Marketplace Competition & Insurance Premiums in the First Year of the Affordable Care Act

August 2014

John Holahan and Linda Blumberg
The Urban Institute

Robert Wood Johnson Foundation

Urban Institute

With support from the Robert Wood Johnson Foundation (RWJF), the Urban Institute is undertaking a comprehensive monitoring and tracking project to examine the implementation and effects of the Patient Protection and Affordable Care Act (ACA) of 2010. The project began in May 2011 and will take place over several years. The Urban Institute will document changes to the implementation of national health reform in selected states to help states, researchers, and policy-makers learn from the process as it unfolds. This report is one of a series of papers focusing on particular implementation issues in these case study states. Cross-cutting reports and state-specific reports on case study states can be found at **www.rwjf.org** and **www.healthpolicycenter.org.** The quantitative component of the project is producing analyses of the effects of the ACA on coverage, health expenditures, affordability, access, and premiums in the states and nationally. For more information about the Robert Wood Johnson Foundation's work on coverage, visit **www.rwjf.org/coverage**.

It is well documented that premiums in the individual Health Insurance Marketplaces (Marketplaces) in large numbers of geographic areas have been surprisingly low, particularly for the second lowest cost silver plans to which federal subsidies are attached.[1] But at the same time, there is considerable variation within most rating regions between the lowest cost and highest-cost plans within a state. Using a local benefit package as an essential health benefits benchmark limits differences in benefits across plans. The actuarial value tiers limit the variation in deductible and co-payments, setting natural limits on how much cost sharing overall can vary at a particular plan level. So what drives significant differences in premiums?

Carriers appear to set rates based on assumptions about the population being covered – what is their expected utilization, how much risk does the carrier face? Carriers also make assumptions about how well the Affordable Care Act's (ACA) risk adjustment, risk corridors and reinsurance (3Rs) will work to mitigate risk, and such assumptions will vary among carriers. If a carrier believes the 3Rs will be effective, its rates will be lower than those of a competitor that has less confidence in the 3Rs. Similarly, if a carrier projects it will attract a healthier group of enrollees than its competitors, then its rates will be lower. Another factor, of course, is the leverage that carriers have over providers, which will vary by both carrier and market. Related to this are area labor costs. Finally, premiums will vary with the decisions that carriers make in whether to be aggressive in pursuing market share versus being conservative to avoid losses and their perceptions of likely pricing behavior on the part of competitors.

In this paper, we consider the variation in premiums within markets and the effects of competition, or lack thereof, on premiums. We look at both markets that are highly competitive and those in which competition is more limited. The carriers that chose to be aggressive acknowledge the importance of being one of the two second lowest cost silver plans to attract large numbers of enrollees; this is because federal subsidies limit premiums for individuals based on their incomes. For example, those with incomes between 133–150 percent of federal poverty level (FPL) pay between 3–4 percent of their incomes for coverage in the second lowest cost silver plan, regardless of the actual premium set by the carrier;[2] the federal government pays the balance. Those choosing a more expensive plan than the second lowest cost silver plan must pay 100 percent of the difference in premiums in addition to the percent of income cap. Those choosing a lower cost plan contribute less to the premium. Carriers cannot know whether they will be one of the second lowest cost plans when they submit their rates for review, but they face incentives to try to be. They can also make different assumptions about factors influencing individuals' plan choices—whether individuals will primarily focus on price or whether networks, brand recognition and other factors are important. While it was not clear when 2014 rates were set, based on interviews and state it seems clear that large numbers of individuals have chosen plans primarily based on price.

In this paper, we present data on silver-tier premiums in several markets within each of 10 states. Four states (Alabama, Arkansas, Rhode Island, and West Virginia) had fairly limited competition. The other six (Colorado, Maryland, Massachusetts, New York, Oregon, and Virginia) were very competitive, especially in urban, more populated markets. The data in the Tables below were obtained from information collected by the Breakaway Policy Strategies for the Robert Wood Johnson Foundation.[3] Table 1 summarizes the differences across states in the lowest silver tier premiums in a major metropolitan area. We show two regions in New York and Virginia because New York City and northern Virginia are not typical of the rest of their states. In Table 1, we show premiums for a 45-year-old (using the Health and Human Services standard default age curve),[4] roughly the midpoint of the 18-64 population; in the later Tables, we show premiums for 27-and 50-year-olds. In general, premiums in less competitive markets are higher than in more competitive insurer markets. Other factors, such as local labor costs and presence of academic medical centers, are also important to premiums.

In Tables 2–11, the premiums shown are for the lowest cost silver plan offered by each carrier in each of three to four rating regions; in the same rating region, a single carrier may have several plans with lower premiums than other carriers. We also specify the type of plan offered by each insurer: preferred provider organizations (PPO), point of service (POS), health maintenance organizations (HMO) or exclusive provider organizations (EPO). HMOs and EPOs contract with a defined network of providers and typically do not provide reimbursement to consumers for services provided from out-of-network providers. PPOs and POSs offer consumers a broader choice of providers by providing some reimbursement for out-of-network providers, although out-of-pocket costs are higher for consumers who receive care from an out-of-network provider instead of from an in-network provider. The data we used were supplemented with several interviews with state officials, insurer representatives and insurance plan associations; the interviews were designed to learn how some carriers achieved low premiums and why others did not.

Table 1: Lowest Silver Premiums for a 45-Year-Old in Selected Areas

	State	City	Calculated Premium: 45-Year-Old	45-Year-Old Index (Denver=1.0)
Less Competitive	Alabama	Birmingham (Rating Area 3)	$288.19	1.04
	Arkansas	Little Rock (Rating Area 1)	$331.79	1.20
	Rhode Island	Entire state (Rating Area 1)[a]	$309.52	1.12
	West Virginia	Charleston (Rating Area 2)	$325.86	1.18
More Competitive	Colorado	Denver/Aurora/Lakewood (Rating Area 3)	$277.01	1.00
	Maryland	Baltimore (Rating Area 1)	$257.66	0.93
	Massachusetts	Boston/Cambridge (Rating Area 5)	$271.53	0.98
	New York	New York City (Rating Area 4)	$359.26	1.30
		Buffalo (Rating Area 2)	$275.00	0.99
	Oregon	Portland/Gresham/ Hillsboro (Rating Area 1)	$219.08	0.79
	Virginia	Northern Virginia DC Suburbs (Rating Area 10)	$293.48	1.06
		Richmond (Rating Area 7)	$259.40	0.94

[a] *There is only one carrier (three plans) with rates available for Rhode Island.*

STATES WITH LIMITED COMPETITION

The four states with limited insurer competition for which we examined rates are Alabama, Arkansas, Rhode Island, and West Virginia. Each state market has a Blue Cross Blue Shield (BCBS) plan with a large market share; this scenario has long pre-dated the ACA. Entrance of new carriers into markets heavily dominated by a single carrier is very challenging, as providers generally are willing to negotiate the best payment rate discounts with carriers that have a significant market share. No new market entrant would have such leverage.

Alabama

The Alabama market is dominated by a single carrier, BCBS, with little competition in most parts of the state; however, in 2014 BCBS's market power does not seem to have been exploited in the Marketplace. The lowest cost silver option's monthly premiums are not particularly high, ranging from $192.23 in rural areas of the state to $209.16 in Birmingham for a 27-year-old and $327.60 (rural) to $356.46 (Birmingham) for a 50–year-old (Table 2). In the Birmingham area, BCBS has competition from Humana (that has slightly lower premiums), but in the rest of the state there are no competitors in the Marketplace. Given its market dominance, BCBS has considerable power in negotiating rates with providers. However, the large number of one-hospital cities or counties throughout the state makes it difficult to negotiate in many areas. The nonprofit status of BCBS may also limit its use of its near-monopoly power. It is not clear whether BCBS in Alabama will see more competitors in the future. New entrants would face the considerable problem of developing provider networks with comparable discounts to BCBS.

Arkansas

Arkansas is also dominated by Blue Cross Blue Shield, with limited competition in most parts of the state. Its monthly premiums are relatively high by national standards, ranging from $238.48 (in the southeast portion of the state) to $240.80 (in Little Rock) for a 27-year-old and $406.42 to $410.37 for a 50-year-old in the two regions we examined (Table 3). There is some competition from a small nonprofit plan (Qual Choice), and a previously Medicaid only plan (Ambetter) in

Table 2: Monthly Premiums for the Lowest Cost Silver Plan Offered by Each Carrier in Alabamain Selected Areas

Location	Insurer	Plan Type	Premium: 27-Year-Old	Premium: 50-Year-Old
Rating Area 3: Birmingham	Humana Insurance Company	PPO	$209.16	$356.46
	BCBS of Alabama	PPO	$211.24	$360.00
Rating Area 11: Montgomery	BCBS of Alabama[a]	PPO	$198.57	$338.40
Rating Area 13: 37 Rural Counties	BCBS of Alabama	PPO	$192.23	$327.60

[a] Blue Cross Blue Shield of Alabama has the only two plans in Montgomery (rating area 11) and the rural counties (rating area 13).

Table 3: Monthly Premiums for the Lowest Cost Silver Plan Offered by Each Marketplace Carrier in Arkansas

Location	Insurer	Plan Type	Premium: 27-Year-Old	Premium: 50-Year-Old
Rating Area 1: Little Rock	Arkansas BCBS[a]	PPO	$240.80	$410.37
	QualChoice Health Insurance	POS	$264.17	$450.20
	Ambetter of Arkansas	PPO	$268.97	$458.38
Rating Area 5: 13 Counties in the Southeast Part of the State	Arkansas BCBS[a]	PPO	$238.48	$406.42

[a] Arkansas Blue Cross Blue Shield has the lowest three plans in Little Rock (rating area 1) and the only three plans in the southeast rural counties (rating area 5).

Little Rock, but premiums for these carriers are higher than for BCBS. This reflects the difficulty in negotiating provider payment rates for carriers without significant market share. One argument given for the state's Medicaid waiver plan that would give newly Medicaid eligible individuals access to private insurance plans in the Marketplace is that it would add a large number of additional enrollees and could attract more insurers into the Arkansas market.

Rhode Island

The Rhode Island insurance market is also dominated by BCBS. Neighborhood Health Plan, a prominent Medicaid plan in the state, entered the Marketplace, but its objective is to offer coverage to those with incomes below 250 percent FPL. It is not considered an active competitor to BCBS for the above 250 percent nongroup population, though that may change in 2015. BCBS and Neighborhood Health Plan have a difficult time negotiating with Rhode Island's two major hospital systems and this affects premiums. The state has a single rating region with the 2014 BCBS lowest cost monthly premium for costing $224.64 for a 27–year-old and $382.83 for a 50–year-old (Table 4). Neighborhood Health Plan premiums were higher than those of BCBS. Tufts and United also offer coverage in the state, but did not enter the individual insurance Marketplace.

The BCBS premiums are relatively high in comparison with most states, but this only partially reflects the lack of competition. State respondents cite a large number of state mandated benefits as contributing to costs. Another important factor in Rhode Island is the lack of leverage over providers. The two dominant hospital systems are hard for carriers to negotiate with: Rhode Island Hospital, a major teaching hospital, and Care New England, a large maternity care center. Each owns or has ties with other hospitals in the state, leaving few unaffiliated hospitals. Thus, the market dominance of a BCBS plan does not translate into lower premiums when the hospital systems have commensurate market power. In the past, the Rhode Island Department of Insurance has intervened and scrutinized hospital-insurer contracts for their effect on premium increases.[5]

West Virginia

West Virginia is another state with only one insurer participating in the Marketplace: Highmark, another Blue Cross Blue Shield carrier. Premiums in the state reflect the lack of competition but also the difficulty of negotiation with local providers. Highmark sells both its product and a multistate plan. Coventry, which has a small presence in the state, declined to participate in the Marketplace. Highmark's premiums are relatively high, with premiums for its traditional product ranging from $215.22 to $250.19 for a 27-year-old across the two regions we examined and $366.77 to $426.37 for a 50-year-old (Table 5). The Highmark multistate plan had rates that were the same or slightly lower (marked MSP in the Table) than its traditional product. Highmark is considered to be fairly aggressive when negotiating provider payment rates.

Whether West Virginia will attract more competitors is unclear. There is the expectation that the co-op operating in Kentucky will enter the individual West Virginia market in 2015, partnering with Aetna/Coventry for administrative services and using their provider network. There are three Medicaid managed care organizations in the state, but none are expected to enter the Marketplace. There are no narrow networks in West Virginia; Highmark contracts with nearly all providers. Providers need Highmark because of its market share, though provider specialties in short supply have some leverage in negotiating rates. Respondents indicate that it is difficult for insurers such as Aetna/Coventry and United to compete successfully in West Virginia because they cannot contract with West Virginia hospitals at rates as low as Highmark. It is difficult to establish narrow networks in a state like West Virginia where there are a large number of small hospitals spread throughout the state and little effective competition among them.

Table 4: Monthly Premiums for the Lowest Cost Silver Plan for Rhode Island

Location	Insurer	Plan Type	Premium: 27-Year-Old	Premium: 50-Year-Old
Rating Area 1: Entire State	BCBS of Rhode Island[a]	PPO	$224.64	$382.83
Rating Area 1: Entire State	Neighborhood Health Plan of Rhode Island[b]	HMO	$243.00	$414.00

[a] *Blue Cross Blue Shield of Rhode Island has the only three plans available for those above a certain income level.*

[b] *Neighborhood Health Plan of Rhode Island is only available to those below a certain income level.*

Table 5: Monthly Premiums for the Lowest Cost Silver Plan Offered by Each Marketplaces' Carrier West Virginia

Location	Insurer	Plan Type	Premium: 27-Year-Old	Premium: 50-Year-Old
Rating Area 2: Charleston	Highmark BCBS MSP	PPO	$236.50	$403.05
	Highmark BCBS West Virginia	PPO	$250.19	$426.37
Rating Area 9: Nine Rural Counties in the Middle-Eastern Part of the State	Highmark BCBS MSP	PPO	$215.22	$366.77
	Highmark BCBS West Virginia	PPO	$215.22	$366.77

Note: MSP = Multistate plan.

MORE COMPETITIVE STATES

The pressure to be the second lowest cost plan and the expectation that people will choose plans based on price have led to intense competition in a number of markets. Carriers' flexibility to design price-competitive policies is limited by the actuarial value tiers and the essential health benefits in designing strategies to limit premiums at a particular level. One strategy that carriers are using to lower premiums in these environments is to create more limited provider networks—including those doctors and hospitals with whom they can negotiate more favorable rates or who tend to have more efficient practice patterns and adhere to high-quality practice. In some cases, efforts to develop limited network plans have led to close alignment between carriers and hospitals.

In some states, Medicaid plans, which have limited networks by definition, have driven the competition in the new Marketplaces, resulting in lower premiums; in other cases, Medicaid plans are not able to be competitive, primarily because of an inability to negotiate the same rates across a state for a commercial product as they do for Medicaid business. The experience of co-ops has also been uneven. In some markets, they have been highly competitive with fairly low premiums; in other markets, they have had difficulty in setting low provider payment rates because of difficulty in establishing networks or having to rely on "rental" networks. Below, we look at the premium offerings in several of the more competitive states.

Colorado

Colorado has relatively low premiums, benefitting from considerable pre-ACA market competition across the state. Eight carriers offer coverage in the nongroup market in the Denver area, four in Grand Junction and six in a rating region that includes 18 rural counties in the southeast part of the state. The carrier offering the lowest premiums varies by market. In Denver, the lowest silver premiums are $201.04 for a 27-year-old and $342.62 for a 50-year-old (both with Kaiser Permanente). In Grand Junction, the lowest cost silver premiums cost $233.91 for a 27-year-old and $398.64 for a 50-year-old (with Rocky Mountain Health Plans) (Table 6). Premiums are significantly higher in the rural areas we examined.

In Denver, the lowest silver-plan rates are offered by Kaiser Permanente and Humana, as shown in Table 6. Rocky Mountain Health Plans has rates about 25 percent above Kaiser's, and Anthem, Cigna and Access Health Colorado were even higher. Kaiser is extremely competitive in markets in Colorado in which it participates. Rocky Mountain is the lowest cost plan in the Grand Junction area, but less competitive in other markets throughout the state. In Grand Junction, it has an integrated system, a fairly broad network, and is considered very well managed. In markets outside of the Grand Junction area, Rocky Mountain needs to establish contracts with physicians and hospitals with whom it does not have as close a relationship; this contributes to its less-competitive premiums. Anthem has large market share throughout the state in the commercial market and offers a somewhat narrow "value" network in the Marketplace. It does not have the lowest silver Marketplace premiums in any of the rating areas we studied. Colorado Choice, an HMO centered in San Luis Valley, has relatively low premiums in its home market. Colorado Health OP, the state's co-op, is fairly competitive in Denver, but less so in Grand Junction. It is the lowest cost silver plan in the rural rating region we

Table 6: Monthly Premiums for the Lowest Cost Silver Plan Offering by Each Carrier for Colorado

Location	Insurer	Plan Type	Premium: 27-Year-Old	Premium: 50-Year-Old
Rating Area 3: Denver, Aurora, Lakewood	Kaiser Permanente	HMO	$201.04	$342.62
	Humana	HMO	$205.20	$349.90
	Colorado HealthOP	EPO	$223.78	$381.36
	Denver Health	HMO	$225.37	$384.08
	Rocky Mountain Health Plans	HMO	$253.67	$432.30
	Cigna	PPO	$260.91	$444.64
	Anthem	HMO	$262.17	$446.79
	Access Health Colorado	PPO	$372.33	$634.52
Rating Area 5: Grand Junction	Rocky Mountain Health Plans[a]	HMO	$233.91	$398.64
	Anthem	HMO	$294.46	$501.81
	Colorado HealthOP	PPO	$334.44	$569.95
	Access Health Colorado	PPO	$412.33	$702.69
Rating Area 9: 18 Rural Counties in the Southeast Part of the State	Colorado HealthOP	EPO	$292.81	$499.00
	Colorado Choice Health Plans[b]	HMO	$293.72	$500.55
	Anthem	HMO	$368.04	$627.21
	Rocky Mountain Health Plans	PPO	$385.40	$656.80
	UnitedHealthcare	EPO	$405.64	$691.29
	Access Health Colorado	PPO	$419.18	$714.36

[a] *Rocky Mountain has the 16 lowest cost plans in Grand Junction (rating area 5).*
[b] *Colorado Choice Health Plan has five of the six lowest cost plans in the southeast rural counties (rating area 9), though not the lowest.*

examined, though rates in this region are well above the lowest cost options in Denver and Grand Junction. This reflects the challenges all carriers face in negotiating provider payment rates in small towns and rural areas where there are few providers, deceasing carriers' leverage.

Maryland

CareFirst, a Blue Cross Blue Shield (BCBS) carrier, is dominant in Maryland's commercial market and has the lowest premiums in all regions of the state (Table 7). CareFirst faces competition from Kaiser in the more populous areas of the state. In 2014, there were no limited- or tiered-network plans in the state. Maryland's hospital rate-setting system has limited the movement to limited or tiered networks by CareFirst and others. All payers must reimburse a given hospital at the same rate for the same service. Thus, there is no ability to negotiate rates. In principle, carriers could choose to contract with only the less expensive hospitals; and they can limit their networks of physicians. To date, carriers have not done so, though there is some expectation that this could change. We show participation and premiums in Baltimore, the Washington, DC suburbs, and a rural area. Carefirst's lowest cost silver premiums range from $174 to $187 a month for a 27-year-old and $297 to $319 for a 50-year-old, well below competitors in the three regions we examined. CareFirst has a broad network, contracting with virtually all providers throughout the state. The BCBS multistate plan uses the CareFirst network and has similar premiums. CareFirst had a huge market share in the commercial market prior to the ACA, and this has not changed so far within the Marketplace. CareFirst bid aggressively and sees its mission as providing affordable care. The insurer has developed a primary care medical home model that they believe is controlling spending.

Kaiser Permanente is a staff-model HMO and seems

Table 7: Monthly Premiums for the Lowest Cost Silver Plan for Maryland

Location	Insurer	Plan Type	Premium: 27-Year-Old	Premium: 50-Year-Old
Rating Area 1: Baltimore	CareFirst Blue Choice[a]	HMO	$187	$319
	Blue Cross Blue Shield MSP	PPO	$197	$335
	Evergreen	HMO	$207	$352
	Kaiser Permanente	HMO	$221	$377
	United All Savers	EPO	$278	$473
Rating Area 3: DC Suburbs	CareFirst Blue Choice[a]	HMO	$174	$297
	Blue Cross Blue Shield MSP	PPO	$183	$312
	Evergreen	HMO	$196	$335
	Kaiser Permanente	HMO	$221	$377
	United All Savers	EPO	$278	$473
Rating Area 2: 12 Rural Counties in the Southern Part of the State	CareFirst Blue Choice[a]	HMO	$184	$313
	Blue Cross Blue Shield MSP	PPO	$193	$329
	Evergreen	HMO	$203	$346
	Kaiser Permanente	HMO	$221	$377
	United All Savers	EPO	$278	$473

[a] *CareFirst BlueChoice/CareFirst Blue Cross Blue Shield has the five lowest plans in Baltimore (rating area 1) and the DC suburbs (rating area 3).*

poised to be increasingly competitive. Kaiser has a significant presence in the DC metropolitan area suburbs and the I-95 corridor to Baltimore, where the bulk of the Maryland population resides. Their premiums are 18 percent (DC suburbs) to 27 percent (Baltimore) above CareFirst's premiums.

The state's new co-op, Evergreen, has high 2014 premiums but has been looking to limit its network and compete more aggressively in 2015. United's All Savers affiliate's 2014 premiums were very high and the result has been little market share. United has announced that its national plan will enter the Maryland market in 2015 in addition to All Savers. Cigna has also announced they will enter the market.

Early indications are that CareFirst will have substantial increases in premiums in 2015 on the order of 25 percent.[6] Evergreen and Kaiser will lower their premiums modestly and both are expected to have plans with lower rates than CareFirst. However, rates recently filed with the state are not final pending the Maryland Insurance Administration's review. Maryland's Marketplace enrollment was very low in 2014, due to technical problems with the state's website. Enrollment is expected to increase significantly in 2015 as these problems are overcome and the anticipated risk of future enrollees will certainly play an important role in premium setting. Thus, some convergence in premiums is expected in the coming year as competition increases.

Massachusetts

Massachusetts, the health reform precedent setter, has one of the more competitive Marketplaces in the country. Its premiums are fairly low, particularly in comparison with other New England states. This reflects the development of provider based insurance plans that secured preferential treatment under the 2006 health reforms. The lowest cost offerings range from $210.31 to $221.02 for 27-year-olds and $300.19 to $315.62 for 50-year-olds (Table 8). The low premiums are noteworthy given the high health care costs in the state related to the large number of academic medical centers, particularly in the Boston market. Massachusetts has kept premiums fairly moderate through aggressive competition among several fairly narrow network plans.

Competition among plans in the Massachusetts

Marketplace is a direct result of the 2006 health reforms. The 2006 law established Commonwealth Care, a subsidized program offering managed care plans, for those with income below 300 percent of the federal poverty level and Commonwealth Choice, offering commercial plans for the unsubsidized population. When the ACA Marketplaces opened in 2014, federal subsidies consistent with the ACA schedule were introduced, extending assistance to families with incomes up to 400 percent of the FPL. Federal subsidies, however, were not as generous as the previous Massachusetts subsidies, and Massachusetts has supplemented the federal subsidies with their own funds, intending that their residents would not be worse off with the national reforms in place.

Commonwealth Care's enrollees were, by state design, served only by the managed care plans that had previously served the state's Medicaid populations. These included Boston Medical Center's HealthNet Plan, Network Health, Neighborhood Health Plan, and Fallon Community Health Plan. Ambetter, formerly Celticare, was later permitted to offer plans in Commonwealth Care. These plans continue to serve the ACA's Marketplace enrollees; Minuteman Health co-op and Health New England were added as well. These are the only plans allowed to compete for subsidized enrollees at present. These plans and three others (Harvard, BCBS, Tufts) serve the unsubsidized Marketplace enrollees. The Commonwealth Care plans tend to be the lowest cost plans in the Marketplace. Most, including Boston Medical Center and Network, which have the lowest premiums, are limited-network plans centered on safety-net hospitals and community health centers. Both offer access to the Partners HeathCare system for tertiary care. Neighborhood Health Plan, also formerly a Medicaid plan, has a broader network. It is now owned by the Partners HealthCare system and thus offers access to all Partners facilities (which tend to be higher cost than many of their competitors). Network Health and Boston Medical Center Health Net Plan generally have the lowest cost plans throughout the state, followed closely by Neighborhood Health Plan and Ambetter. Minuteman has the lowest premiums in the Worcester region.

The Tufts Health Plan purchased Network Health and thus offers a lower cost product in the Marketplace to subsidized enrollees; it also operates a somewhat broader network option under its own name within the Marketplace for unsubsidized enrollees. Harvard Pilgrim Healthcare offers a broad network plan and is one of the most expensive carriers in all markets in the state. Blue Cross Blue Shield of Massachusetts participates in the Marketplace but did not aggressively price in the first year and has little market share as a result. This is unusual for BCBS plans throughout the country, particularly because they have historically been the market leader in the state.

New York

The New York market has become noticeably more competitive under the ACA, led by several provider-sponsored Medicaid health plans, a co-op and another new entrant. Limited networks and difficult negotiations between insurers and providers have emerged. Premiums are about average for the nation, with the exception of New York City, which reflects the higher labor costs and the large number of academic medical centers. In addition, age rating is prohibited in the nongroup and small-group markets in the state, making premiums for young adults noticeably higher relative to those in other states, even absent any underlying cost and use differences. The lowest (community rated) premiums are $359.26 in New York City (Metro Plus), $275.00 in Buffalo (Health Republic), $286.00 in Syracuse (Health Republic), $294.00 (Health Republic) in Albany, and $337.37 in upstate rural counties (Fidelis Care) (Table 9). The lowest cost plan in New York City was a local Medicaid plan, Metro Plus, followed by the state's co-op (Health Republic), a new entrant (Oscar) and a statewide Medicaid plan (Fidelis). Emblem, a New York-based commercial plan, retains a broad network and had high premiums in most markets. Empire Blue Cross Blue Shield had relatively high premiums despite establishing a more limited network in an attempt to lower provider payment rates and premiums. A new hospital-based plan, North Shore LIJ, had relatively high premiums despite its link to a major hospital system.

Fidelis is one of the lowest cost plans throughout several markets in the state. Blue Cross Blue Shield premiums are somewhat competitive but are not at the low end despite developing more limited networks. Still, the better known BCBS plans have successfully earned significant market share in the Marketplaces, primarily because of their brand name. Health Republic also has low premiums throughout the state. There is concern among other carriers that Health Republic underpriced its plans. Fidelis was able to contract with providers at relatively low rates but not always as low as contracts for their Medicaid products. Commercial plans, in general, have attempted to negotiate lower rates with providers than

Table 8: Monthly Premiums for the Lowest Cost Silver Plan for Massachusetts

Location	Insurer	Plan Type	Premium: 27-Year-Old	Premium: 50-Year-Old
Rating Area 5: Boston, Cambridge	Boston Medical Center HealthNet Plan	HMO	$219.21	$312.89
	Network Health	HMO	$240.71	$343.58
	Neighborhood Health Plan	HMO	$253.54	$361.82
	Ambetter	HMO	$258.79	$369.31
	Minuteman Health	HMO	$261.69	$373.51
	Fallon Community Health Plan	HMO	$290.08	$414.03
	Tufts Health Plan	HMO	$309.50	$441.74
	Harvard Pilgrim Health Care	PPO	$339.80	$484.99
	BCBS Massachusetts	HMO	$369.37	$527.11
Rating Area 2: Worcester	Minuteman Health	HMO	$221.12	$315.62
	Neighborhood Health Plan	HMO	$222.62	$317.70
	Network Health	HMO	$245.39	$350.25
	Ambetter	HMO	$245.57	$350.44
	Boston Medical Center HealthNet Plan	HMO	$263.92	$376.69
	Health New England	HMO	$272.63	$389.05
	Fallon Community Health Plan	HMO	$275.09	$392.63
Rating Area 1: Springfield, Berkshires	Network Health	HMO	$210.31	$300.19
	Boston Medical Center HealthNet Plan	HMO	$217.00	$309.74
	Neighborhood Health Plan	HMO	$222.62	$317.70
	Ambetter	HMO	$241.94	$345.26
	Tufts Health Plan	HMO	$269.19	$384.21
	Health New England	HMO	$272.63	$389.05
	Fallon Community Health Plan	HMO	$300.74	$429.24
	BCBS Massachusetts	HMO	$322.38	$460.05
	Harvard Pilgrim Health Care	PPO	$324.64	$463.34

Table 9: Monthly Premiums for the Lowest Cost Silver Plan for New York

Location	Insurer	Plan Type	Premium: All Ages – Community Rating
Rating Area 4: New York City	Metro Plus	HMO	$359.26
	Health Republic Insurance of New York, Freelancers	EPO	$365.28
	Oscar	EPO	$384.72
	New York Fidelis	HMO	$390.15
	Emblem	HMO	$385.31
	Empire BCBS	HMO	$417.57
	Northshore LIJ	EPO	$419.62
	Healthfirst	HMO	$440.00
	Affinity	HMO	$440.44
	United		$642.43
Rating Area 2: Buffalo	Health Republic Insurance of New York, Freelancers[a]	EPO	$275.15
	New York Fidelis	HMO	$338.11
	BCBS of Western NY	POS	$371.71
	Univera	PPO	$430.05
	American Progressive - Today's Options	HMO	$432.00
	Independent Health		$444.39
Rating Area 6: Syracuse	Health Republic Insurance of New York, Freelancers	EPO	$285.65
	New York Fidelis	HMO	$341.34
	MVPHP	HMO	$397.43
	Excellus	EPO	$415.80
	American Progressive - Today's Options	HMO	$459.47
	CDPHP	HMO	$513.79
Rating Area 1: Albany	Health Republic Insurance of New York, Freelancers	EPO	$293.93
	New York Fidelis	HMO	$342.05
	MVPHP	HMO	$347.80
	Empire BCBS	HMO	$388.79
	Excellus	PPO	$442.61
	CDPHP	HMO	$458.12
	American Progressive - Today's Options	HMO	$488.34
	Blue Shield of Northeastern New York	EPO	$492.76
Rating Area 7: 13 Rural Counties Upstate	New York Fidelis	HMO	$337.37
	MVPHP	HMO	$372.61
	Excellus	EPO	$442.61
	CDPHP	HMO	$493.45
	Blue Shield of Northeastern New York	EPO	$505.47

[a] *Health Republic Insurance of New York, Freelancers, has the two lowest cost plans in Buffalo (rating area 2), where they both cost $275, in Syracuse (rating area 6), where they both cost $286, and in Albany (rating area 1), where they both cost $294.*

they had pre-2014, but it is generally believed that they are paying more than the Medicaid plans and the co-op, thus causing the observed differences in premiums.

Concerns over network adequacy have surfaced in New York. All plans were required, if they had out of network coverage off the Marketplace, to offer at least one out-of-network product at the silver and platinum levels in the Marketplace as well. This led to commercial nongroup plans dropping their out-of-network options across the board; the result is that only in-network plans are offered both inside and outside the Marketplace in all but Western New York. There has been pressure for changes, including some call to require out-of-network coverage. As a first response, the state passed legislation requiring more transparency and disclosure of networks; requiring carriers to make providers available at in network prices if a network provider is not available and requiring protection on pricing in emergency situations.[7] The conversation is not over, however, and there could be more pressure on Medicaid plans and others to broaden their provider networks.

Oregon

Oregon's Marketplace has a considerable amount of competition among local commercial plans with the emergence of limited networks and aggressive negotiation over provider payment rates.There are nine carriers in Portland, nine in Salem and seven in the rural county rating region we examined. The premiums in Oregon for the lowest cost silver plans offered by Moda Health are below those in any other state we examined, ranging from $159.00 to $175.00 (depending on the rating region) for a 27-year-old and $270.00 to $298.00 for a 50-year-old (Table 10). Moda Health has the lowest-priced plans in all regions. It established a narrow network of providers at relatively low payment rates and it has over 70 percent of all Marketplace enrollees in the state. There is some belief that Moda underpriced its plans and its premiums will come up. But premiums set by other carriers, including Health Net, Providence, Lifewise, Pacific Source and Kaiser, are also relatively low by national standards. All of these insurers developed relatively narrow networks. Kaiser has always had a limited network, relying on its salaried physicians and system owned hospitals. Pacific Source established a tiered network in which one had to pay more depending upon the providers chosen. Regence BCBS, a major carrier in Oregon, does not offer a plan in the Marketplace; rather their affiliate, Bridgespan, offers coverage there. Bridgespan has a broader network than its competitors, and, in general, its rates are among the highest in the state.

Limited and tiered networks had been developing in Oregon before the ACA. These arrangements are reflected in the plans offered in the Marketplace and reflect carriers' expectations that prices will determine the market share and that more limited and tiered networks were essential to developing low premiums. Some observers question the ability of carriers to maintain these networks and whether, in the case of the tiered approach, there will be sufficient low-cost tier providers to meet enrollee demand. There has been a great deal of provider consolidation in response to insurer competition. Hospitals have expanded capacity to provide a wide range of services, as have multispecialty groups. With provider consolidation, there will be more limited ability to negotiate provider payment rates when establishing limited networks. The state also has a number of one-hospital towns, which also constrains negotiations.

Virginia

Virginia has one of the most competitive markets we examined. Anthem has a large share of the individual and small group market, but alliances between other carriers, such as Aetna, and provider systems are becoming increasingly important. The carriers' lowest cost silver plan premiums range from $188.26 (Richmond) to $221.34 (Roanoke) for a 27-year-old and $320.83 (Richmond) to $377.21 (Roanoke) for a 50-year-old (Table 11). Which carriers have the lowest premiums varies across markets. Anthem has a substantial amount of market power throughout the state, with the exception of Northern Virginia. This has allowed them to negotiate favorable contracts with hospitals and even more so with physicians. In the Richmond market, Anthem has developed a close relationship with the Hospital Corporation of America, and it is the second lowest cost plan in that market. Coventry offers a point of service product at an even lower premium, in part because of its close working relationship with the Bon Secours hospital system.

In Virginia, insurer-hospital system relationships are evolving quickly. In the Tidewater region, the Optima Health Plan has been established by the Sentara hospital system. In markets such as this one, where Optima can offer access to Sentara hospitals, its premiums are near the lowest. The Sentara system is growing throughout the state. Optima is not only competitive in the Tidewater area but offers the lowest premiums in the Roanoke area as well. Aetna has a close working relationship with the Carillion system in Roanoke and the University of Virginia system in Charlottesville. This has not yet led to the lowest rates in these markets but reportedly has

Table 10: Monthly Premiums for the Lowest Cost Silver Plan for Oregon

Location	Insurer	Plan Type	Premium: 27-Year-Old	Premium: 50-Year-Old
Rating Area 1: Portland, Gresham, Hillsboro	Moda Health[a]	PPO	$159.00	$270.00
	Health Net Health Plan of Oregon, Inc.	EPO	$176.00	$300.45
	Providence Health Plan	EPO	$192.00	$327.08
	LifeWise Health Plan of Oregon	PPO	$203.00	$346.00
	PacificSource Health Plans	PPO	$203.00	$347.00
	Kaiser Permanente	HMO	$210.00	$357.00
	Health Republic Insurance	EPO	$210.00	$357.71
	Oregon's Health CO-OP	PPO	$223.00	$379.39
	BridgeSpan Health Company	EPO	$223.00	$380.34
Rating Area 3: Salem	Moda Health[a]	PPO	$165.00	$281.00
	Health Republic Insurance	EPO	$183.00	$311.82
	PacificSource Health Plans	PPO	$203.00	$347.00
	LifeWise Health Plan of Oregon	PPO	$208.00	$355.00
	Kaiser Permanente	HMO	$210.00	$357.00
	Providence Health Plan	EPO	$213.00	$362.94
	Oregon's Health CO-OP	PPO	$223.00	$379.39
	ATRIO Health Plans	EPO	$228.00	$388.74
	BridgeSpan Health Company	PPO	$243.00	$413.50
Rating Area 6: 15 Rural Counties in the Northeast Part of the State	Moda Health[b]	PPO	$175.00	$298.00
	Health Republic Insurance	EPO	$190.00	$323.32
	LifeWise Health Plan of Oregon	PPO	$208.00	$355.00
	Providence Health Plan	EPO	$223.00	$380.34
	PacificSource Health Plans	PPO	$240.00	$409.00
	Oregon's Health CO-OP	PPO	$272.00	$463.14
	BridgeSpan Health Company	PPO	$278.00	$473.05

[a] *Moda has the three lowest cost plans in both Portland/Gresham/Hillsboro (rating area 1) and in Salem (rating area 3).*

[b] *Moda has the two lowest cost plans in the rural counties (rating area 6).*

introduced serious competition into the market in which their influence may grow over time.

In the Washington, DC suburbs, the Inova hospital system is a key player in the hospital market, owning all but one of the major hospitals in Northern Virginia. Inova has combined with Aetna to offer an insurance product in the Marketplace: the Innovations Health Insurance Company. With its hospital market share, its premiums are the lowest in all of the Northern Virginia markets. Kaiser has developed a large ambulatory care facility in the area, but is constrained by its need to contract for inpatient care with Inova or alternatively with Washington, DC hospitals. They do not receive the favorable rates in Virginia that are provided to Inova's own insurance plan. Anthem and CareFirst are in somewhat similar positions but without the organizational model of Kaiser. Thus, premiums are somewhat higher for Anthem and CareFirst products.

Table 11: Monthly Premiums for the Lowest Cost Silver Plan for Virginia

Location	Insurer	Plan Type	Premium: 27-Year-Old	Premium: 50-Year-Old
Rating Area 9: Virginia Beach, Norfolk, Chesapeake, Newport News	Optima Health	HMO	$222.68	$379.49
	Anthem BCBS	HMO	$227.99	$388.54
	Anthem Health Plans of Virginia	HMO	$242.70	$413.60
Rating Area 7: Richmond	CoventryOne	POS	$188.26	$320.83
	Anthem BCBS	HMO	$207.51	$353.65
	Anthem Health Plans of Virginia	HMO	$220.90	$376.45
	Kaiser Permanente	HMO	$225.54	$383.55
	Aetna	PPO	$260.00	$443.00
	Optima Health	HMO	$285.47	$486.51
Rating Area 10: Washington, DC Suburbs	Innovation Health Insurance Company	PPO	$213.00	$362.00
	CareFirst Blue Choice, Inc.	HMO	$222.97	$379.99
	Kaiser Permanente	HMO	$225.54	$383.55
	Anthem BCBS	HMO	$237.11	$404.08
	CareFirst BCBS	PPO	$246.74	$420.50
	Anthem Health Plans of Virginia	HMO	$252.40	$430.14
	Optima Health	HMO	$272.77	$464.87
Rating Area 8: Roanoke	Optima Health	HMO	$221.34	$377.21
	Anthem BCBS	HMO	$234.62	$399.83
	Anthem Health Plans of Virginia	HMO	$249.75	$425.62
	Aetna	PPO	$255.00	$434.00
	CoventryOne	POS	$258.98	$441.35

CONCLUSION

The Affordable Care Act has resulted in a considerable amount of competition. In a large number of markets, this has resulted in lower premiums than expected, though there is considerable variability within each metal tier. The low premiums available in the Marketplaces have been one of the real success stories of the ACA. The managed competition structure of the ACA tying premium tax credits to the second lowest cost silver plan creates strong incentives for carriers to offer products that are low cost. Individuals have to pay the full marginal cost of premiums above the second lowest cost silver plan for either a more costly silver plan or a plan in a higher-metal tier.

The premiums we have reported in this paper depend on market conditions; some markets are less competitive. In general, these are dominated by a major insurer, typically Blue Cross Blue Shield, but even in these markets, the dominant insurer is still faced with the need to negotiate with providers. This is problematic in a state such as Rhode Island that has two dominant hospital systems that face little competition. In small towns and rural areas of some states, the limited number of providers gives the providers leverage even relative to a dominant insurer.

In the other six study states, markets are far more competitive; there are many carriers, including large national plans, local commercial carriers, Medicaid managed care plans, and co-ops. More competitive markets are often characterized by limited or tiered provider networks. Carriers offer plans with providers with whom they are able to negotiate reasonable rates or meet quality or efficiency standards. In some markets, we are seeing new alignments of insurers with providers. This is becoming particularly common in Virginia but also New York (e.g. North Shore-LIJ Health System). The low premiums that have sometimes resulted from these new arrangements mean lower than expected costs for the federal government as well as lower premiums for unsubsidized enrollees.

Limited- or tiered-network strategies are allowing carriers to keep premiums low, but they are also raising issues of network adequacy. States may respond in the future with more stringent standards which could potentially have an effect on premiums. The aggressive efforts by carriers to limit networks could also result in another round of provider consolidation which could strengthen providers' negotiating power. In general, the amount of Marketplace competition and its effect on premiums is an important outcome of the ACA, but the network adequacy issue warrants careful monitoring over time. Increased Marketplace enrollment and more stable risk pools will encourage new entrants in at least some areas, including large commercial insurers such as United that took cautious stances in the first year. Such market evolution should contribute to moderation in premium growth.

ENDNOTES

1. Skopec L and Kronick R. "Market Competition Works: Silver Premiums in the 2014 Individual Market Are Substantially Lower than Expected." ASPE Issue Brief. August 9, 2013, http://aspe.hhs.gov/health/reports/2013/MarketCompetitionPremiums/ib_premiums_update.cfm (accessed August 4, 2014); Appleby J and Galewitz P, "Average Obamacare Premiums Will Be Lower Than Projected," *Kaiser Health News*, September 25, 2013, http://www.kaiserhealthnews.org/stories/2013/september/25/federal-exchange-rates-lower-than-expected.aspx (accessed August 4, 2014); Pallarito K, and Reinberg S, "Report: Health-Reform Plans Seem to Have Lower-Than-Expected Premiums," *HealthDay News* September 25, 2013, http://health.usnews.com/health-news/news/articles/2013/09/25/report-health-reform-plans-seem-to-have-lower-than-expected-premiums (accessed August 4, 2014).
2. These percentages of income caps are maximums. Depending on the market, single coverage for young adults with incomes between 300 and 400 percent of the FPL may cost less than the percent of income cap, in which case the individual would pay the premium instead.
3. Breakaway Policy Strategies. (2014): HIX Compares Dataset. http://www.rwjf.org/en/research-publications/find-rwjf-research/2014/03/breakaway-policy-dataset.html
4. Cohen G, "Sub-Regulatory Guidance Regarding Age Curves, Geographical Rating Areas and State Reporting." Department of Health and Human Services. February 25, 2013, https://www.cms.gov/CCIIO/Resources/Files/Downloads/market-reforms-guidance-2-25-2013.pdf (accessed August 4, 2014).
5. Holahan J, Rifkin S, Lucia K, and Keith K. *ACA Implementation-Monitoring and Tracking: Rhode Island Site Visit Report*. Urban Institute, 2012. http://www.urban.org/publications/412502.html (accessed August 4, 2014).
6. Maryland Insurance Administration, "Public Comment Sought on Carriers' Proposed Health Rates for 2015." Press Release, June 6, 2014, http://www.mdinsurance.state.md.us/sa/news-center/2015-proposed-health-rates.html (accessed August 4, 2014).
7. Yolin NS, "New York Enacts Out-Of-Network Transparency and Coverage Reform," *Health Law & Policy Matters*, July 8, 2014, http://www.healthlaw-policymatters.com/2014/07/08/new-york-enacts-out-of-network-transparency-and-coverage-reform/ (accessed August 4, 2014).

About the Authors and Acknowledgements

John Holahan is an Institute fellow and Linda Blumberg is a senior fellow at the Urban Institute's Health Policy Center. This research was funded by the Robert Wood Johnson Foundation. The authors are grateful to Sabrina Corlette, Kevin Lucia, Rebecca Peters, Megan McGrath, and several anonymous state officials for their input into revisions of this brief.

About the Robert Wood Johnson Foundation

For more than 40 years the Robert Wood Johnson Foundation has worked to improve the health and health care of all Americans. We are striving to build a national Culture of Health that will enable all Americans to live longer, healthier lives now and for generations to come. For more information, visit www.rwjf.org Follow the Foundation on Twitter at www.rwjf.org/twitter or on Facebook at www.rwjf.org/facebook.

About the Urban Institute

The Urban Institute is a nonprofit, nonpartisan policy research and educational organization that examines the social, economic and governance problems facing the nation. For more information, visit http://www.urban.org. Follow the Urban Institute on Twitter www.urban.org/twitter or Facebook www.urban.org/facebook. More information specific to the Urban Institute's Health Policy Center, its staff, and its recent research can be found at www.healthpolicycenter.org.