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What payers want to know before they commit to exchanges

Insurers, facing a June deadline, are hoping for more assurance from the White House that it will support exchange stability.

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A lot of unanswered questions remain when it comes to the future of insurance exchanges established by the Affordable Care Act. With healthcare reform efforts stalled in Congress and the administration ready to pursue other agenda items, there has been a lot more talk than action over the past several months. Now, as a June deadline approaches to submit initial plan designs and rate suggestions to participate in exchanges next year, payers are confused and uncertain about what to expect.

Without direction from lawmakers and regulators, payers are leaving exchanges

It is unclear how many payers will decline to sell health plans on individual exchanges next year. Humana caused a stir earlier this year when it announced it would end participation in all exchanges. That decision will be significant in the markets where Humana operates, but it seemed like a hit that the exchanges could take, as Larry Levitt at the Kaiser Family Foundation noted.

A report that surfaced more recently suggests that Anthem will most likely exit a large number of the exchanges where it currently operates. This should come as no surprise. Anthem CEO Joseph Swedish had previously said that the payer would not make a decision on insurance exchanges until it had more information from lawmakers and regulators. That information is still unavailable.

A decision by Anthem to leave the exchanges would likely have a greater effect on insurance markets than the decision by Humana, something Timothy Jost, a law professor at Washington and Lee University, told Healthcare Dive before the most recent news broke on Anthem. “The big commercial plans have focused on the employer and Medicare and Medicaid markets and are not essential to the marketplaces,” Jost said in email. “If Anthem or other BCBSA plans or Molina or Centene pull out, it would be more of a problem.”

While Humana’s exit from exchanges will leave consumers in 16 Tennessee counties with no insurers, Anthem’s exit would affect a lot more. A total of 815,000 consumers would be affected, according to an Axios report produced with help from the Robert Wood Johnson Foundation. If Anthem leaves all the exchanges where it currently operates, about 550,000 consumers in eight states would only have one option left available and about 250,000 in four states would have no options.

Outside of the exchanges, the largest payers in the nation are actually doing quite well. Managed care stocks have increased by 300% including dividends over the past seven years while the Standard & Poor’s stock index gained 135.6% over the same time period. However, there are numerous smaller plans, including nonprofits, that feel the effect of paralysis in Washington, D.C. more acutely.

The vast majority of payers in the Alliance of Community Health Plans (ACHP) "have hung in and want to hang in," ACHP CEO Ceci Connolly told Healthcare Dive. "The difference for them is that our members can't pick up and leave a market. They can't look out across the 50 states and pick out what they think are the most lucrative markets. Their markets are their hometowns."

Will Republicans reverse their position on much-maligned ACA components?

Republican opposition has been consistent when it comes to several ACA components that would encourage payers to participate in insurance exchanges. To ease payers' concerns about participation next year, Jost said lawmakers "need to say clearly they are enforcing the individual mandate and are going to make the cost-sharing reduction and reinsurance payments and are interested in settling the risk corridor cases."

Cost-sharing reduction, which delivers payments to payers to subsidize coverage for low-income consumers, has been challenged in court by House Republicans. They filed a lawsuit in 2014 arguing that the administration under President Barack Obama had improperly made these payments and the funds should have been appropriated by Congress. While a judge ruled in favor of House Republicans, the Obama administration was allowed to continue cost-sharing reduction payments as an appeal moved forward.

The case has been delayed since December to give the Trump administration and Congressional lawmakers time to hash out a solution. However, it appears that time is up now that healthcare reform efforts have stalled and the case could resume in May. House Speaker Paul Ryan said this week that the legal challenge to cost-sharing reduction would continue. The Trump administration

has not indicated whether it will continue to make payments or to defend the payments in court as the Obama administration had. Ryan said he thought the payments should continue for now.

Cost-sharing reduction payments to subsidize premiums delivered an estimated $7 billion to payers and helped to cover around six million people in 2016, researchers from Georgetown University recently wrote for the Commonwealth Fund. These payments are perhaps the top priority for payers. “We have to assume that as long as the ACA is in place that the premium subsidies remain,” Connolly said. “Those are an important piece of the puzzle.”

ACHP is not the only group representing payers to call for clarity on cost-sharing reductions. “Most immediately, cost sharing reductions remain a very important item that require resolution for stability in 2018,” Kristine Grow, senior vice president of communications for America’s Health Insurance Plans, told Healthcare Dive in an email. “We remain hopeful that those CSRs will be funded.”

Payers are also watching risk corridor cases closely. The government has over the past two years paid out much less in risk corridor money than payers expected. In 2015, the government only paid $96 million out of nearly $6 billion owed. “Risk corridor money was a severe blow to some of our members who lost tens of millions and even hundreds of millions of dollars because the government paid 12 cents on the dollar,” Connelly said.

Legal challenges to risk corridor payments put the Trump administration in an awkward position. It could defend against these lawsuits, which means defending the 2010 health law it has harshly criticized, or it could settle with payers, which could be viewed as a bailout.

Trump administration has decision to make on support for insurance exchanges

So far, the Trump administration has created confusion with actions that provide hope for payers with one hand and cause frustration with the other. The most prominent challenge facing payers right now, according to Jost, "is an administration that can't decide if it wants to stabilize the market or to make it fail. The administration has taken a number of steps to discourage young and healthy people from enrolling and needs a dramatic about face."

Shortly after Trump was inaugurated, his administration ceased outreach efforts intended to drive enrollment in health plans sold on insurance exchanges. The move likely limited overall enrollment and the decision is now being investigated by the HHS Office of the Inspector General. The Trump administration has also indicated through a new rule issued by the Internal Revenue Service that it will not aggressively enforce the individual mandate, which will likely lead to lower enrollment numbers among healthier and younger consumers.

While the Trump administration has made some decisions that are likely discouraging payers from participation, it has also made attempts to make insurance exchanges more palatable. In February, CMS issued a rule intended to reduce volatility in insurance exchanges that was applauded by payers. "We were heading in a positive direction with market stabilizers," Connolly said. "Now, all that seems to be up in the air again and we're getting very mixed messages."

The Trump administration, as well as Republicans in Congress, are likely weighing the political benefits of either supporting or neglecting insurance exchanges. If they allow ACA exchanges to fail, they can boast that they knew all along that the health law

would not work. On the other hand, voters may blame them if exchange problems lead to significant increases in uninsured rates. Either way, payers would appreciate a decision. “Plans are preparing to file their proposed individual market products for 2018 in a few short weeks, so we need swift action,” Grow said.