

The Methodist Le Bonheur Center for Healthcare Economics
October 2015

HEALTH INSURANCE EXCHANGES: WHO IN TENNESSEE HAS ENROLLED?

I. WHAT IS THE QUESTION?

A critical component of the Patient Protection and Affordable Care Act (ACA) was the establishment of open marketplaces or “health insurance exchanges” (HIEs) in which people may compare, select, and purchase private, individual health insurance plans.¹ In this *Health Policy Blog*, we will examine the participation of Tennesseans in these HIEs. Specifically, we will present information related to five questions: How many Tennesseans have selected health insurance plans through an HIE? What types of plans did they select? What was the role of federal subsidies in Exchange participation in Tennessee? How has enrollment evolved since the Exchanges opened in October 2013? How did Exchange enrollment impact the uninsured in Tennessee?

II. WHAT IS THE BACKGROUND?

The basic goal of the HIEs is to expand health insurance coverage by reducing the cost of private, individual health insurance plans. The ACA sought to do so by establishing a competitive insurance “marketplace” in which consumers may openly compare costs and benefits among several plans and then select the one that best meets their needs and resources. In addition, enrolling in an insurance plan through an

¹For basic information about the Exchanges, see “Explaining Health Care Reform: Questions About Health Insurance Exchanges,” available online at www.kff.org.

HIE allowed enrollees to secure federal subsidies provided by the ACA for low- and middle-income beneficiaries.

The ACA established two general models for HIEs. First, a state may develop and operate its own HIE. Second, if a state chose not to do so, a federal HIE known as the Federally Facilitated Marketplace (FFM or, more simply, the “Marketplace”) was established to serve its residents.² To date, 37 states including Tennessee have opted to participate in the FFM, whereas the remaining states have implemented their own HIE.³

Enrollment in the Marketplace began on October 1, 2013, with the first open enrollment period (with various extensions) running through March 31, 2014. The second open enrollment period ran from November 15, 2014, through February 15, 2015. In addition to this second scheduled open enrollment period, a “special enrollment period” (SEP) was implemented to extend the second enrollment period through April 15, 2015, for potential enrollees who had initiated but not completed applications by the deadline and for selected other groups. In addition, enrollment remains continuously open for applicants with significant life events including, as examples, marriage, birth of a child, and involuntary loss of other insurance.

²The Federally Facilitated Marketplace established by the Centers for Medicare and Medicaid is accessible at <https://www.healthcare.gov/>.

³“State Decisions on Health Insurance Marketplaces and the Medicaid Expansion,” *State Health Facts* (Washington, DC: The Kaiser Family Foundation). Available at <http://kff.org/health-reform/state-indicator/state-decisions-for-creating-health-insurance-exchanges-and-expanding-medicaid/>. Accessed September 10, 2015.

III. MARKETPLACE ENROLLMENT IN TENNESSEE

Marketplace enrollment after the second open enrollment period was analyzed, including the related SEPs, based on publicly-available data reported by the Centers for Medicare and Medicaid Services (CMS).^{4,5,6} Additional data included county-level information in the Area Health Resource File (AHRF) published by the U.S. Department of Health and Human Services⁷ and information collected by the Centers for Disease Control and Prevention (CDC), the Kaiser Family Foundation, and other organizations.

A. How Many Tennesseans Selected Health Insurance Plans

Through the Marketplace?

Marketplace enrollment in Tennessee is presented in Exhibit I. The available data provide information on the number of Tennesseans participating at several stages in the enrollment process, including (1) the number of Tennesseans who completed an application; (2) the number of applicants who were determined to be eligible for enrollment; (3) the number of eligible applicants who selected a plan (referred to here as “enrollees”) through the end of the second enrollment period; (4) the number of applicants who selected a plan and paid their first premium to become fully enrolled (referred to as “effectuated enrollees” as opposed to the others enrollees who selected

⁴Office of the Assistant Secretary for Planning and Evaluation, *Health Insurance Marketplaces 2015 Open Enrollment Period: March Enrollment Report* (Washington, DC: Department of Health and Human Services, March 10, 2015).

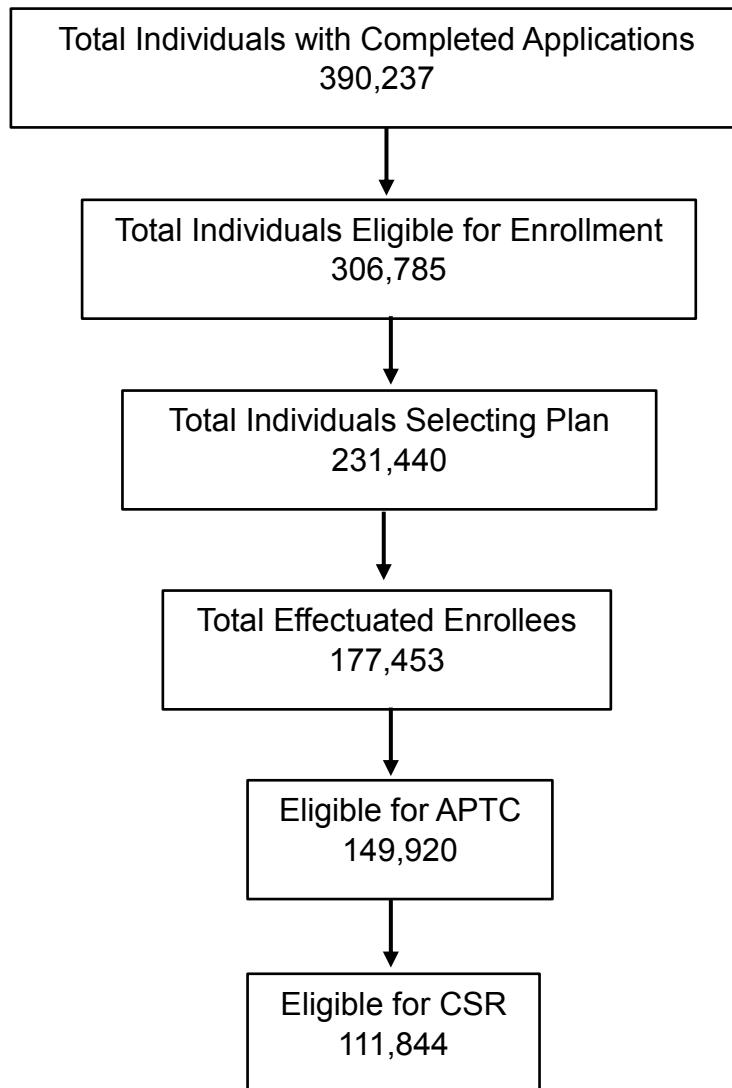
⁵Office of the Assistant Secretary for Planning and Evaluation, *Plan Selections by County in the Health Insurance Marketplace* (Washington, DC: Department of Health and Human Services, July 2015).

⁶Centers for Medicare and Medicaid Services, *June 30, 2015 Effectuated Enrollment Snapshot* (Washington, DC: Department of Health and Human Services, September 2015).

⁷Health Resources and Services Administration, *Area Health Resources File, 2014-15 ed.* (Washington, DC: U.S. Department of Health and Human Services).

a plan but did not pay the premium to initiate coverage) through June 30, 2015; and (5) the number of effectuated enrollees who received an Advanced Premium Tax Credit (APTC) or a Cost-Sharing Reduction Subsidy (CSR), as discussed below.

**Exhibit I. The Second Open Enrollment Period in Tennessee:
Applications and Enrollment**



Source: Authors' analyses of data reported by the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, March 10 and June 15, 2015, as cited in the text. Notes: APTC = Advanced Premium Tax Credits; CSR = Cost-Sharing Reduction Subsidies.

As shown in Exhibit I, 390,237 Tennesseans completed an application to enroll in a Marketplace plan by the end of the second enrollment period (plus the related SEPs). Of these, 306,785 were determined to be eligible to enroll, 231,440 selected a Marketplace insurance plan, and 177,453 became “effectuated” enrollees as of June 30, 2015.

There was a significant dropout rate between each level of the process (Exhibit I). Only 45.5 percent of those completing an application and 76.7 percent of those selecting a plan finalized their enrollment by paying the first month’s premium. The failure of 23.3 percent of persons selecting a plan to pay the first monthly premium likely reflects the continuing relatively high and rising financial burden of even the subsidized policies.⁸

B. How Did They Enroll?

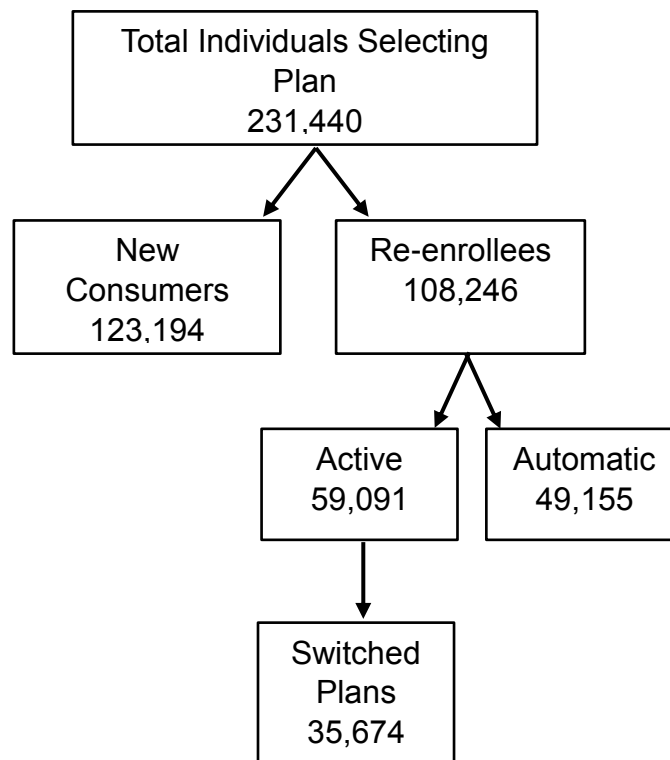
Plan enrollment in the second 2014-2015 open-enrollment period could be achieved by one of three processes. An enrollee might be a new consumer who was never enrolled in a Marketplace plan prior to the second enrollment period. Persons who had been enrolled previously in a Marketplace plan could re-enroll during the second period by one of two methods: (1) by accessing the Marketplace and actively choosing to re-enroll (“active re-enrollees”) in the same plan or switching to a different

⁸The Commonwealth Fund, *Are Marketplaces Affordable? Consumer Perspectives from the Commonwealth Fund Affordable Care Act Tracking Survey, March-May 2015* (Washington, DC: The Commonwealth Fund, 2015).

plan or (2) by being “automatically” re-enrolled in the same plan if they did not actively return to the Marketplace to choose a plan.

The number of Tennesseans who selected a plan⁹ through each of these enrollment paths is shown in Exhibit II.

**Exhibit II. The Second Open Enrollment Period in Tennessee:
Enrollment Paths**



Source: Authors’ analyses of data reported by the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, March 10, 2015, as cited in the text.

⁹Available data did not include this breakdown for effectuated enrollees. Hence, these data refer to all who selected a plan.

Most persons selecting a plan (123,194 persons or 53.2% of the total who selected a plan) during the second open-enrollment period were new enrollees. The remaining 46.8 percent of persons selecting a plan during the second open enrollment period had previously enrolled in a plan. The majority (54.6%) of these re-enrollees actively re-enrolled through the Marketplace website, and 60.4 percent of those active re-enrollees switched plans during re-enrollment. Of those persons actively re-enrolling in a Marketplace plan, over half switched plans. This suggests a significant role for effective comparative shopping in the Marketplace.

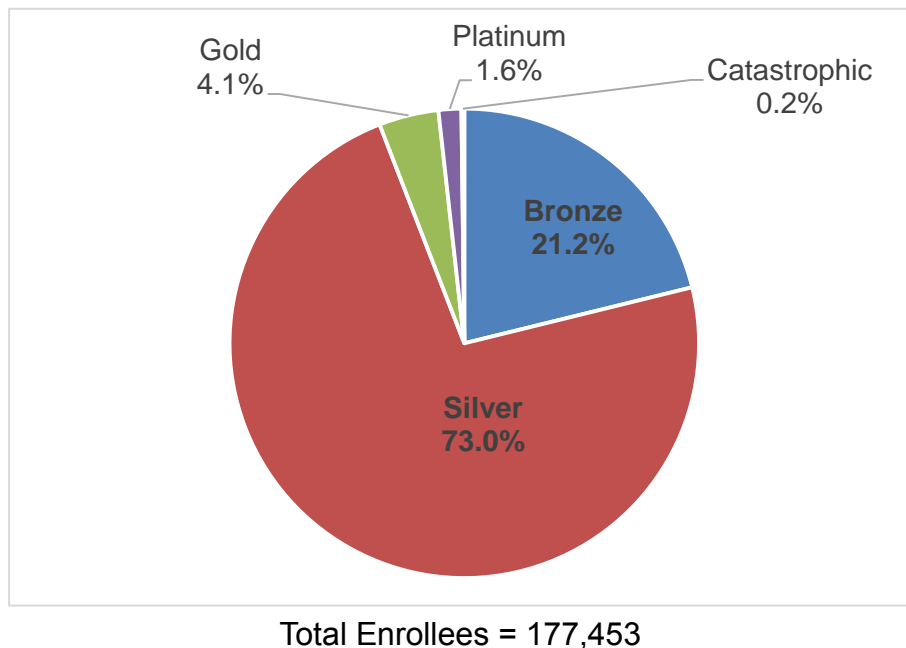
C. What Types of Plans Did They Select?

Five general categories of insurance plans are available through the Marketplace. Four are defined by the proportion of healthcare costs expected to be covered by the plans, that is, their actuarial level. These plans include bronze (covering 60.0% of healthcare costs), silver (70.0% of healthcare costs), gold (80.0% of healthcare costs), and platinum (90.0% of healthcare costs) “metal” levels. The fifth option includes plans that provide only limited catastrophic coverage. Premiums generally increase as coverage levels increase, although there is significant variation in premiums and total out-of-pocket costs within a metal level.

The proportion of effectuated enrollees in each metal level as of June 30, 2015, is shown in Exhibit III. Most effectuated enrollees (73.0%) selected a silver plan. This choice likely reflects the role of silver plans in setting the level of APTC subsidies and as a requirement for CSR subsidies (discussed below). A much smaller number of

enrollees selected the more expensive gold (4.1%) and platinum (1.6%) levels, consistent with the income distribution of enrollees.

Exhibit III. Second Open Enrollment Period in Tennessee: Plan Selections



Source: Authors' analyses of data reported by the Assistant Secretary for Planning and Evaluation. Department of Health and Human Services. March 10, 2015. as cited in the text.

D. How Many Enrollees Received Federal Subsidies?

The ACA includes two types of federal subsidies to facilitate insurance coverage. The Advanced Premium Tax Credit (APTC) provides subsidies for premiums (based on income and the local cost of the second least expensive silver plan) for citizens with incomes of 100.0 percent to 400.0 percent of the federal poverty level (FPL). The Cost Sharing Reduction Subsidies (CSR) cover a large portion of the out-of-pocket costs,

including deductibles, co-payments and co-insurance expenses, for citizens with incomes of 100.0 percent to 250.0 percent of the FPL who purchase a silver plan.¹⁰

Exhibit I included the number of effectuated enrollees who were eligible to receive these subsidies as of June 30, 2015. Of the total 177,453 effectuated enrollees, 149,920 or 84.5 percent received APTC subsidies and 111,844 of these (63.0% of all effectuated enrollees) qualified for CSR subsidies. Thus, a substantial majority of Tennessee enrollees received federal subsidies to reduce the cost of insurance.

As of June 30, 2015, APTC subsidies averaged \$221 per month and reduced the average monthly premium of a silver policy in Tennessee by 66.0 percent, from \$321 per month to \$110 per month. Of the Tennessee APTC beneficiaries, 92.0 percent could select a plan with premiums of \$100 per month or lower, and 81.0 percent could enroll in a plan with monthly premiums of \$50 or less.¹¹

E. What Were the Significant Trends in Enrollment Between the Two Open Enrollment Periods?

The total number of effectuated Marketplace enrollees increased by 69,409, from 108,044 as of December 2014, to 177,452 as of June 30, 2015—corresponding to a 64.2 percent increase between the two open-enrollment periods.

¹⁰For more detailed information on subsidies, including eligibility details, see *Explaining Health Care Reform: Questions About Health Insurance Subsidies* (Washington, DC: The Kaiser Family Foundation, October 2014).

¹¹Office of the Assistant Secretary for Planning and Evaluation, *Health Insurance Marketplace 2015: Average Premiums After Advance Premium Tax Credits Through January 30 in 37 States Using the HealthCare.gov Platform* (Washington, DC: Department of Health and Human Services, February 9, 2015).

The majority of increases between the two enrollment periods occurred in cohorts receiving federal subsidies; 84.0 percent of the increase in the number of effectuated enrollees occurred in the group with incomes under 400.0 percent of the FPL who were receiving APTC subsidies. Virtually all (99.2%) of the increase was among those enrolling in plans with lower actuarial values, that is, bronze plans (31.8% of the increase) and silver plans (67.4% of the increase).

IV. HOW DOES MARKETPLACE ENROLLMENT IMPACT TENNESSEE?

Establishing HIEs was a key component of the ACA aimed at expanding insurance coverage. In practice, the Marketplace signup program got off to a rocky start in October 2013, but the operations recovered and became generally successful. As of June 30, 2015, 9.9 million Americans had enrolled in insurance plans through the Marketplace Exchanges.¹² When additional enrollees who gained coverage through Medicaid expansion and other ACA-initiated coverage initiatives were added, a total of 14.1 million adults had gained insurance since October 2013, according to the U.S. Department of Health and Human Services.¹³ As a result, the national uninsured rate dropped correspondingly from 13.3 percent in 2013 to 10.4 percent in 2014.¹⁴ A Gallop-

¹²Office of the Assistant Secretary for Planning and Evaluation, *Health Insurance Marketplaces 2015 Open Enrollment Period: March Enrollment Report* (Washington, DC: Department of Health and Human Services, March 10, 2015).

¹³U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Assessment, *Health Insurance Coverage and the Affordable Care Act*, May 5, 2015. Assessed September 12, 2015. http://aspe.hhs.gov/sites/default/files/pdf/83966/ib_uninsured_change.pdf.

¹⁴J. C. Smith and C. Medalia, *Health Insurance Coverage in the United States: 2014* (Washington, DC: United States Census Bureau, September 2015).

Well Being poll reported that the uninsured rate in Tennessee likewise fell substantially, from 16.8 percent in 2013 to 14.4 percent in mid-2014.¹⁵

A. Benefits of Health Insurance Coverage

Numerous reports have documented the improved access to health care and improved health status among the newly insured.^{16,17} A survey sponsored by the Commonwealth Fund showed that 73.0 percent of previously uninsured people who used medical care indicated that they would not have been able to get that care before obtaining insurance.¹⁸ A July 2015 study reported that:

. . . the currently anticipated health insurance expansions would lead to a 5.1% increase in treatment rate among hypertensive patients. Such an increase in treatment rate is estimated to lead to 111,000 fewer new coronary heart disease events, 63,000 fewer stroke events, and 95,000 fewer cardiovascular disease or CVD-related deaths by 2050.¹⁹

B. Impacts on Insurance Coverage in Tennessee

The data in this report provide a broad overview of the impacts of the Marketplace on coverage in Tennessee. As shown in Exhibit I, 177,453 Tennesseans fully enrolled in health insurance plans through the Marketplace. The impact of

¹⁵D. Witters, *Arkansas, Kentucky Report Sharpest Drops in Uninsured Rates* (Washington, DC: Gallup, August 5, 2015).

¹⁶B. D. Sommers, M. Z. Gunja, K. Finegold, and T. Musco, "Changes in Self-reported Insurance Coverage, Access to Care, and Health under the Affordable Care Act," *JAMA* 314(4):366-74, 2015.

¹⁷S. R. Collins, P. W. Rasmussen, M. M. Doty, and S. Beutel, *Americans' Experiences with Marketplace and Medicaid Coverage* (Washington, DC: The Commonwealth Fund, June 2015).

¹⁸The Commonwealth Fund, *Americans' Experiences with Marketplace and Medicaid Coverage* (Washington, DC: The Commonwealth Fund, June 2015).

¹⁹S. Li, B. K. Bruen, P. M. Lantz, and D. Mendez, "Impact of Health Insurance Expansions on Nonelderly Adults with Hypertension." *Preventing Chronic Disease* 12:150111, 2015.

Marketplace enrollment on the reported declines in the overall uninsured rates is, however, complex. Many Marketplace enrollees may have been previously insured through other sources. A recent national survey by the Kaiser Family Foundation reported that only 57.0 percent of those with coverage through the Marketplace were previously uninsured.²⁰ Applying this proportion to Tennessee suggests that as many as 101,148 previously uninsured became insured through the Marketplace.

In addition, other parts of the ACA as well as changing economic conditions play significant roles in the improvement in insurance coverage. These included Medicaid expansion in states that did, as well as those that did not (including Tennessee), opt for full ACA-provided expansion; young adult coverage on parental policies; and many marketplace reforms. For example, a recent national survey reported that almost twice as many newly insured gained coverage through employer-sponsored plans as through Exchanges and that increases in Medicaid enrollment exceeded those of Marketplace plans.²¹ Indeed, data from the Kaiser Family Foundation indicate that Medicaid/CHIP enrollment in Tennessee increased by over 249,000 since the implementation of the ACA,²² also exceeding the number of effectuated Marketplace enrollees (Exhibit I).

²⁰L. Hamel, M. Norton, G. Claxton et al., *Survey of Non-Group Health Insurance Enrollees* (Washington, DC: Kaiser Family Foundation, June 19, 2015).

²¹K. G. Carman, C. Eibner, and S. M. Paddock, "Trends in Health Insurance Enrollment, 2013-15," *Health Affairs* 34(6):1044-48, 2015.

²² Kaiser Family Foundation, *State Health Facts*, available at <http://kff.org/health-reform/state-indicator/total-monthly-medicaid-and-chip-enrollment/>. Accessed September 15, 2015.

C. The Potential for Greater Impact

Marketplace enrollment was substantial but represents only a small proportion of the Tennesseans eligible for coverage and for subsidies. Data from the Kaiser Family Foundation indicate that 579,000 Tennesseans were eligible for Marketplace policies as of June 2015; that is, they were eligible for tax credits, were uninsured or purchased non-group coverages, were not eligible for Medicaid/CHIP, and did not have access to employer-sponsored coverage.²³ Thus, only 30.6 percent of all eligible Tennesseans became covered as effectuated enrollees.

Information from the Area Health Resource File further extends these observations. In 2012 (the last full year before ACA implementation), 875,363 Tennesseans under the age of 65 years were uninsured. Of these, 797,967 had incomes under 400.0 percent of the FPL (and were eligible for ATPC subsidies) and 570,302 had incomes under 200.0 percent of the FPL (and were eligible for CSR subsidies). Thus, only 20.3 percent of all the uninsured, 31.1 percent of those with incomes under 200.0 percent of the FPL, and 22.2 percent of those with incomes under 400.0 percent of the FPL became fully covered through the Marketplace as effectuated enrollees.

Numerous reasons may explain the low takeup rate of the uninsured and, especially, those eligible for federal subsidies. These reasons include the substantial residual cost of coverage after subsidies (that is, the high prevalence and implications of

²³Kaiser Family Foundation, *State Health Facts*, available at <http://kff.org/health-reform/state-indicator/marketplace-enrollment-as-a-share-of-the-potential-marketplace-population-2015/?state=TN>. Accessed September 15, 2015.

underinsurance, especially among those with policies with lower actuarial values²⁴), the complexity of plan selection and enrollment, and limited information about the availability of new options.²⁵

V. CONCLUSION

Enrollment in health insurance plans through the Marketplace has been substantial in Tennessee. This participation has been associated with a significant reduction in the number of uninsured Tennesseans, although a precise quantification of the impact is difficult. There remains, however, significant opportunities for greater participation and greater insurance coverage among the currently uninsured, especially those eligible for subsidies, that may be achieved through enhanced outreach and education efforts by public and private groups and organizations.²⁶

*** End of Blog ***

²⁴C. Schoen, S. L. Hayes, S. R. Collins, J. Lippa, and D. Radley, *America's Underinsured: A State-by-State Look at Health Insurance Affordability Prior to the New Coverage Expansions* (Washington, DC: The Commonwealth Fund, March 2014).

²⁵S. R. Collins, M. Gunja, M. M. Doty, and S. Beutl, *To Enroll or Not to Enroll? Why Many Americans Have Gained Insurance Under the Affordable Care Act While Others Have Not* (Washington, DC: The Commonwealth Fund, September 2015).

²⁶K. Goodwin and L. Tobler, *Medicaid and Marketplace Outreach and Enrollment Options for States* (Washington, DC: National Conference of State Legislators, May 2014).

Authors' Information:

David M. Mirvis, M.D., is Professor Emeritus at the University of Tennessee College of Medicine and a Senior Fellow of the Methodist Le Bonheur Center for Healthcare Economics at the Fogelman College of Business and Economics, The University of Memphis. E-mail: david.mirvis@gmail.com.

Cyril F. Chang, Ph.D., is a Professor of Economics and the Director of the Methodist Le Bonheur Center for Healthcare Economics at the Fogelman College of Business and Economics, The University of Memphis. E-mail: cchang@memphis.edu.

How to leave a comment or suggestion:

Readers are invited to send comments to the authors using either david.mirvis@gmail.com or cchang@memphis.edu.

For information about the Center for Healthcare Economics:

Dr. Cyril F. Chang
Professor of Economics and Director
Methodist Le Bonheur Center for Healthcare Economics
Fogelman College of Business and Economics
The University of Memphis
Memphis, Tennessee 38152

Phone: 901-678-3565
Fax: 901-678-2685
E-mail: cchang@memphis.edu
<http://healthecon.memphis.edu/>