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Rural-Urban Differences in Insurer Participation for Marketplace-Based Coverage

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Key Findings

- For the 2015 plan year, 852 (34%) counties in states affiliated with the Federally Facilitated Marketplace had two or fewer insurers selling qualified health plans; of these, 80.5% were rural.
- Insurers selling Marketplace-based coverage in rural counties are more likely to have mutual or other (non-profit) ownership versus for-profit ownership.
- Rural and urban counties with only one insurer are most often served by Blue Cross Blue Shield (BCBS).
- Increasing empirical evidence suggests that Marketplace premiums are higher in markets with fewer insurers, all else equal. Therefore, policymakers may want to consider additional strategies to encourage insurer participation, weighing new costs associated with policy interventions against the value generated from additional insurers, such as additional plan choice and lower premiums.

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Purpose

The purpose of this policy brief is to 1) identify differences between rural and urban counties in the number of Federally Facilitated Marketplace (FFM) insurers available to consumers and 2) examine variation in the composition of insurers serving counties, focusing on group affiliation (e.g., Blue Cross Blue Shield, UnitedHealthCare, Humana, Cigna, Aetna) and ownership status.

Background and Policy Context

The Patient Protection and Affordable Care Act of 2010 (ACA) contains provisions intended to address concerns about the functioning of the individual or "non-group" health insurance market, which is expected to increase in size to 26 million people by 2024.[1-2] The ACA creates organized Marketplaces through which subsidized private insurance can be purchased by individuals who lack access to public or affordable employer coverage. Beginning in 2014, insurers also faced a new regulatory environment, including essential health benefits provisions as well as modified community rating that limits premium variation to the factors of age, tobacco use, and geography.[3] Notably, geographic rating areas (GRAs) are intended to adjust for significant differences in health care unit costs across geographic regions within a state.

Although insurers must price a specific plan uniformly throughout a GRA, they may choose to selectively enter only a subset of counties within that GRA. In 2015, 43% of all GRAs associated with the Federally-Facilitated Marketplace (FFM) experienced selective entry by insurers.[4] From the perspective of the consumer, the number of insurers serving the county is the relevant unit of analysis.[5]

Insurers' decisions to offer Marketplace plans in local markets (e.g., counties) have direct implications for the number and types of plans offered and premiums. A growing body of literature demonstrates that Marketplace premiums are lower in geographic markets that have a larger number of insurers.[4,6-12] Insurer participation decisions also have indirect implications for consumers' access to hospitals and physicians vis-à-vis a health plan's established network.[13–16]

Approach

Our primary data source is the Qualified Health Plan (QHP) Landscape file released on the Healthcare.gov website in October 2014. This data set

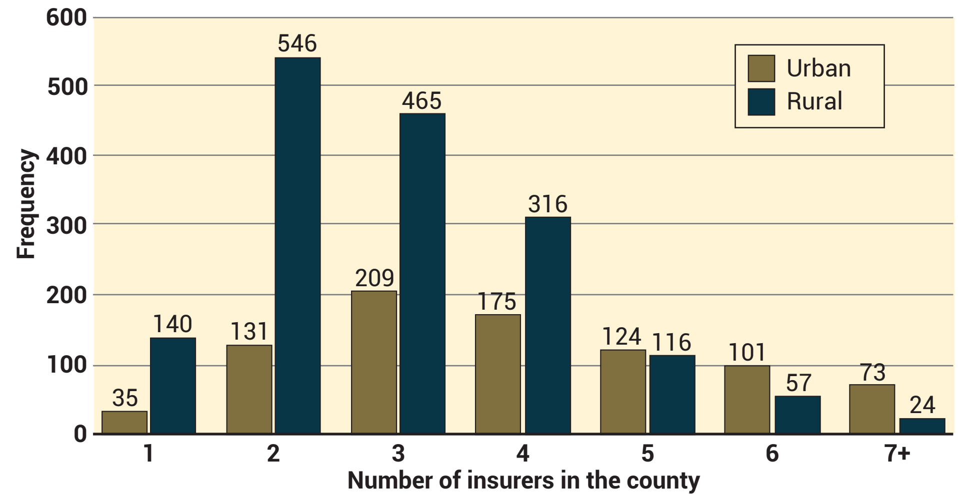
includes detailed information on the insurers participating in the FFM in 34 states for plan year 2015. We augmented these data with a measure of rurality constructed using the 2013 Urban Influence Codes from the U.S. Department of Agriculture and used information from the National Association of Insurance Commissioners (NAIC) annual filing statements (NAIC, 2013) to capture insurers' group affiliation (BCBS; UnitedHealthcare, Humana, Cigna, and Aetna (UHCA); or not affiliated) and ownership type (stock ownership versus mutual/other ownership). Our unit of analysis is an individual county and the study population includes all 2,512 counties (1,664 rural and 848 urban) within the 34 states in the FFM.

Results

Figure 1 shows that among the 2,512 counties, 175 (7%) have one insurer (monopoly) and 677 (27%) have two insurers (duopoly) in the market. Rural counties comprise 80.5% of these monopoly and duopoly market structures. For the 1,664 rural counties in the FFM, 41% of counties are served by two or fewer insurers. In contrast, among the 868 urban counties, only 20% have two or fewer insurers.

Our analyses also examine which types of insurers enter rural versus urban counties and how this varies by market size, defined as the overall number of insurers serving a county. Specifically, we examine group affiliation and ownership status. As Table 1 shows, BCBS is the most prevalent insurer in markets with only a single insurer, serving 99% of rural counties and 80% of urban counties, respectively. In these single insurer

Figure 1. Frequency distribution of rural and urban counties by number of insurers selling individual marketplace coverage, 2015



Notes: Authors' analysis of QHP Landscape File merged with the 2013 Urban Influence Codes from the U.S. Department of Agriculture. Sample Size is 2,512 counties in states served by the Federally Facilitated Marketplace.

Table 1. Insurer Group Affiliation and Ownership Status by Number of Insurers in the County, 2015

Rural Counties (N=1664)							
Entrant Characteristic	**Number of Insurers in the County**						
	1	**2**	**3**	**4**	**5**	**6**	**7+**
Group Affiliation							
Blue Cross Blue Shield (BCBS)	0.99	0.70	0.77	0.93	0.98	1.14	0.96
United Health, Humana, Cigna, Aetna (UHCA)	0.00	0.67	0.57	0.82	0.95	0.86	1.67
None	0.01	0.64	1.66	2.24	3.07	4.00	4.58
Ownership Status							
Stock	0.19	1.20	1.85	2.58	3.59	4.35	5.17
Mutual/Other	0.81	0.80	1.15	1.42	1.41	1.65	2.04
Urban Counties (N=848)							
Entrant Characteristic	**Number of Insurers in the County**						
	1	**2**	**3**	**4**	**5**	**6**	**7+**
Group Affiliation							
Blue Cross Blue Shield (BCBS)	0.80	0.62	0.70	0.90	0.98	1.07	1.01
United Health, Humana, Cigna, Aetna (UHCA)	0.03	0.63	0.84	1.12	1.54	1.38	2.42
None	0.17	0.75	1.46	1.98	2.48	3.55	4.92
Ownership Status							
Stock	0.26	1.22	2.15	3.09	3.80	4.38	6.42
Mutual/Other	0.74	0.78	0.85	0.91	1.20	1.62	1.93

Notes: The numbers listed in the rows of the table represent the average number of insurers in a county with a given attribute (e.g., group affiliation or ownership status). The columns indicate the total number of insurers operating in the count in order to compare how different types of insurers are entering counties that have one insurer, two insurers, etc. Source: Authors' analysis of QHP Landscape file merged with the 2013 Urban Influence Codes from the U.S. Department of Agriculture and NAIC filing data.

Table 2. Configurations of Marketplace Insurers by Number of Insurers in the County (Percentage of Counties), 2015

Rural Counties (N=1664)

Select Insurer Configurations	Number of Insurers in the County 1	2	3	4	5	6	7+
BCBS	99.3	32.8	42.2	25.6	27.6	26.3	16.7
1 UHCA	0.0	18.3	7.3	6.3	1.7	3.5	4.2
2 UHCAs	0.0	5.9	0.9	0.0	0.0	0.0	0.0
3 UHCAs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 UHCAs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BCBS and 1 UHCA	0.0	36.8	21.5	58.9	52.6	57.9	33.3
BCBS and 2 UHCAs	0.0	0.0	13.1	8.5	13.8	12.3	8.3
BCBS and 3 UHCAs	0.0	0.0	0.0	0.0	4.3	0.0	37.5
BCBS and 4 UHCAs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Insurers Only	0.7	6.2	15.1	0.6	0.0	0.0	0.0

Urban Counties (N=848)

Select Insurer Configurations	Number of Insurers in the County 1	2	3	4	5	6	7+
BCBS	80.0	13.7	35.4	15.4	6.5	12.9	2.7
1 UHCA	2.9	15.3	15.8	9.1	2.4	0.0	0.0
2 UHCAs	0.0	0.0	5.3	0.0	0.0	2.0	0.0
3 UHCAs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 UHCAs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BCBS and 1 UHCA	0.0	48.1	12.4	50.3	46.8	50.5	17.8
BCBS and 2 UHCAs	0.0	0.0	22.5	21.1	28.2	22.8	35.6
BCBS and 3 UHCAs	0.0	0.0	0.0	3.4	16.1	9.9	21.9
BCBS and 4 UHCAs	0.0	0.0	0.0	0.0	0.0	2.0	21.9
Other Insurers Only	17.1	22.9	8.6	0.6	0.0	0.0	0.0

Notes: The numbers listed in the rows of the table represent the percentage of counties with a particular configuration of insurers from the set indicated in the far left column. The remaining columns correspond to the total number of insurers operating in the county to illustrate how different types of insurer configurations vary across markets having one insurer, two insurers, etc. Source: Authors' analysis of QHP Landscape file merged with the 2013 Urban Influence Codes from the U.S. Department of Agriculture and NAIC filing data.

counties, for-profit organizations (e.g., stock ownership) are rare.

Looking across the columns of Table 1, different patterns emerge for rural and urban counties in terms of the representation of insurers by group affiliation and ownership status. For example, among rural counties with three insurers, 1.85 insurers, on average, are for-profit, whereas in urban counties with three insurers, for-profit organizations are more prevalent (2.15 insurers on average). Results from Table 1 also illustrate a larger presence of insurers affiliated with for-profit national groups (UHCA) in counties with larger numbers of insurers overall.

Table 2 summarizes the configuration of insurers in local markets, including the representation of insurers with BCBS or UHCA affiliations, stratified by rural-urban status. In markets served by two insurers overall, we often observe head-to-head competition between a BCBS affiliate and an UHCA insurer, although this configuration is more prevalent in urban markets (48.1% of counties) than rural markets (36.8% of counties). Rural counties are more likely to have competition between a BCBS affiliate and some other local or regional insurer. Direct competition between two or more UHCA insurers in the same county is uncommon, but it is observed more often in urban markets versus rural markets, and when the county is served by at least five firms overall.

Discussion & Implications

Robust insurer participation in the Marketplace is essential for achieving the overarching policy objective of increasing access to affordable health insurance for lower income Americans. Policymakers who support the Affordable Care Act have raised concerns about ensuring consumer choice in the Federally-Facilitated Marketplace, an issue which has recently garnered attention in the media.[17-20] The decisions by insurers to enter local markets directly affects the set of choices available to a potential enrollee, the price of coverage resulting from market competition between insurers, and the set of providers from which an enrollee is able to seek care vis-à-vis their selected plan's provider network. Insurer participation is an especially important issue for rural consumers, as rural counties comprise 80.5% of the counties with only one or two insurers.

Several ACA provisions encourage insurer participation and a stable Marketplace. With greater price

sensitivity among lower-income individuals without insurance, premium and cost-sharing subsidies are designed to make coverage more affordable and promote stronger demand in the Marketplace.[21] Other provisions target insurers more directly. For example, the Consumer Oriented and Operated Plan (CO-OP) program encouraged entry of non-profit, member-governed insurers in the individual market by providing these entities with start-up funding and solvency loans to meet state regulatory requirements. However, evaluations of the CO-OP program indicate substantial financial, actuarial, and operational problems for many of these new insurers.[22] Another initiative to encourage robust participation of insurers is the Office of Personnel Management-administered multi-state plan program, which has had limited impact to date.[23] As with any new market, there is considerable learning that occurs by consumers and insurers. A key concern among insurers is adverse selection. To address this concern, the ACA included a market stabilization program consisting of two temporary programs that established risk corridors and reinsurance as well as a permanent risk adjustment program. Challenges persist with respect to the functioning of these programs, including the underestimation of risk corridor payments to insurers that experienced large losses in the initial years and the need for additional data transparency regarding risk adjustment and expected payments by insurers.[24]

In the short-run, policymakers need to actively monitor changes in insurers' Marketplace participation and query those insurers that have decided to exit specific geographic markets to understand their reasons behind these decisions. Results from this investigation can inform whether modifications are needed to other Marketplace design features that affect insurers' performance, such as enrollment periods, premium rating, risk adjustment, or other factors. In the longer-run, alternative strategies may be needed to directly augment insurer participation. Possible options may include prohibiting selective entry within GRAs or creating subsidies to encourage entry into counties that may otherwise be less attractive to insurers because of size, health status of the population, or provider market power. Additional policy proposals to expand insurer participation must weigh any new costs associated with such programs against the potential value generated from additional insurer competition in the market. ■

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