average net premiums increased only slightly, by \$4 per month (or 4 percent).

The Marketplace was designed to foster issuer competition, facilitate consumers' comparison shopping, and ensure affordability through financial assistance. The experience of the past three years suggests that in the next Open Enrollment Period consumers will return to the Marketplaces to search for the best value to cover themselves and their families.

**TABLE 2: Premium Savings from Switching Plans between 2015 and 2016 Coverage Years**

State	Percent of Re-enrollees Who Chose a New Plan for 2016	Average Monthly Premium Savings of Switchers	Average Annual Premium Savings of Switchers
<i>HealthCare.gov Total (37 States)</i>	43%	\$42	\$502
Alabama	43%	\$42	\$504
Alaska	36%	\$71	\$852
Arizona	73%	\$41	\$492
Arkansas	22%	\$20	\$240
Delaware	30%	\$39	\$468
Florida	38%	\$34	\$408
Georgia	44%	\$48	\$576
Illinois	53%	\$53	\$636
Indiana	42%	\$64	\$768
Iowa	31%	\$49	\$588
Kansas	63%	\$51	\$612
Louisiana	39%	\$38	\$456
Maine	19%	\$15	\$180
Michigan	36%	\$45	\$540
Mississippi	35%	\$40	\$480
Missouri	41%	\$31	\$372
Montana	31%	\$38	\$456
Nebraska	37%	\$28	\$336
Nevada	52%	\$20	\$240
New Hampshire	29%	\$27	\$324
New Jersey	42%	\$64	\$768
New Mexico	58%	\$46	\$552
North Carolina	43%	\$48	\$576
North Dakota	24%	\$25	\$300
Ohio	36%	\$54	\$648
Oklahoma	32%	\$26	\$312
Oregon	47%	\$36	\$432
Pennsylvania	52%	\$28	\$336
South Carolina	62%	\$33	\$396
South Dakota	51%	\$12	\$144
Tennessee	43%	\$52	\$624
Texas	48%	\$41	\$492
Utah	56%	\$31	\$372
Virginia	28%	\$28	\$336

State	Percent of Re-enrollees Who Chose a New Plan for 2016	Average Monthly Premium Savings of Switchers	Average Annual Premium Savings of Switchers
West Virginia	26%	\$33	\$396
Wisconsin	39%	\$59	\$708
Wyoming	49%	\$3	\$36

**Notes:** Numbers may not sum due to rounding. Information is for enrollees in the 37 states that used the HealthCare.gov platform for both 2015 and 2016. 2015 enrollees include those who selected plans during the second Open Enrollment Period and those who selected plans during a Special Enrollment Period but exclude those who had terminated their plan as of 11/1/2015. 2016 enrollees include those who had an active Marketplace plan selection as of 2/1/2016 but exclude those whose plans were terminated prior to that date. The dollar amounts shown in this table differ from those in Appendix Table B5 on p. 47 of the ASPE Issue Brief titled “Health Insurance Marketplaces 2016 Open Enrollment Period: Final Enrollment Report” (March 11, 2016; available at: <https://aspe.hhs.gov/health-insurance-marketplaces-2016-open-enrollment-period-final-enrollment-report>) because the table above shows the premium savings among all plan switchers, not just those who switched within a metal tier.

**TABLE 3: Issuers and Plans Available in the 2016 Health Insurance Marketplace**

State	Total Issuers in State in 2016	Average Available per County for 2016 Coverage*	
		Qualified Health Plans	Issuers
<i>HealthCare.gov Total (38 states)</i>	234	46	5
Alaska	2	15	2
Alabama	3	13	2
Arkansas	5	40	5
Arizona	8	51	6
Delaware	3	28	3
Florida	10	52	5
Georgia	9	48	6
Hawaii	2	20	2
Iowa	4	26	3
Illinois	9	43	5
Indiana	8	61	6
Kansas	4	26	3
Louisiana	5	34	4
Maine	2	21	2
Michigan	14	80	8
Missouri	7	37	4
Mississippi	3	23	3
Montana	3	30	3
North Carolina	3	24	3
North Dakota	3	21	3
Nebraska	4	31	4
New Hampshire	4	29	4
New Jersey	6	54	6
New Mexico	4	25	4
Nevada	4	49	4
Ohio	17	81	10
Oklahoma	2	22	2
Oregon	10	69	7
Pennsylvania	13	32	5
South Carolina	4	56	3
South Dakota	2	19	2
Tennessee	4	57	3
Texas	19	51	6
Utah	4	59	3

State	Total Issuers in State in 2016	Average Available per County for 2016 Coverage*	
		Qualified Health Plans	Issuers
Virginia	11	35	4
Wisconsin	16	60	5
West Virginia	2	18	1
Wyoming	1	28	1

Note: QHP counts do not include catastrophic plans. Averages for QHPs and issuers represent the number available per county in the state, weighted by the number of 2016 plan selections in the county. Plan and issuer information is from the plan landscape file as of March 21, 2016 for states using the HealthCare.gov platform, which represents a snapshot of issuer participation and plans as of that date and does not reflect issuers or plan offerings that may have been available prior to that time. Numbers in this table may differ from those in reports based on earlier versions of the 2016 landscape file.

Issuer counts were tabulated on the basis of unique HIOS ID numbers. Comparing the March, 21, 2016 version of the PY2016 landscape file against the August 2015 version of the PY2015 landscape file, we find that 40 issuers “entered” the Marketplaces in 2016: that is, 40 issuers did not offer individual market health plans in the Marketplaces in 2015 but did in 2016. A total of 39 issuers “exited,” meaning they were active in one of the Marketplaces in 2016 but not in 2016. Hawaii was not included in the entry/exit counts because Hawaii was new to the HealthCare.gov eligibility and enrollment platform in 2016.



**TABLE 4: Reduction in Average Monthly Premiums from Advance Premium Tax Credits**

State	Total Number of Individuals with 2016 Plan Selections	Percent of Plan Selections with APTC	Average Monthly Premiums among Consumers with Advance Premium Tax Credits (APTC)			
			Average Monthly Premium before APTC	Average Monthly APTC	Average Monthly Premium after APTC	Average Percent Reduction in Premium after APTC
<i>HealthCare.gov Total (38 States)</i>	9,625,982	85%	\$396	\$290	\$106	73%
Alabama	195,055	89%	\$410	\$308	\$102	75%
Alaska	23,029	86%	\$863	\$737	\$126	85%
Arizona	203,066	74%	\$324	\$204	\$120	63%
Arkansas	73,648	87%	\$409	\$286	\$122	70%
Delaware	28,256	82%	\$477	\$328	\$150	69%
Florida	1,742,819	91%	\$386	\$302	\$84	78%
Georgia	587,845	86%	\$385	\$287	\$98	75%
Hawaii	14,564	81%	\$389	\$270	\$118	70%
Illinois	388,179	75%	\$385	\$233	\$152	61%
Indiana	196,242	81%	\$415	\$259	\$156	63%
Iowa	55,089	85%	\$425	\$303	\$122	71%
Kansas	101,555	82%	\$352	\$246	\$106	70%
Louisiana	214,148	89%	\$448	\$362	\$86	81%
Maine	84,059	87%	\$428	\$325	\$103	76%
Michigan	345,813	83%	\$382	\$239	\$143	63%
Mississippi	108,672	90%	\$388	\$297	\$91	76%
Missouri	290,201	87%	\$407	\$313	\$94	77%
Montana	58,114	83%	\$421	\$306	\$115	73%
Nebraska	87,835	88%	\$400	\$295	\$105	74%
Nevada	88,145	87%	\$372	\$265	\$107	71%
New Hampshire	55,183	66%	\$396	\$241	\$155	61%
New Jersey	288,573	80%	\$484	\$323	\$161	67%
New Mexico	54,865	68%	\$332	\$205	\$127	62%
North Carolina	613,487	89%	\$497	\$399	\$98	80%
North Dakota	21,604	85%	\$405	\$262	\$142	65%
Ohio	243,715	80%	\$405	\$240	\$164	59%
Oklahoma	145,329	84%	\$376	\$296	\$80	79%
Oregon	147,109	71%	\$392	\$250	\$142	64%
Pennsylvania	439,238	76%	\$396	\$251	\$145	63%

State	Total Number of Individuals with 2016 Plan Selections	Percent of Plan Selections with APTC	Average Monthly Premiums among Consumers with Advance Premium Tax Credits (APTC)			
			Average Monthly Premium before APTC	Average Monthly Premium APTC	Average Monthly Premium after APTC	Average Percent Reduction in Premium after APTC
South Carolina	231,849	89%	\$406	\$309	\$97	76%
South Dakota	25,999	88%	\$416	\$306	\$110	74%
Tennessee	268,867	85%	\$400	\$296	\$104	74%
Texas	1,306,208	84%	\$344	\$257	\$87	75%
Utah	175,637	86%	\$271	\$187	\$84	69%
Virginia	421,897	82%	\$366	\$273	\$93	75%
West Virginia	37,284	85%	\$542	\$387	\$155	71%
Wisconsin	239,034	84%	\$455	\$330	\$125	73%
Wyoming	23,770	90%	\$571	\$454	\$117	80%

**Notes:** Information is for enrollees in the 38 states that used the HealthCare.gov platform for 2016. 2016 enrollees include those who had an active Marketplace plan selection as of 2/1/2016 but exclude those whose plans were terminated prior to that date. This table originally appeared as Appendix Table B1 on p. 39 of the ASPE Issue Brief titled “Health Insurance Marketplaces 2016 Open Enrollment Period: Final Enrollment Report” (March 11, 2016; available at: <https://aspe.hhs.gov/health-insurance-marketplaces-2016-open-enrollment-period-final-enrollment-report>).

**TABLE 5: Availability of 2016 Plans with Monthly Premiums of \$100 or Less after Applicable Advance Premium Tax Credits**

State	Total Number of Individuals with 2016 Plan Selections	Percent Who Could Have Selected a Plan with a Monthly Premium of:	
		\$75 or Less after APTC	\$100 or Less after APTC
<i>HealthCare.gov Total (38 States)</i>	9,625,982	68%	74%
Alabama	195,055	72%	76%
Alaska	23,029	67%	71%
Arizona	203,066	59%	70%
Arkansas	73,648	62%	70%
Delaware	28,256	61%	67%
Florida	1,742,819	78%	82%
Georgia	587,845	72%	76%
Hawaii	14,564	63%	71%
Illinois	388,179	53%	61%
Indiana	196,242	55%	62%
Iowa	55,089	63%	70%
Kansas	101,555	62%	68%
Louisiana	214,148	81%	83%
Maine	84,059	63%	69%
Michigan	345,813	63%	72%
Mississippi	108,672	76%	80%
Missouri	290,201	71%	76%
Montana	58,114	61%	67%
Nebraska	87,835	69%	75%
Nevada	88,145	68%	74%
New Hampshire	55,183	45%	57%
New Jersey	288,573	50%	57%
New Mexico	54,865	50%	59%
North Carolina	613,487	76%	80%
North Dakota	21,604	60%	68%
Ohio	243,715	53%	61%
Oklahoma	145,329	76%	82%
Oregon	147,109	47%	57%
Pennsylvania	439,238	53%	60%
South Carolina	231,849	62%	69%
South Dakota	25,999	67%	74%
Tennessee	268,867	72%	77%
Texas	1,306,208	72%	78%

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		\$75 or Less after APTC	\$100 or Less after APTC
Utah	175,637	72%	80%
Virginia	421,897	68%	72%
West Virginia	37,284	59%	65%
Wisconsin	239,034	63%	69%
Wyoming	23,770	60%	68%

**Notes:** Information is for enrollees in the 38 states that used the HealthCare.gov platform for 2016. 2016 enrollees include those who had an active Marketplace plan selection as of 2/1/2016 but exclude those whose plans were terminated prior to that date. This table originally appeared as Appendix Table B2 on p. 41 of the ASPE Issue Brief titled “Health Insurance Marketplaces 2016 Open Enrollment Period: Final Enrollment Report” (March 11, 2016; available at: <https://aspe.hhs.gov/health-insurance-marketplaces-2016-open-enrollment-period-final-enrollment-report>).