Health Advocacy PROJECT

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HEALTH BRIEF:

How North Carolina Limited Federal Health Care Harm in the 2018 Open Enrollment Period

The Positive Impact of Silver Loading

IN OCTOBER 2017, President Trump announced that the administration would immediately stop reimbursing health insurance companies for providing legally required discounts on deductibles and other out-of-pocket costs on Marketplace plans to eligible enrollees. The cancellation of payment for these consumer subsidies—known as cost-sharing reductions (CSRs)—came less than three weeks before the Open Enrollment period for 2018 coverage was slated to begin. However, insurers, state regulators, and advocates had prepared for the scenario, devising a strategy known as "silver loading" to mitigate market instability and harm to consumers.

In this brief, we examine the impact of that strategy and find that North Carolina Marketplace enrollees on the whole have benefited from silver loading. As a result, we recommend that North Carolina regulators and health plans adopt a modified silver loading approach for setting 2019 premiums.

KEY FINDINGS

Our analysis finds that, after NC Marketplace plans loaded CSR-related premium increases onto silver plans:

- **Take-up of cost-sharing reduction plans with the greatest consumer protections remained strong among eligible North Carolinians—those with incomes up to 200% of the federal poverty level (FPL).**
- **The increased value of the premium tax credit enabled more consumers, especially those with incomes between 200-400% FPL, to purchase gold plans than in 2017.**
- **Enrollment by North Carolinians who do not qualify for subsidies—mostly middle-income folks—remained steady from 2017 to 2018.**

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Background

Cancellation of Federal Payments for Cost-Sharing Reductions by Trump Administration

Under the Affordable Care Act, consumers can qualify for financial assistance to not only lower their monthly premiums, but also to reduce out-of-pocket costs they face when using their health insurance. The latter benefit, known as cost-sharing reductions, comes in the form of reduced deductibles, annual out-of-pocket maximums, copays, and coinsurance costs. Marketplace insurers provide these discounted plans to eligible consumers who select silver plans, and the federal government makes regular payments to insurance companies as a reimbursement for the costs they incurred as a result of providing a more generous plan without increasing the premium. *(For more background on the cost-sharing reduction benefit, see the Appendix at the end of this brief).*

Under the leadership of former Speaker John Boehner (R-OH), the House of Representatives brought a 2014 legal challenge to the Obama administration's compensation of insurers for CSRs on the grounds that Congress did not appropriate the payments. In 2016, the U.S. District Court for the District of Columbia granted a summary judgment in favor of the House, but the payments were allowed to continue pending appeal. Following the 2016 election, the Republican-led House of Representatives requested a stay of legal proceedings, in effect granting the Trump administration leeway to cut off payments for CSRs.

Throughout the unsuccessful 2017 campaign to repeal the Affordable Care Act, President Trump repeatedly threatened to let the ACA "implode."[1] He tweeted often about ending "bailouts" for insurance companies—his mischaracterization of how insurers were compensated for providing CSRs—throughout the process, especially when legislative repeal efforts were faltering.[2] Once the repeal-and-replace effort died off, the Trump administration pulled the plug on the reimbursements for CSRs. While that decision finally came in mid-October, stakeholders across the country had been discussing how to plan for this possibility months in advance. Although Open Enrollment for Marketplace plans begins annually in November, the premium-setting process starts much earlier. Insurance companies begin developing products and prices earlier in the year, usually with an initial proposed filing to state regulators in the spring and final rates in the fall.

Silver Loading Response in the States

While several analyses predicted that cutting off CSR payments would cause insurers to significantly raise premium rates,[3] a strategic approach to raising rates arose in which insurers increase premiums only on silver plans rather than spreading the costs of lost CSR payments across all plans.[4]

Roughly two-thirds of states took this approach, which we refer to as "silver loading."[5] The conceptual advantage to this approach is that consumers—particularly those who do not qualify for premium tax credits and therefore pay full-cost premiums—would be protected from CSR-related premium increases, especially for bronze, gold, and platinum plans (though platinum was not offered on the Marketplace by any insurer in North Carolina). What's more, consumers who *do* qualify for premium tax credits would also benefit, as the cost of the benchmark plan (the second-lowest cost silver plan) would increase relative to the costs of other plans available, meaning that the premium tax credit would provide consumers with greater purchasing power. This purchasing power would particularly benefit consumers purchasing bronze and gold plans unaffected by the premium increases associated with silver loading.

While the North Carolina Justice Center advocated for silver loading in mid-2017, we had some concerns that it would inflate premium tax credits in such a way that encouraged consumers with incomes below 200% FPL—who would normally enroll in silver level plans with robust cost-sharing—to instead enroll in a high-deductible but low-premium (if not $0/month) bronze plan. Because CSR plans provide lower out-of-pocket costs and cap enrollee spending at lower out-of-pocket maximums, we want to ensure consumers are taking advantage of such plans. Higher actuarial value plans provide greater protection against unexpected medical diagnoses and emergencies, helping to keep North Carolinians out of poverty or from falling deeply into debt.

Based on available information, we believe both Cigna and Blue Cross Blue Shield of North Carolina incorporated a silver loading strategy for their 2018 individual market premiums. Other states also adopted a modified silver loading strategy in which insurers would provide an additional silver plan unaffected by silver loading offered outside of the Marketplace; this would, in effect, provide a more affordable silver plan option for consumers who do not qualify for premium subsidies.

While the full ramifications of these decisions are not yet known, the federal Centers for Medicare and Medicaid Services released data on April 3, 2018, about enrollment from the 2018 Open Enrollment period (OEP).[6] The individual market experiences churn in its enrollee population every year, so comparing year-to-year trend comes with caveats. However, by examining the 2018 OEP State State-Level Public Use File and comparing it to last year's data, we can deduce how silver loading may have affected North Carolinians' enrollment decisions, particularly whether those eligible for the most robust CSR plans still took advantage of them.

Impact of Silver Loading in 2018

In review of the enrollment data for 2018, it is clear that silver loading allowed many low- and moderate-income families to purchase more affordable and more comprehensive coverage, while protecting most unsubsidized consumers from premium increases they would otherwise have experienced.

How Silver Loading Affected North Carolinians' Metal-Level Plan Selection Decisions

Blue Cross Blue Shield of North Carolina, the only insurer offering Marketplace plans in all 100 counties of the state, raised rates on its individual market products by an average of 14.1% in 2018—which they attributed fully to the cost of CSR payments being canceled. However, the average net premium paid by North Carolina Marketplace enrollees rose only 3.9% in 2018.[7] For consumers who qualified for premium tax credits, the average net premium paid actually *decreased* from 2017 to 2018 by 5.7% to an average of $82 per month.

Overall, the average sticker price (before tax credits) for silver plans in North Carolina rose by 19.9%

TABLE 1: Percentage of all 2018 North Carolina Marketplace plan selections by metal level

Metal Level	Catastrophic	Bronze	Silver	Gold
2017	1.99%	17.72%	78.33%	1.96%
2018	1.98%	21.76%	70.94%	5.33%

in 2018. As premiums for silver plans increased, the value of premium tax credits (PTC) increased. Because PTC increases exceeded the more moderate premium increases for non-silver plans—for example, sticker prices for bronze plans rose only 4.9%[8]—many consumers leveraged a relatively larger tax credit to purchase bronze and gold coverage at lower premiums than would have been available otherwise.[9]

As seen in Table 1, the share of North Carolina enrollees selecting a silver plan dropped by nearly eight percentage points, with the share of bronze plan selections increasing roughly four points and gold selections increasing nearly three-and-a-half points. If we compare 2017 and 2018 enrollment data with respect to CSR take-up, the numbers suggest a downward trend in 2018.[10] However, these data do not tell us whether reduced take-up occurred among North Carolinians eligible for the most robust cost-sharing reductions benefits, such as the 94% actuarial value (AV) plans for those with incomes between 100-150% FPL and 87% AV plans for those between 151-200% FPL. *(For more background on metal tiers and actuarial value differences across plans with cost-sharing reductions, see the Appendix at the end of this brief).*

FIGURE 1:
Distribution of metal level plan selections by income group, 2017

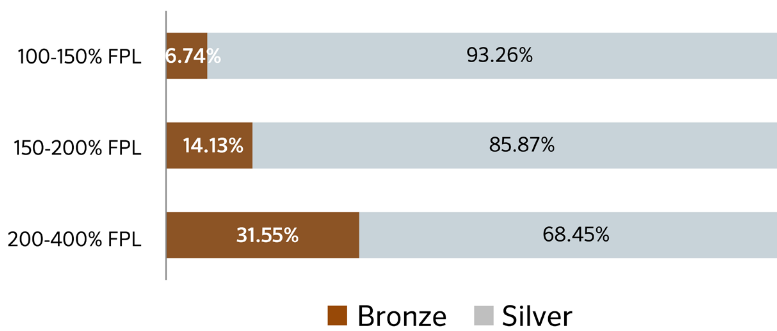
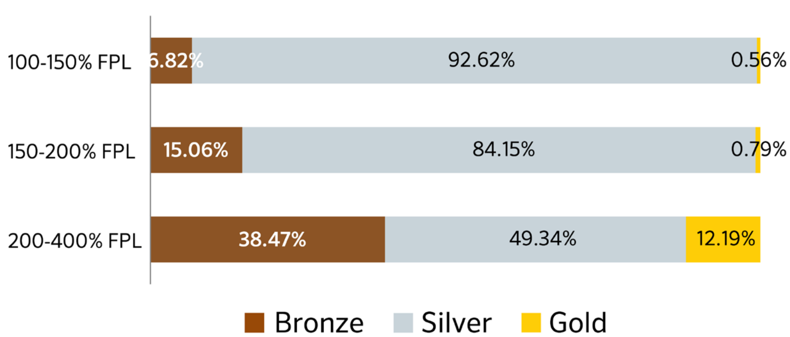


FIGURE 2:
Distribution of metal level plan selections by income group, 2018



Take-Up of Cost-Sharing Reductions among North Carolinians with Incomes Below 200% FPL

Figures 1 and 2[11] offer data on the distribution of metal level plan selections by relevant income groupings in 2017 and 2018 (where data were available).[12]

Consumers up to 400% FPL are eligible for premium tax credits, while only those up to 250% FPL are eligible for cost-sharing reductions. Both of these benefits are offered on a sliding scale, with cost-sharing reductions increasing the actuarial value of a silver plan from 70 to 94% (100-150% FPL), 87% (150-200% FPL), or 73% (200-250% FPL). Because the CSR benefit is particularly robust for consumers below 200% FPL (an increase of 24 or 17 points over a normal silver plan), our analysis focuses on that group.

The figures show that among consumers eligible for the **94% AV silver plan** the share selecting such a plan fell only slightly (0.64 percentage points). Among those income-eligible for an **87% AV silver plan**, take-up fell by 1.72 percentage points, with slightly higher take-up of bronze and gold plans among that population. These changes suggest a small downward trend, but not a major change in the utilization of the CSR benefit among the income-eligible population for which the benefit is most meaningful.

All in all, enrollment in 94% AV and 87% AV CSR plans remained high and stable in North Carolina during the 2018 Open Enrollment Period.[13]

Silver Loading Helped More North Carolinians Select Gold Plans

Back on Table 1, we see that the share of enrollees selecting gold plans nearly tripled from 2017 to 2018, and the gross number of enrollees increased by 158% from 10,738 in 2017 to 27,682 in 2018.[14] Figure 2 suggests that 2018 gold plan enrollment was particularly strong among those whose incomes are between 250-400% FPL—North Carolinians who are eligible for premium tax credits but not eligible for CSRs. Figure 2 also shows that enrollment in gold plans was strong among those with incomes between 200-250% FPL, who are eligible for relatively weak CSR benefit (73% AV), which is lower than the 80% value provided by a gold plan. In fact, 21,839 North Carolinians between 200 and 400% FPL selected gold plans in 2018, more than doubling the total number of gold selections across all incomes in 2017. These trends seem likely attributable to silver loading's impact on the purchasing power of the PTC.

Number and Share of Enrollees without Financial Assistance Remained Steady

Without silver loading, all unsubsidized consumers would bear the cost of CSR-related premium increases no matter what metal level plan they purchase. In contrast, in any state utilizing silver loading, unsubsidized consumers who chose to purchase a bronze or gold plan can avoid paying the inflated premiums on silver marketplace plans. During Open Enrollment, North Carolina qualified health plans saw steady enrollment among the unsubsidized population, as shown in Table 2.

TABLE 2: North Carolina Plan Selections among Unsubsidized Consumers, 2017 and 2018

	2017	2018
Number of NC Consumers who Selected a Plan Without Financial Assistance	52,115	51,249
Share of NC Enrollees who Selected a Plan Without Financial Assistance	9.60%	9.92%

The gross number of plan selections by unsubsidized consumers fell only slightly by 866, or 1.66%, and the relative share of enrollees without financial assistance increased by 0.32 percentage points.

Modified Silver Loading for 2019 Premiums

Silver loading appears to have protected North Carolinians who qualify for subsidies under the ACA, reducing the average net premium paid; enabling more consumers to afford a gold plan; maintaining strong take-up of cost-sharing reduction plans with higher actuarial values; and possibly boosting enrollment overall for those who may not have enrolled in a plan without the stronger tax credit purchasing power.

At the same time, North Carolinians ineligible for financial help enrolled at similar numbers and rates as in the previous year. Based on these limited data, silver loading appears to have been a success in North Carolina. Therefore, regulators and plans should adopt a similar strategy for setting 2019 premiums in the event that cost-sharing reduction payments are not restored.

To ensure unsubsidized consumers have the full range of plan options at premiums unaffected by silver loading, last year several states further directed insurers to offer an off-Marketplace silver plan that only slightly differed from the on-Marketplace silver plans to allow for differential pricing. This provided unsubsidized consumers with off-Marketplace silver plan options without the CSR-related premium increase. This step is particularly important because most unsubsidized consumers purchasing ACA-compliant coverage do so outside the marketplaces and, among the minority of unsubsidized consumers purchasing coverage through HealthCare.gov, almost two-thirds purchased non-silver plans in 2018.[15]

While the 2018 silver loading strategy appeared to have largely mitigated harm from the Trump administration’s decision to cut off payments for cost-sharing reductions, we recommend that North Carolina insurance companies and regulators at the NC Department of Insurance embrace this modified silver loading strategy for developing 2019 premium rates.

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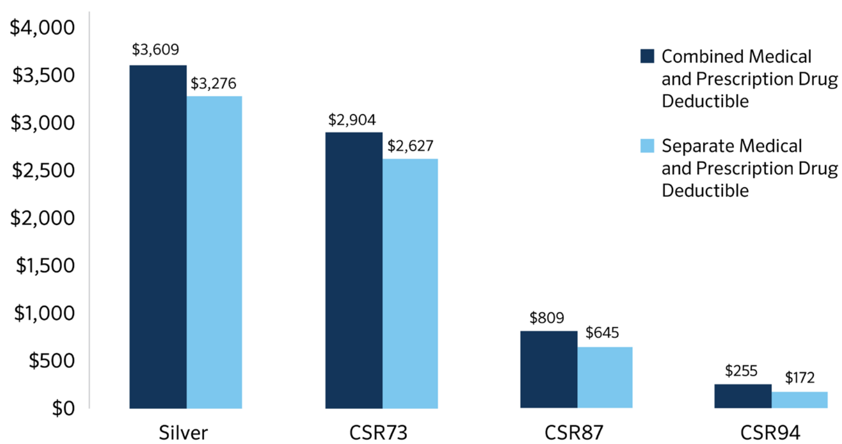
APPENDIX

The Cost-Sharing Reductions Benefit under the Affordable Care Act

Under the Affordable Care Act, North Carolinians who purchase coverage on their own can qualify for two forms of federal financial assistance to help them afford the cost of coverage and the costs of accessing health care services. To reduce monthly premiums, the law places a cap on what some consumers must pay in premiums for a benchmark plan, which is the second-lowest cost silver plan available to them on the Marketplace. Enrollees with incomes up to 400% FPL can qualify for a premium tax credit (PTC), an advanceable, refundable tax credit to reduce enrollees' monthly premiums. In 2017, 90%, or 496,420 North Carolinians, enrolled in a plan with PTCs.

Plans available on the Marketplace are categorized by metal level, which corresponds with the generosity of the plan's coverage of health care costs. Bronze plans have an average actuarial value (AV)—the share of total costs of health care services covered by the insurance plan instead of the enrollee—of 60%, whereas a silver plan covers 70%, gold covers 80%, and platinum covers 90%. Premium prices for these plans vary according to actuarial value, with premiums being highest for the most generous plans.

FIGURE 1:
COST-SHARING REDUCTIONS - IMPACT ON DEDUCTIBLES
Average Medical Deductible in Plans with Combined and Separate Medical and Prescription Drug Deductible



SOURCE: Kaiser Family Foundation analysis of Marketplace plans in the 39 states with Federally Facilitated or Partnership exchanges in 2017 (including Arkansas, New Mexico, Oregon, Kentucky and Nevada). Data are from Healthcare.gov Health plan information for individuals and families available at https://www.healthcare.gov/health-plan-information-2017/.

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However, consumers with incomes up to 250% FPL can qualify for cost-sharing reductions (CSRs) to reduce what enrollees have to pay in out-of-pocket costs (i.e. deductibles, copays, coinsurance) when they use health care services. Cost-sharing reductions increase the value of silver plans up to 73%, 87%, or 94% on a sliding scale, according to an enrollee's income. The impact is that enrollees with low incomes—particularly those between 100-150% FPL (who qualify for 94% AV silver plans) and 151-200% FPL (87% AV silver plans)—can qualify for coverage with significantly lower out-of-pocket costs at silver-level premiums, reduced further by their premium tax credits. Figure 1 shows how enrollees at each level of CSR benefited from lower deductibles, highlighting the generosity of the benefit particularly for consumers below 200% FPL who are eligible for CSR94 or CSR87. 356,560 North Carolinians—65% of enrollees—enrolled in a silver plan with CSRs in 2017.

The federal government provides these two forms of financial assistance in different ways. For premium tax credits, the government pays insurers the monthly tax credit each month on behalf of a consumer, who is responsible for paying the remaining share. For cost-sharing reductions, the federal government makes regular payments to insurance companies as a reimbursement for the costs they incurred as a result of providing a more generous plan without increasing the premium.

Endnotes

1. Ramsey, Lydia and Bob Bryan. “Trump is threatening a move that could make Obamacare implode and hurt lawmakers’ coverage.” *Business Insider*. July 31, 2017. http://www.businessinsider.com/trump-obamacare-cost-sharing-payments-2017-7

2. See search results for Tweets by Donald Trump (@realDonaldTrump) including the term “insurance companies” between April 26, 2017 and October 14, 2017. *Twitter*. https://twitter.com/search?q=%22insurance%20companies%22%20from%3Arealdonaldtrump%20since%3A2017-04-26%20until%3A2017-10-14&src=typd

3. Levitt, Larry, Cynthia Cox, and Gary Claxton. “The Effects of Ending the Affordable Care Act’s Cost-Sharing Reduction Payments.” Henry J. Kaiser Family Foundation. April 25, 2017. https://www.kff.org/health-reform/issue-brief/the-effects-of-ending-the-affordable-care-acts-cost-sharing-reduction-payments/ and Congressional Budget Office. “The Effects of Terminating Payments for Cost-Sharing Reductions.” August 2017. https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53009-costsharingreductions.pdf

4. Welch, Dianna and Kurt Giesa. “Analysis: Potential Impact of Defunding CSR Payments.” Oliver Wyman Health. May 12, 2017. http://health.oliverwyman.com/transform-care/2017/05/impact_defunding_CSR_payments.html

5. Gaba, Charles. “Vermont officially jumping on the Silver Switcharoo Train (& restoring the Mandate as well).” ACASignups.net. March 20, 2018. http://acasignups.net/18/03/20/vermont-officially-jumping-silver-switcharoo-train-restoring-mandate-well

6. 2018 OEP State-Level Public Use File (available from 2018 Marketplace Open Enrollment Period Public Use Files at https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2018_Open_Enrollment.html).

7. Average net monthly premium in 2018 was $134. In 2017, it was $129. Sources: 2017 OEP State-Level Public Use File” (available from 2017 Marketplace Open Enrollment Period Public Use Files page at https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/Plan_Selection_ZIP.html), and “2018 OEP State-Level Public Use File” (available from 2018 Marketplace Open Enrollment Period Public Use Files at https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2018_Open_Enrollment.html).

8. Average bronze premium in 2017 was $586, whereas average bronze premium in 2018 was $614. Note: data on premiums of North Carolina gold plans in 2017 were not available in the CMS 2017 reports.

9. For example, in 2017, the average net premium after PTC for a bronze plan was $157 a month; in 2018, the increased PTC reduced that average to $137.

10. In 2017, 65% of North Carolina enrollees (356,560 people) qualified for cost-sharing reductions. In 2018, 61% of North Carolina enrollees (317,664) enrollees qualified for cost-sharing reductions. However, this trend does not reflect a trend of eligible North Carolinians forgoing the most generous CSR plans in favor of significantly lower AV plans, as indicated by the data in Figures 3 and 4.

11. Using State-Level Public Use Files from 2017 and 2018 Open Enrollment Periods, we calculated the gross numbers of metal level plan selections by FPL group using data from Tab 11 (“Metal Level by FPL”) for each year, then used those numbers to produce the percentage of plan selections in each FPL group who selected each metal level plan.

12. Data on 2017 gold plan selections by FPL group for North Carolina not made available by CMS in public use file. While this limits the accuracy of 2017-to-2018 comparisons regarding the distribution of metal level plan selections by relevant income groupings, we know that few North Carolinians (10,738) selected gold plans in 2017 compared to 27,682 in 2018, so it is unlikely that inclusion of those data would significantly alter our findings. What’s more, our analysis primarily focuses on the impact of silver loading on cost-sharing reduction take-up by enrollees between 100-200% FPL; the limited data available still provide sufficient insight into the change between 2017 and 2018 and whether a reduction in CSR take-up by this group occurred. Even if silver enrollment by these income groups in 2017 is overrepresented due to gold selection data being suppressed by the federal report, that would suggest that the baseline for CSR take-up in 2017 was slightly higher than the data available show; this would reinforce the conclusion that silver loading did not reduce CSR take-up in 2018 relative to 2017.

13. In 2017, 296,817 North Carolinians with incomes between 100-200% FPL enrolled in a CSR plan, representing 54.05% of all NC Marketplace enrollees. In 2018, 272,863 North Carolinians with incomes between 100-200% FPL enrolled in a CSR plan, representing 52.49% of all NC Marketplace enrollees.

14. Data available from 2017 and 2018 public use files.

15. Web Briefing for Journalists: Marketplace Open Enrollment in the Trump Era, October 18, 2017: https://kaiserfamilyfoundation.files.wordpress.com/2017/10/slide-deck-open-enrollment-web-briefing-10-18-17.pdf; Calculations from 2018 Marketplace Open Enrollment Period Public Use Files: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2018_Open_Enrollment.html.