Health Affairs

Overlap Plans Could Become An Important Option To Promote Continuity Of Care And Contain Health Care Costs During A Recession

By: Katherine Hempstead and Joanna Seirup

MAY 15, 2020

Since the establishment of the Affordable Care Act (ACA) Marketplaces, state regulators and other ACA stakeholders have been interested in the continuum of coverage between Medicaid and ACA Marketplace plans. The intersection between the two programs in the 37 states that have expanded Medicaid—where individuals with incomes up to 138 percent of poverty are eligible for Medicaid and ACA subsidies are available to help people with incomes from 138 to 400 percent of poverty purchase coverage—have created the opportunity to expand coverage to more than 20 million Americans.

"Overlap" health plans, which we define as plans offering both Marketplace and Medicaid managed care coverage (other than managed long-term services and supports) in the same county, can play an important role in efforts to provide continuity of care for low-income individuals who churn between Medicaid and ACA Marketplace plans as their eligibility changes.

Overlap Plans May Reduce Costs

Managed care organizations participating in Medicaid often are able to leverage their Medicaid contracts in negotiating provider payment rates for Marketplace plans; therefore, their premiums often are lower than those of other Marketplace carriers.

To promote affordability and encourage carrier participation in ACA Marketplaces, policy makers in some states have created incentives for overlap between Medicaid and Marketplace plans. New York State requires carriers to remain in the ACA Marketplace as a condition of participation in the state's Medicaid managed care program. Nevada has offered bonus points in the Medicaid bidding process to those that participate in the state's Marketplace. Until now there has been no comprehensive assessment of the extent of overlap in plan participation in ACA Marketplaces and Medicaid.

New National Analysis Shows Prevalence Of Overlap Plans

Given the potential of overlap plans to advance continuity of care and cost containment goals, we explored the extent of geographic overlap between health plan participation in state Medicaid managed care programs and ACA Marketplaces in 2020. Additionally, we assessed the characteristics of markets where the overlap occurs. To do this, we collected county-level data on Medicaid managed care plan participation nationwide, and we merged it with Vericred's county-level data on ACA Marketplace plans.

We defined "overlap county" as one with at least one overlap offering. An overlap offering from a carrier includes multiple Marketplace plans at different metal levels, as well as a Medicaid managed care plan. For example, in Summit County, Ohio, Centene Corporation offers Medicaid as Buckeye Health Plan and also offers 18 Marketplace plans as Ambetter from Buckeye Health Plan.

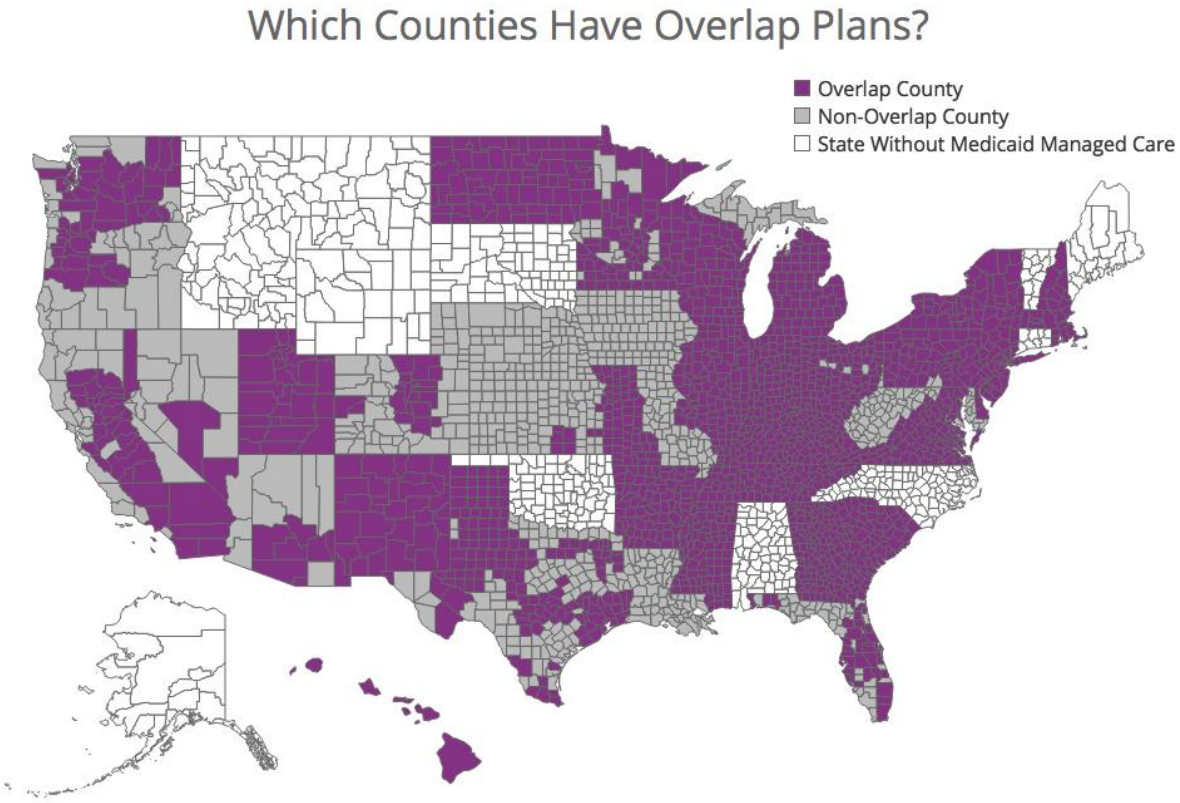
Most Counties Have Carriers Offering Both Marketplace And Medicaid Plans

Three main points emerged from our analysis: Overlap is common, average premiums in overlap counties are considerably lower than in non-overlap counties, and the overlap carrier does not always have the plan with the lowest premium.

Most people enrolled in ACA individual Marketplaces have access to an overlap offering. In nearly 59 percent of all counties, at least one carrier offers plans in both the ACA individual Marketplace and Medicaid. Overlap is more common in urban areas. In large metro areas, 85 percent of counties have overlap offerings, whereas overlap plans operate in 52 percent of counties classified as non-metro. In Medicaid expansion states, where there is continuity of income eligibility between Medicaid and the ACA Marketplace, two-thirds of counties have at least one overlap plan. Half of counties in non-expansion states have at least one such plan. Almost 80 percent of the population younger than age 65 lives in an overlap county.

As seen in exhibit 1, overlap counties exist in all regions of the country. Of states with at least one overlap county, half have overlap plans in every county. In other states, such as California, Texas, and Florida, there are overlap plans in some counties but not in others. Of the 15 states with no overlap counties, nine have expanded Medicaid: Alaska, Connecticut, Idaho, Iowa, Louisiana, Maine, Montana, Vermont, and West Virginia. Most states without any overlap counties do not have Medicaid managed care, thus making overlap impossible. Excluding these states (Alabama, Alaska, Connecticut, Idaho, Maine, Montana, North Carolina, Oklahoma, South Dakota, Vermont, and Wyoming), the prevalence of overlap rises to 70 percent of counties, and the pro proportion of the population younger than age 65 living in an overlap county rises to 87 percent.

Exhibit 1: Most US counties have overlap plans



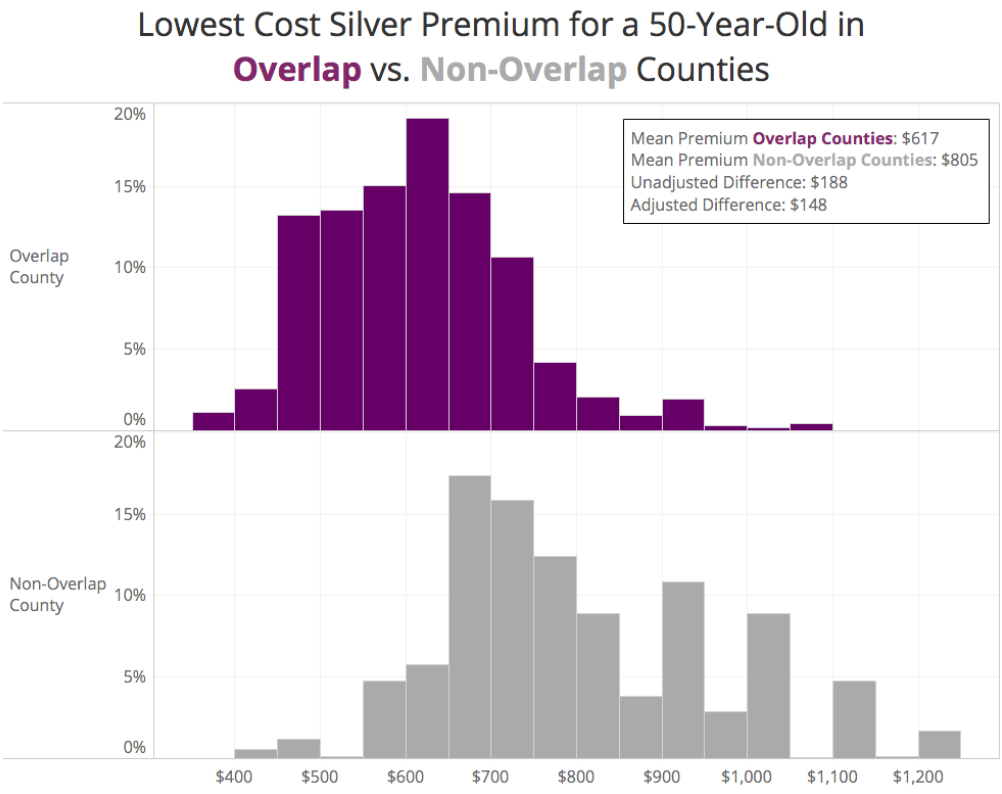
Source: Authors' analyses of 2020 data collected on Medicaid health plan participation, as well as Marketplace data compiled by Vericred.

Of the 2,740 instances of overlap, slightly more than half involve national carriers. Provider-sponsored health plans, such as Kaiser Foundation Health Plan, account for 21 percent of instances of overlap, and not-for-profit Blues plans account for 17 percent of instances. An interactive map that allows county-level searches to determine Medicaid and individual Marketplace participation by carrier is available here.

Premiums Are Lower In Overlap Counties

We would expect Marketplace premiums in overlap counties to be lower than in non-overlap counties, and they are. The difference is considerable. On average, the premium of the lowest-cost silver plan for a 50-year-old is $188 less in an overlap county than in a county with no overlap plans. In a model that adjusts for population, geography, the number of carriers participating, and other market characteristics, being an overlap county is associated with a $148 average difference in lowest-cost silver premiums. The differential is slightly larger ($161) in Medicaid expansion states. Exhibit 2 shows the distribution of the average lowest-cost silver plan premiums for a 50-year-old in overlap and non-overlap counties.

Exhibit 2: Distribution of premiums for the lowest-cost silver plan for a 50-year-old, counties with and without overlap plans



Source: Authors' analyses of 2020 data collected on Medicaid health plan participation, as well as Marketplace data compiled by Vericred.

While Marketplace premiums in overlap counties are significantly lower than in counties without any overlap carriers, the overlap carrier does not always offer the lowest-cost silver plan. This finding suggests that other market factors, such as provider consolidation, may sometimes affect Marketplace premiums more than overlap. Overall, the overlap carrier has the lowest premium in 75 percent of overlap counties. In approximately 40 percent of overlap counties, there are only overlap carriers. Among counties with both overlap and non-overlap carriers, the overlap carrier has the lowest-cost silver plan slightly more than half (57 percent) of the time.

While Many Questions Remain About Creating A Public Option, Overlap Plans Offer A Viable Alternative

In the past several years, state and national policy makers have discussed proposals for a public option plan, which, like overlap plans, could provide a lower-cost, public program alternative to private plans in the market. However, the prevalence of overlap and the Marketplace premium differential in overlap counties raise questions about the opportunities for states to reduce premiums significantly by implementing a public option. In markets where Medicaid managed care organizations and overlap carriers already are present, the additional affordability gains that

could be achieved with a public option may be modest. It is even conceivable that a public option could place upward pressure on premiums in some markets, if states are unable to negotiate rates comparable to those of overlap plans. In counties where overlap is not present, there is a far greater opportunity for a public option to reduce premiums, but other market factors, such as provider consolidation, could limit this potential.

A national public option is another approach to providing more affordable coverage. However, the prospects for enactment are far from certain. The struggle over surprise billing at the federal level reflects the tenacity with which provider interest groups resist any policy that is perceived as government rate setting. These difficulties may be compounded in the short run by financial headwinds associated with the coronavirus, which likely will limit support for policies that reduce hospital rates.

The recession associated with the coronavirus can be expected to intensify concerns about rising health care costs. Moreover, as millions of Americans lose their jobs and their employer-sponsored health coverage, we can expect increased enrollment in Medicaid and may see significant growth in Marketplace plan enrollment as well. As a result, overlap plans may play an increasingly important role in advancing continuity of care and containing growth in premium costs in many counties across the country.