Overlap Issuers: Possible Drivers of Premium Reductions
June 2020

Summary

Nearly 11.5 million consumers signed up for coverage through the Federal Health Insurance Marketplace or individual State Based Marketplaces for 2020.[1] However, in a typical year, some Marketplace consumers will only be enrolled for part of the year.[2] Some of these consumers become uninsured or switch to a group plan through their job. Others, owing to changes in income, gain Medicaid eligibility at some point during the year. The regular flux in enrollment has been exacerbated by the COVID-19 pandemic, leading to millions more Americans losing coverage and cycling through different types of coverage. Health Management Associates (HMA) recently estimated a potential growth in Medicaid nationwide of 5 to 18 million enrollees by the end of this year, with slow decreases based on the speed of recovery to an eventual .5 to 4.5 million more Medicaid enrollees by the end of 2022 compared to the end of 2019.[3] Many of these enrollees will move between Medicaid and private coverage as their incomes change. As HMA notes, "Enrollment in the individual Marketplace is projected to see significant turnover, as people will both enter [from the job-based coverage market] and exit [into Medicaid] due to job losses and have associated changes in income."[4]

The Association for Community Affiliated Plans (ACAP) is interested in better understanding the landscape for consumers that move between the individual market and Medicaid and the role of "overlap issuers"—those that offer Marketplace and Medicaid MCO coverage in the same state. As an association representing Medicaid issuers, some of which have entered the new individual market, ACAP has noted that such issuers in particular may play an important role in driving down premiums.

A new analysis of the data suggests a correlation between overlap plans and lower premiums in a given Marketplace.

ACAP finds for the 2020 benefit year that overlap issuers generally offer lower-priced products than other issuers on the individual market. Additionally:

- **Marketplaces in 34 states include at least one overlap issuer.** As 39 states (inclusive of the District of Columbia) offer Medicaid Managed Care, overlap plans are present in 87% of states where they are possible.

[1] Centers for Medicare & Medicaid Services. (2020). "Health Insurance Exchanges 2019 Open Enrollment Report." Retrieved from https://www.cms.gov/files/document/4120-health-insurance-exchanges-2020-open-enrollment-report-final.pdf.
[2] CMS. (2017). "First Half of 2017 Average Effectuated Enrollment Report." https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2017-Fact-Sheet-items/2017-12-13-2.html.
[3] Health Management Associates. (2020). "COVID-19 Impact on Medicaid, Marketplace, and the Uninsured. May 2020 Update." https://www.healthmanagement.com/wp-content/uploads/HMA-Updated-Estimates-of-COVID-Impact-on-Health-Insurance-Coverage-May-2020.pdf
[4] Health Management Associates. (May 20, 2020). "HMA Weekly Roundup: Trends in Health Policy." https://www.healthmanagement.com/wp-content/uploads/052020-HMA-Roundup.pdf#nameddest=infocus

- In more than three-quarters of states offering coverage from an overlap issuer, an overlap issuer offered either the **lowest or second-lowest silver-level premium in the state** for a 27-year-old.
    - In 81 percent of rating areas with an overlap plan, the overlap plan offers either the lowest or second-lowest silver-level premium for a 27-year-old; this is a slight decrease from 2019.
- Eight states experienced a net gain in overlap issuers compared with 2019; six had a net loss.
- The total number of Qualified Health Plans (QHP) participating in the Marketplace[5] rose from 219 to 258, an 18% increase over last year.
- 102 of the 258 QHP issuers (40%) offering Marketplace coverage are overlap issuers. The percentage of overlap issuers nationwide has remained steady since ACAP began tracking this data in 2014, generally ranging in the low-to-mid 40s.

Background

ACAP is a trade association representing 77 not-for-profit, community-based Safety Net Health Plans. ACAP-member Medicaid MCO plans provide coverage to more than 20 million individuals enrolled in publicly-supported health coverage programs including Medicaid, the Children's Health Insurance Program (CHIP) and Medicare Special Needs Plans. 16 ACAP-member plans or Marketplace Partners[6] offer QHPs or Basic Health Plans covering more than 800,000 Marketplace enrollees. Because ACAP plans serve a disproportionate number of people with low incomes, ACAP is interested in market alignment between Medicaid programs and Marketplaces and its impact on consumers.

Since 2014, the Health Insurance Marketplaces have offered QHPs to individuals and small employers seeking coverage through the individual and small-group markets. 39 QHPs across 27 states entered the market for coverage year 2020, building on the increase in QHP issuers offering coverage in 2019.[7] Six states saw a net loss of issuers offering coverage in 2020.

QHP issuers that also operate Medicaid MCOs occupy an important space: these "overlap issuers" provide consumers with lower incomes an opportunity to purchase coverage that can remain continuous even if they experience a change in eligibility from the Marketplace to Medicaid, or vice versa. Such coverage may also allow families with "split coverage"—family members eligible for different programs, such as Marketplace coverage, Medicaid or CHIP—to be covered by the same issuer. Anecdotal evidence from ACAP member-plans drives home this point; they have many enrollees in which the family is split across different product lines, yet covered by the same issuer.

Similarly, overlap issuers mitigate the effects of "churn," or the cycle of enrollees entering and exiting insurance coverage, which can be caused by minor fluctuations in income or changes in eligibility and

[5] ACAP counted the number of unique issuers offering QHP plans in each state. As an example, Centene offers QHP plans across many different states. Under this methodology they are counted separately across states rather than once.
[6] ACAP's Member plans retain greater than 50% of their covered lives in Medicaid, whereas ACAP's Partner plans are not-for-profit Marketplace plans that share the mission of Safety Net Health Plans, but do not provide coverage through Medicaid.
[7] Association for Community Affiliated Plans. (2018). Overlap Between Medicaid Health Plans and QHPs in the Marketplaces: An Examination in 2018. *Association for Community Affiliated Plans.* Retrieved from https://www.communityplans.net/research/overlap-between-medicaid-health-plans-and-qhps-in-the-marketplaces-an-examination-in-2018/.

often leads to gaps in coverage, which can have a detrimental impact on health outcomes and lower use of cost-saving preventive services.

Following the economic devastation in the wake of the COVID-19 pandemic, the Urban Institute estimates 25-43 million people could lose their employer-sponsored health insurance coverage. This represents an enormous shift in coverage even in Medicaid expansion states: over half of the newly unemployed might obtain Medicaid coverage and less than a fourth could become uninsured. Worse still is the result in states that have not expanded Medicaid, where just a third of the newly unemployed might obtain Medicaid coverage and about 40% could become uninsured.[8] Accordingly, we can expect significant coverage gaps this year caused by the millions churning between coverage types or in and out of coverage altogether in the midst of the COVID pandemic.

Overlap issuers' ability to reduce churn can not only lower unnecessary administrative costs for states, the Federal government, and health care providers—such as those incurred through reprocessing applications or providing new member services[9]—but it can also prevent detrimental health outcomes associated with gaps in coverage. If consumers can move between products offered by the same issuer when they undergo a change in health coverage status, health care services and care management are more likely to continue seamlessly. Many overlap plans necessarily leverage their same provider network across both lines of business, allowing for continuity of care for an enrollee switching between products. Furthermore, overlap issuers that align Medicaid and Marketplace coverage options can leverage MCO-specific care coordination innovations that target chronic conditions, or treatment areas such as substance use disorders, by focusing on unmet health-related social needs.

This brief examines which issuers offer Marketplace and Medicaid managed care coverage in the same state (i.e., are overlap issuers) and those issuers' price positioning within the state. ACAP has compiled a comprehensive list of QHP issuers serving all Marketplaces and noted which QHP issuers offer coverage through a Medicaid MCO in the same state. ACAP has also identified which QHPs offer the lowest- or second-lowest silver-level premium for a 27-year old individual in their states. These listings can be found in the Excel spreadsheet that accompanies this brief.

2020 Findings

Overlap Issuers. Of the 258 QHP issuers nationally, 102 (40 percent) also operate Medicaid MCOs in the same state where they participate in the Marketplace. 34 states have at least once such overlap issuer. Sixteen states and the District of Columbia have no overlap issuers. However, only five such states allow for Medicaid managed care: Iowa, Louisiana, Nebraska, West Virginia, and the District of Columbia.[10]

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[8] Garrett and Gangopadhyaya. (2020). How the COVID-19 Recession Could Affect Health Insurance Coverage. *Urban Institute.* https://www.rwjf.org/en/library/research/2020/05/how-the-covid-19-recession-could-affect-health-insurance-coverage.html?cid=xsh_rwjf_tw.

[9] Ku, L. & Steinmetz, E. (2013). The George Washington University. *Bridging the Gap: Continuity and Quality of Coverage in Medicaid*. http://communityplans.net/Portals/0/Policy/Medicaid/GWContinuityReport91013.pdf.

[10] For purposes of this analysis, we consider the District of Columbia as if it were a state.

Table 1.

National Summary			
	QHP Issuers	Overlap Issuers	% Overlap Issuers
2014	284	123	43%
2015	338	131	39%
2016	329	137	42%
2017	237	105	44%
2018	192	93	48%
2019	219	100	45%
2020	258	102	40%

Nationwide, overlap between QHP issuers and Medicaid MCOs has decreased by 5 percentage points since 2019. Many states continue to have robust overlap participation in their Marketplaces (Table 2). Eight states experienced a net gain of overlap issuers this year. Six experienced a net loss.

Table 2.

States with Largest Number of Overlap Issuers in 2020	
New York	13
Michigan, Wisconsin	8
California	6

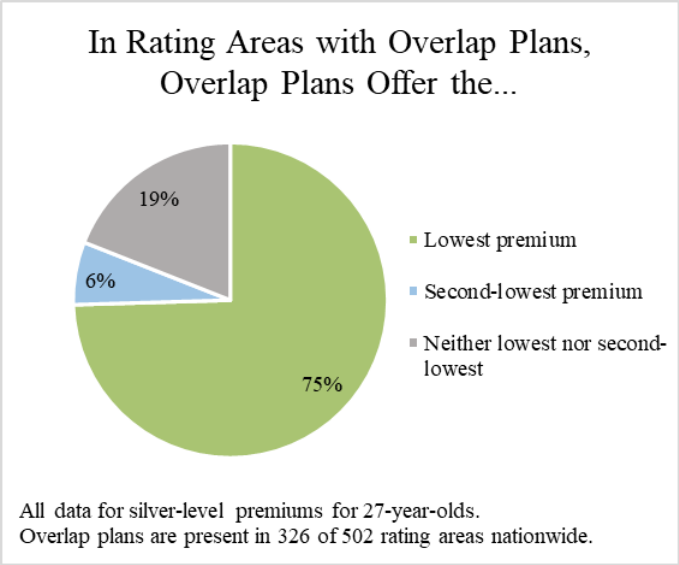
Premium Analysis. ACAP conducted an analysis of state premium data for the 2020 Marketplaces to compare rates of overlap issuers to other QHPs. In more than three-quarters (26 of 34) of states that have coverage by an overlap issuer, an overlap issuer offers either the lowest or second-lowest silver-level premium in the state for a 27-year-old.[11]

A more granular way to look at this is by rating area, as many plans do not offer coverage statewide. 65 percent of rating areas in the United States have at least one overlap plan and a third of those (or 22

[11] It is interesting to note, however, that in just one-fifth (19.6 percent) of all states (including the District of Columbia), QHPs from two different issuers offer the lowest and second-lowest silver-level premium in the state to a 27-year-old. Issuers' tendency to "crowd" the market with similarly low-priced plans (often varying by only a few cents) in order to ultimately claim the benchmark rate and gain significant market share may be the reason consumers so rarely have a distinct choice of issuers between the lowest and second lowest priced QHPs. This may be an issue worthy of further policy discussion, as advance premium tax credits (APTC) may be driven artificially lower by issuers tendency to crowd the market in order to gain market share; it may make more sense to base APTC on the second-lowest silver premium offered by a different issuer than the lowest silver premium.

percent of all rating areas) have only overlap plans. In 81 percent of rating areas with an overlap plan, the overlap plan offers either the lowest or second-lowest silver-level premium for a 27-year-old.

Exhibit 1.



These premium data demonstrate the ability of Medicaid MCOs to offer more affordable coverage options when competing alongside other QHPs in a robust Marketplace—and to thereby drive down premiums overall in that Marketplace. Medicaid MCOs' provider networks, provider rates, and innovations in care coordination allow overlap issuers to offer lower-cost coverage options.

A recent *Health Affairs* blog post notes that overlap plans are often "able to leverage their Medicaid contracts in negotiating provider payment rates for Marketplace plans,"[12] which allows them to set lower premiums than other Marketplace issuers. Data show that on average, the premium for the lowest-cost silver plan for a 50-year old is $188 lower in counties with overlap plans; an overlap carrier has the lowest premium in three-quarters of counties with overlap plans.[13] In many ways, this is reminiscent of the goal of a public option—to drive down costs through increased competition. Policymakers may want to closely note how overlap issuers can drive down premiums and serve as a stand-in for a public option.

Conclusion

Marketplaces in which QHP issuers also operate Medicaid MCOs provide health care consumers with lower incomes the option to purchase coverage that can remain continuous despite shifts in eligibility.

[12] Hempstead, K. and Seirup, J. (2020) "Overlap Plans Could Become An Important Option To Promote Continuity Of Care And Contain Health Care Costs During A Recession" *Health Affairs.* Retrieved from https://www.healthaffairs.org/do/10.1377/hblog20200511.314433/full/.
[13] Ibid.

Overlap issuers can allow families with "split coverage" to be insured by the same issuer, streamlining coverage for the whole family. For 2020, the number of overlap issuers nationwide has risen slightly to 102, yet the percentage of overlap issuers in the individual marketplace has decreased to 40 percent. Over the past seven years, the number of overlap issuers has fluctuated—but with a higher percentage of overlap issuers remaining in the market when many other issuers dropped out due to widespread instability.

Additionally, and perhaps most notably, overlap issuers generally offer the most affordable coverage options—either the lowest or second-lowest silver-level premium in the state (for a 27-year-old individual) in over three-quarters of states that have overlap plans. Further analysis of rating area and county-level data shows that even when overlap issuers do not offer the lowest-premium, the premiums in such areas are lower than in areas without overlap issuers. The implications of this finding are significant in thinking about potential policy options to reduce premiums and improve consumer affordability. Likewise, the potential benefits of enrolling in an overlap plan should be shared through consumer outreach and education initiatives, particularly those focused on low-income health care consumers and families.

Methodology

We define the percentage of "overlap" as the percentage of QHP issuers that also operate a Medicaid MCO in the same state. For example, in a state with 100 percent overlap, each QHP issuer also offers a Medicaid MCO in that state. If a QHP shares a parent firm with an MCO in the state or if the QHP itself is a parent firm to a Medicaid MCO, it is labeled as an overlap issuer.

Qualified Health Plan Issuers. ACAP developed lists of QHP issuers in each state by accessing several resources, including healthcare.gov (for lists of QHP issuers participating in the FFM) and State-based Marketplace web sites. These sources are cited in the attached spreadsheet for each state. Issuers offering QHPs in multiple states are counted once per state.

Type of Marketplace. The chart indicates whether the state established an SBM, SPM, FSM or FFM. The data used to identify these classifications can be accessed at http://kff.org/health-reform/state-indicator/state-health-insurance-Marketplace-types/.

Medicaid MCOs. The Medicaid MCO data are based on a variety of sources, but the primary resource is the Kaiser Family Foundation Medicaid Managed Care Tracker, which can be accessed here: http://kff.org/data-collection/medicaid-managed-care-market-tracker/. In the instances when Medicaid MCO data were not available on the tracker, we consulted state Department of Insurance websites, Medicaid program websites, and relevant news articles. This information has been augmented through conversations with Medicaid policy experts and health plan representatives in various states.

Premium Data. The silver-level premium data for each state, issuer, and product can be found in the Robert Wood Johnson Foundation's HIX Compare dataset.

ACAP continues to refine this list of QHP issuers and Medicaid MCOs. Contact Heather Foster, ACAP Vice President for Marketplace Policy, at HFoster@communityplans.net with comments, questions, or suggestions for the list.

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