INDIVIDUAL PURCHASERS IN THE MASSACHUSETTS HEALTH CARE SYSTEM

Trends for Unsubsidized and ConnectorCare Plans

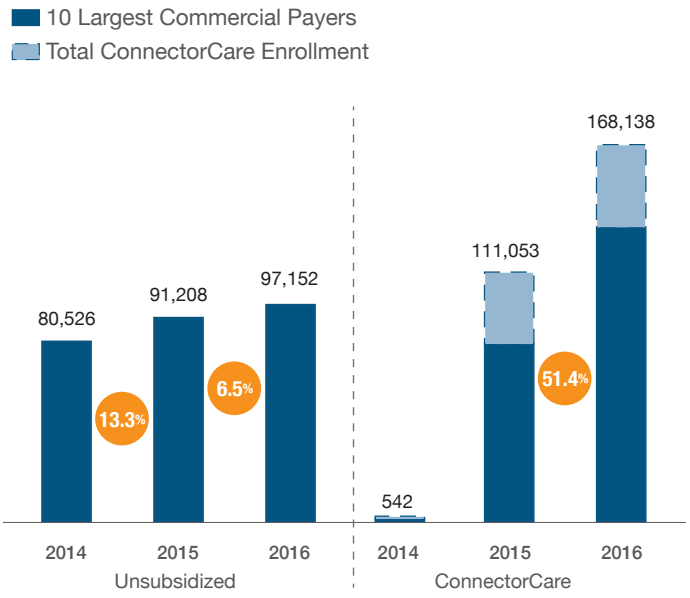
In the 2017 *Annual Report on the Performance of the Massachusetts Health Care System*, the Center for Health Information and Analysis (CHIA) identified trends in private commercial health insurance costs and coverage,[1] with several major findings related to individuals who purchased commercial plans outside the employer-sponsored insurance system. These members represented a small but increasing percentage of the private commercial market (from 1.8% to 5.1% between 2014 and 2016).[2] During this time, eligible low- and moderate-income individual purchasers began enrolling in subsidized ConnectorCare plans with reduced out-of-pocket and premium costs. (For more detail, see the *Understanding ConnectorCare* box.)

Overall, the individual purchaser market segment experienced decreases in average premiums (-3.4%) and cost-sharing (-8.0%) between 2015 and 2016, contrary to broader trends in the employer-sponsored insurance market.[3] However, overall financial trends for individual purchasers were driven, in large part, by enrollment growth in ConnectorCare plans with lower premiums.[4] Between 2015 and 2016, enrollment in unsubsidized individual plans in Massachusetts increased by 6.5% to over 97,000 members, while ConnectorCare enrollment grew by 51.4% to nearly 170,000 members **(Figure 1)**.[5] This brief further examines differences in premium and cost-sharing trends for unsubsidized and subsidized plans.

UNSUBSIDIZED PLANS EXPERIENCED HIGHER PREMIUM GROWTH AND LARGER COST-SHARING INCREASES THAN CONNECTORCARE PLANS

Individuals choosing health plans weigh up-front premium costs against anticipated out-of-pocket expenses. During Open Enrollment, members who are sensitive to premium increases may be incentivized to shop for lower cost plans, often with higher cost-sharing responsibilities. Between 2015 and 2016, unsubsidized plan premiums increased 2.2% to an average of $436 per member per month (PMPM) **(Figure 2)**. This increase was less than overall statewide premium growth during the same period (+2.6%). Additionally, individuals purchasing unsubsidized plans were responsible for $87 PMPM in cost-sharing, a 7.8% increase from 2015 to 2016 **(Figure 3)**. Average member cost-sharing grew faster than the overall cost of claims (+3.9%), as unsubsidized plan members shouldered a greater proportion of the total health care costs.

1 **Unsubsidized and ConnectorCare Enrollment Trends**



Source: Payer-reported data to CHIA, Massachusetts Health Connector.

Notes: Based on MA contract membership, which may include non-MA residents. BMC HealthNet Plan, CeltiCare, and Minuteman Health sold individual plans through the Health Connector but fell below the reporting threshold for this data request. Total ConnectorCare enrollment was sourced from CHIA's *Enrollment Trends* reporting, as submitted by the Massachusetts Health Connector.

Understanding ConnectorCare

Massachusetts residents with household incomes less than or equal to 300% of the Federal Poverty Level and who are not eligible for MassHealth, Medicare, or employer-sponsored insurance (i.e., Minimum Essential Coverage) may qualify for ConnectorCare plans which include state and federal cost-sharing reduction (CSR) subsidies and premium subsidies and tax credits. The ConnectorCare model applies these subsidies and credits to select unsubsidized plans from the "silver" benefit richness tier.[8] Competition among carriers for eligible ConnectorCare members may drive lower premiums for the underlying plans.[9]

ConnectorCare plans are only available for purchase via the Massachusetts Health Connector. Unsubsidized commercial plans—including the same silver tier plans offered to ConnectorCare members (pre-subsidies)—are available to individual purchasers either directly from insurers or through the Health Connector.[10]

CONNECTORCARE UNDERLYING PREMIUMS DECREASED WHILE MEMBER COST-SHARING REMAINED LOW

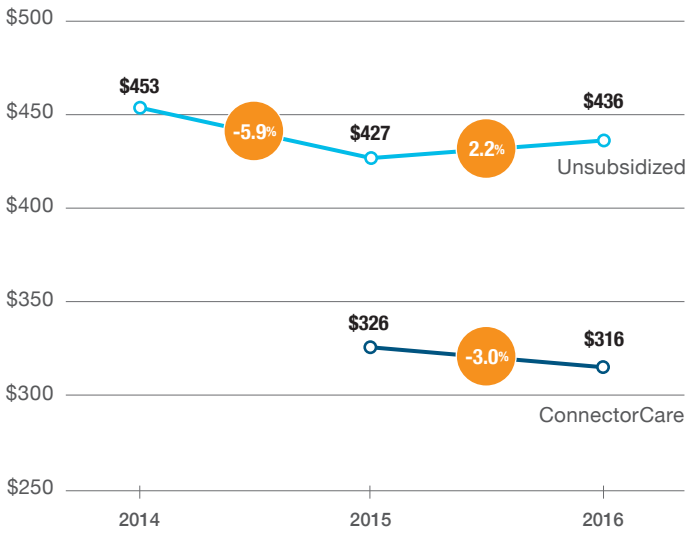
ConnectorCare premium and cost-sharing trends differed from those for unsubsidized individual purchasers. Average ConnectorCare premiums decreased by 3.0% between 2015 and 2016 to $316 PMPM **(Figure 2)**. A driving factor in this decline was a 5.3% premium decrease for the ConnectorCare plan offered by Tufts Health Plan, which also enrolled the most ConnectorCare members in 2016.[6] In addition to declining premiums, the combination of state and federal cost-sharing reduction (CSR) subsidies largely insulated ConnectorCare members from out-of-pocket spending increases seen elsewhere in the market. After subsidies, average ConnectorCare member cost-sharing increased by 1.3%—or just 24 cents—from $18.50 PMPM in 2015 to $18.74 PMPM in 2016. In 2016, CSR subsidies amounted to $102 PMPM for qualifying Massachusetts residents **(Figure 3)**. These subsidies were intended to preserve health care affordability for low- and moderate-income families, even as overall health care costs rise.

SUBSIDIES SHIELDED SOME RESIDENTS FROM RISING COST-SHARING BUT FACE UNCERTAIN FUTURE

Enrollment and cost trends for individual plans purchased outside the employer-sponsored insurance system reflect a combination of individual purchasing decisions, population health characteristics, policy and regulatory measures, and broader trends in health care spending. Between 2015 and 2016, unsubsidized individual plan premiums grew more slowly than the statewide average premium, and ConnectorCare premiums actually decreased. For unsubsidized plan members, modest premium growth was offset by increased cost-sharing obligations. Members enrolled in ConnectorCare plans would have experienced higher cost-sharing were it not for subsidies that preserved low out-of-pocket spending. In the coming years these trends will be challenged by the discontinuation of CSR subsidies in late 2017 and other potential changes at the federal level,[7] which may have a substantial effect on enrollment, premiums, and cost-sharing for individual purchasers, depending on how states offset these changes.

For questions on this brief, please contact Ashley Storms, Analytic Reporting Manager, at (617) 701-8269 or at ashley.storms@state.ma.us.

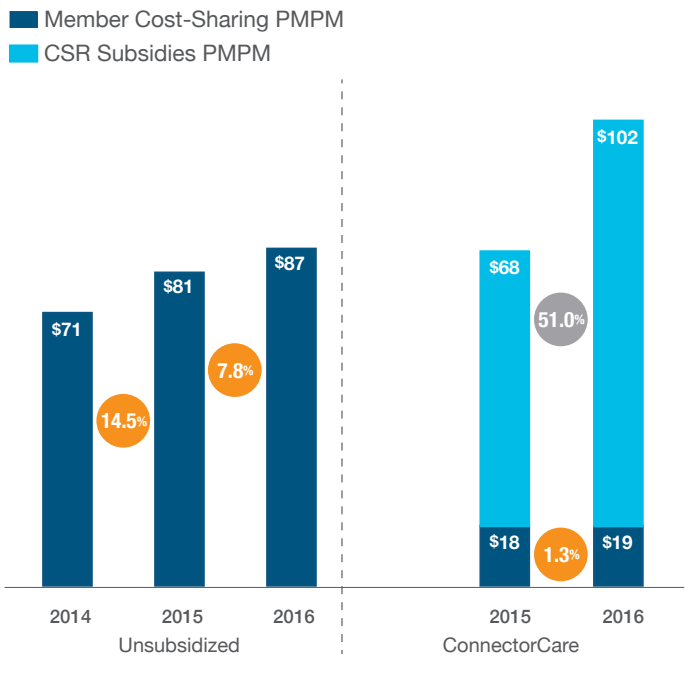
2 Premium Trends PMPM, 2014-2016



Source: Payer-reported data to CHIA.

Notes: Based on MA contract membership, which may include non-MA residents. Premiums are net of MLR rebates and scaled by the "Percent of Benefits Not Carved Out." Reported premiums include member contributions and any federal tax credits and/or state premium subsidies received by payers on members' behalf; ConnectorCare members paid substantially lower member contributions than the amounts shown here. ConnectorCare 2014 financial amounts were excluded from this graph due to low enrollment.

3 Cost-Sharing PMPM, 2014-2016



Source: Payer-reported data to CHIA.

Notes: Based on MA contract membership, which may include non-MA residents. ConnectorCare 2014 financial amounts were excluded from this graph due to low enrollment.

Notes

[1] These sections of CHIA's 2017 *Annual Report on the Performance of the Massachusetts Health Care System* focused on members covered under private commercial contracts (which may include non-Massachusetts residents) established by the 10 largest payers in Massachusetts. Among these payers, Blue Cross Blue Shield of Massachusetts, Fallon Community Health Plan, Harvard Pilgrim Health Care, Health New England, Neighborhood Health Plan, and Tufts Health Plan reported individual plan membership and financial data. According to CHIA's August 2017 *Enrollment Trends* databook, United Healthcare also enrolled a small number of individual purchasers (fewer than 400) in 2015 and 2016; see technical appendix for more information on the population covered in this brief.

[2] Growth was impacted by the closure of several public programs in 2014 and early 2015 as Massachusetts fully implemented the Affordable Care Act's health insurance marketplace.

[3] Premiums for employer-sponsored insurance plans increased by 3.9% from 2015 to 2016, while cost-sharing increased by 5.0%. Note that CHIA reports on the full premium amount collected by health plans, inclusive of member contributions, employer contributions (for employer-sponsored plans), and federal and state premium credits and subsidies (for plans sold to individual purchasers). In contrast, cost-sharing is reported from the member's perspective, reflecting any CSR subsidies used to offset the member's cost-sharing burden.

[4] Because Massachusetts pools individual purchasers and small employer groups into a "merged market," individual purchaser premium trends are also influenced by factors in the small group market sector. For more information on small group trends, see CHIA's 2017 *Annual Report on the Performance of the Massachusetts Health Care System*.

[5] Financial data throughout this brief does not include payers with fewer than 50,000 private commercial members. In 2016, nearly 80% of ConnectorCare members were accounted for in the large payers submitting data to the Annual Premiums Data Request, according to CHIA's August 2017 *Enrollment Trends* report. Total ConnectorCare enrollment was sourced from data submitted by the Health Connector for *Enrollment Trends* reporting; see technical appendix.

[6] According to the Massachusetts Health Connector's September 2015 board meeting presentation, underlying ConnectorCare premiums were expected to decrease overall because of the Tufts Direct Plan offering.

[7] "Trump Administration Takes Action to Abide by the Law and Constitution, Discontinue CSR Payments." U.S. Department of Health and Human Services, https://www.hhs.gov/about/news/2017/10/12/trump-administration-takes-action-abide-law-constitution-discontinue-csr-payments.html.

[8] The Affordable Care Act (ACA) set an actuarial value of 70% ±2% for silver tier plans.

[9] Massachusetts Health Connector, Final Award of 2016 Seal of Approval (VOTE) (Boston, September 2015), https://www.mahealthconnector.org/wp-content/uploads/2016-Final-SoA-Board-Presentation-091015.pdf.

[10] Individuals with household incomes up to 400% of the Federal Poverty Level may qualify for federal Advance Premium Tax Credits (APTCs). Premiums reported to CHIA include the full amount collected by payers, including member contributions and any federal tax credits and/or state premium subsidies. A small portion of members covered under "unsubsidized" plans received APTCs to lower their monthly premium payments.

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