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Potential Savings from Actively Shopping for Marketplace Coverage in 2016

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When shopping for 2016 coverage on Healthcare.gov, the first question asked of the consumer is whether she is currently enrolled in coverage in 2015. If she is renewing coverage, she can then compare her current plan to other options available through the Marketplace next year. There are a number of important factors for her to consider in deciding whether to keep her current plan, including the monthly premium, as well as the deductible, the plans' provider networks, and their drug formularies.

It is possible, however, is that this enrollee would never take that step to go back to Healthcare.gov and shop for 2016 coverage. Generally, enrollees who do not actively shop by December 15 will be automatically renewed into the same or a similar plan beginning January 1, 2016. Last year, continuing enrollees were roughly split between active and passive renewals. Of the 4.2 million people who reenrolled during the 2015 open enrollment period, 2.2 million (53%) were active shoppers and the remaining 2.0 million (47%) were renewed automatically. Because the market can change rapidly in the first few years of its existence – particularly with new insurer entrants or exits, and swings in premiums as plans vie for market share – there is concern that those who passively renew may no longer be in the plan that is best suited for them.

To demonstrate the importance of actively purchasing, we look at how the premiums for the lowest cost silver plans changed between 2015 and 2016. Using publicly available data on Healthcare.gov, we track premiums of the 2015 lowest cost silver plans (in states that used Healthcare.gov in both 2015 and 2016) for a single 40 year old adult, to see how much these premiums are increasing in 2016 before and after subsidies, and whether enrollees could obtain lower premiums by switching to a lower cost plan.

For the counties we analyzed, consumers enrolled in the lowest cost silver plan in 2015 would see an average premium increase of 15% if they automatically enroll (or chose to stay) in the same plan in 2016, before any tax credit. However, many of these enrollees would be able to find a lower cost silver plan in 2016; in 73% of counties, their plan would no longer the lowest cost option in 2016. Among those who switch to a different low-cost plan, their average premium saving would be $322 over the course of the year. As the lowest cost silver plan is the most popular type of plan on the Marketplace, this suggests that a substantial share of enrollees could save money on their monthly premium by shopping and switching into a different plan in 2016.

Premium Changes in 2015 Lowest Cost Silver Plans

The silver plan that was the lowest cost plan in 2015 is not guaranteed to be the lowest cost option in 2016. As an example, the lowest cost silver plan in Dallas, TX was offered by Blue Cross and Blue Shield of Texas at $279 per month for an unsubsidized 40 year old in 2015. If the person in Dallas continued in his plan, he would have to pay $353 per month in 2016, or an increase of 27%. If he was willing to switch to the new lowest cost silver plan in 2016 offered by Molina, he would pay $260 per month, a decrease of 7% compared to what he paid in 2015.

In the 2,365 counties we examined across 36 states, a 40-year-old paid an average of $264 per month for the lowest cost silver plan in 2015 before accounting for subsidies. The average 40-year-old premium for the 2016 lowest cost silver is $283 before subsidies, meaning that the lowest cost option for a silver plan in 2016 is 7% higher than the lowest cost option in 2015. In most cases, however, these are not the same plans. If a consumer was enrolled in the lowest cost silver plan in 2015 and either passively renewed or wanted to stay in his current plan, he would pay an average of $304, an increase of 15%.

People receiving tax credits could see very different percent increases by staying in their current plan. The amount of the credit is based on the cost of the second-lowest silver ("benchmark") plan in a given year and enrollees must pay a defined percentage of their income, plus the difference in premium between their plan and the benchmark plan. A 40-year-old making $30,000 a year, for example, would see a 10% average increase by renewing into the 2015's lowest cost silver plan. A 40-year-old making $20,000 per year would see a 28% average increase by renewing into this year's lowest cost silver plan. As most enrollees had incomes below 200% of poverty, this is likely more representative of the percent increase an enrollee would face by renewing into the same plan that had been the lowest silver plan in 2015.

Premium Savings from Switching Plans

In 1,721 (73%) of counties included in this analysis, the silver plan that was the lowest in 2015 is no longer the lowest in 2016. The following section is limited just to these counties where a consumer would have the option of staying in the 2015 lowest-cost silver plan or switching to the new lowest-cost silver plan.

In these counties, a single 40-year-old making $20,000 per year paid an average of $75 per month for the 2015 lowest cost silver plan. If he automatically renewed in coverage for 2016, his premium would increase to an average of $103 per month, which is 37% higher. If he was willing to switch to the new lowest-cost silver plan, however, he would pay an average of $76 for his monthly premium, or just 1% more than he paid in 2015.

Table 1: Changes in Lowest-Cost Silver Marketplace Premiums from 2015 - 2016, by Income Among Consumers who have an Option to Stay or Switch to a New Low Cost Silver

For a single 40 year old with an income of:	Average Monthly Premium Increase		Average Percent Increase	
	Stay in 2015 Lowest Silver	**Switch** to 2016 Lowest Silver	**Stay** in 2015 Lowest Silver	**Switch** to 2016 Lowest Silver
$20,000 / year *(170% of poverty; higher tax credit)*	$28	$1	37%	1%
$30,000 / year *(255% of poverty; lower tax credit)*	$28	$1	14%	0%
$50,000 /year *(425% of poverty; unsubsidized)*	$44	$17	17%	6%

Source: Kaiser Family Foundation analysis of 2015 and 2016 Marketplace Landscape Files.

As income rises people receive less financial assistance, and therefore would see lower average percent increases. A single 40-year-old making $30,000 per year paid an average of $199 per month for the 2015 lowest cost silver plan. If he automatically renewed in coverage for 2016, his premium would increase to an average of $227 per month, or 14 higher%. If he was willing to switch to the new lowest-cost silver plan, however, he would pay an average of $200 for his monthly premium, or essentially the same as what he paid in 2015.

In each of these examples, the enrollee would pay an average of about $27 per month less if they switch to the new lowest cost plan. Because even subsidized enrollees have to pay this difference, regardless of income, a 40-year-old could save $27 per month by switching plans. But for someone who is lower income, and receiving a larger tax credit, $27 per month is also a larger percentage increase relative to what they paid in 2015.

Over the course of a year, a 40-year-old would save an average of $322 by switching from the 2015 lowest silver to the new lowest cost silver in 2016. This savings varies widely, though, from less $4 in several Michigan counties to as much as $1,589 in two counties south of Indianapolis. In 1,343 counties (57%), the average premium savings would be more than $100 per year, and in 372 counties (16%), the average premium savings would be more than $500 per year.

Although premium savings may be realized by switching plans, doing so can also come with tradeoffs. In 994 (58%) of the counties where consumers could realize savings from switching plans, they would have to switch insurance carriers in order to take advantage of a lower-cost silver plan. Doing so may mean having to change doctors or other providers. Consumers should also carefully review a new plan's deductible, copayments, and drug coverage.

Conclusion

As a policy tool, auto-enrollment is beneficial in that it prevents many enrollees from becoming uninsured unintentionally, and enrolling them into the same or a comparable plan makes it likely they will have similar out-of-pocket expenses and also more likely they will be able to keep their same provider network. The potential downside of auto-enrollment, however, is that some consumers will face higher premium increases than they would if they actively shopped.

As roughly half of the renewals during the last open enrollment period were active, it appears that enrollees in this market are price-sensitive and willing to leave one plan for another if they perceive that it is a better value to them. Enrollees who switch plans to a new low-cost silver option, though, should not only consider their monthly premium, but also the plan's cost sharing structure, its provider network, and drug coverage. Although both plans may be in the same metal level and therefore will have the same average value across the enrolled population, depending on personal health needs, one enrollee may fare better in one silver plan than another.

Methods

This analysis is based on Healthcare.gov 2015 and 2016 QHP Landscape files downloaded on November 5, 2015. Premiums for the lowest cost silver plan in each county (where the state used Healthcare.gov as its enrollment platform in both years) were tracked from 2015 to 2016 using the plan crosswalk file provided by

HHS. Counties where the lowest cost plan is no longer offered and where there is no crosswalk to a new plan in 2016, as well as all counties in New Mexico were removed (because an insurer is known to be missing from this state's data). This resulted in 9% of counties being excluded from the analysis. The first section of the findings is based on the remaining 2,365 counties in 36 states. The second section of the analysis is based only on the 1,721 counties (73% of 2,365) where the lowest cost silver plan is still being offered but is no longer the lowest cost option in 2016. All averages are weighted by county-level signups as of the end of 2015 open enrollment.