

## Aetna's Move to Abandon the Bulk of Its Insurance Exchanges: Sound Business Move or Bargaining Chip?



What happens to consumer confidence in the government's health insurance marketplace when insurers so large that they're practically synonymous with health insurance pull out of Affordable Care Act exchanges?

It certainly doesn't boost it.

[Last week Aetna announced](#) its withdrawal from 11 of the 15 states where it currently offers exchange plans, and industry insiders worry this move will weaken the public's faith in the ACA itself.

### Will the health of the ACA be spun politically this November?

Robert Blendon is an expert in healthcare politics at Harvard University. Referring to the upcoming November elections, he says, "In the Senate and House races, Republicans will say the ACA isn't going well, premiums are going up, companies are leaving and we really need a substitute. It gets people very nervous."

Sen. Elizabeth Warren (D-Mass.) is not convinced that Aetna made the decision to pull out of ACA exchanges over heavy claim losses. She has said that Aetna is using exchange participation as "bargaining chips to force the government to bend to one company's will," a reference to Aetna's proposed merger with Humana, which the government has not approved.

"The timing is pretty coincidental with the merger battle," says Topher Spiro, vice president for health policy of the Center for American Progress. "This highlights the danger of allowing these mergers to go through. By just threatening to withdraw from ACA exchanges, they can force the government to change any number of policies."

### CMS notes encouraging numbers for per-member costs for insurers

While Spiro does have concerns about the public's opinion of the government health insurance marketplace, he isn't concerned about the viability of the marketplace itself. He postulates that problems impacting those insurers withdrawing from exchanges can be attributed to past rate miscalculations as well as the approaching phase-out period of the ACA's three-year program buffer for the cost of disproportionately unwell enrollees.

Spiro references a [recent Centers for Medicare & Medicaid Services \(CMS\) report](#) that reveals that, despite several insurers complaining of heavy losses, overall insurer exchange cost per member did not increase from 2014 to 2015, and also, the states with the largest increases in enrollment saw substantial decreases in per-member costs.

"People go straight for the apocalyptic scenario because that makes news," Spiro adds. "But all the evidence I've seen suggests the situation is stable and we need to stay the course."

And of course, any speculation as to the true impetus of Aetna's surprising withdrawal is, outside of Aetna boardrooms, just that—speculation.

In April, Aetna CEO Mark Bertolini reported a record \$6.5 billion in all government program premiums for 2016's first quarter, more than 10% from the corresponding quarter in 2015. He assured shareholders that ACA was a sound investment, and in May Aetna announced the intention to move into the health insurance marketplace in five more states.

Yet last week, Bertolini said that Aetna (with more than 800,000 insureds in exchanges), lost more than \$300 million on exchange claims so far this year.

Aetna would like to continue to offer Medicare and Medicaid plans in the eleven states it's exiting in the individual private exchanges. Major insurers are experiencing substantial profits via Medicare Advantage and Medicaid managed care in particular.

One of the options for boosting the ACA's multi-insurer health that government regulators are considering is requiring exchange participation for insurers who wish to carry Medicare and Medicaid plans. Insurers' response to that perhaps can be best summed up by this statement by Jeff Myers, president and CEO of the Medicaid Health Plans of America, a trade group: "We would opt for conditional participation."

## **It is not all financial doom and gloom for insurers in marketplace exchanges**

A report last spring by the McKinsey Center for U.S. Health System Reform shows that for many insurers, doing business in the exchange is profitable. In more than a dozen states, more than 50% of the insurers earned a profit in the individual market in the first year that exchange plans were in effect. In a half-dozen states, more than three-quarters of insurance companies showed positive margins, as opposed to 18 states where under five percent of insurers found the exchange profitable. Early data reports on 2015 reveal that nearly 25% of insurers experienced positive margins in exchange markets.

For more information/questions regarding any legal matters, please email [info@nelsonhardiman.com](mailto:info@nelsonhardiman.com) or call 310.203.2800.