New HHS Rule Attempts to Boost the Health of ACA Exchange Markets

The overall health of the Affordable Care Act insurance exchange markets is on many minds lately, especially after announcements from industry giants Humana, Aetna, and UnitedHealth Group that they'd be pulling out of many exchanges in 2017. The exchange-exodus of those insurers, substantial premium hikes in some states, and the disappointing enrollment figures of new consumers have triggered concerns about the long-term viability of ACA markets.

A rule regarding ACA exchanges was recently released by the Department of Health and Human Services (HHS) with the goal of shoring up the markets, but insiders say it's only a stop-gap and that additional changes will be needed next year. The current rule involves proposed changes to plan requirements and the risk-adjustment program. Additionally, the HHS proposal addresses the need to encourage greater numbers of young, healthy individuals to enroll by offering them plans designed to cost less because they cover less.

Can young, healthy enrollees improve the health of the exchanges themselves?

Bill Melville is an analyst at Decision Resources Group (a healthcare consulting firm). He agrees that "anything you can do to make the market more attractive to the younger, healthier set is good," though he wonders whether the relative complexity of the high-deductible plans will cause patient advocates to get involved. (It's not necessarily always easy to immediately identify which services are covered and which are subject to the deductible, and sometimes patients only discover this after they've received the bill for services rendered.)

Melville acknowledges that the 300-page HHS rule will take time to thoroughly comprehend, but predicts that the insurance industry will be glad to see some of their recommendations incorporated within changes outlined in the rule, especially in the case of smaller, regional plans that are less able to survive periods of low revenue.

"I think without some of these changes it could have resulted in the death spiral we've all been on the lookout for," Melville says.

Some of insurers' complaints addressed in changes proposed by HHS

Insurers have been arguing that exchange enrollees cost the companies much more than expected to due to poorer health than expected. The new rule accounts for that, factoring in prescription drug data for diseases like HIV/AIDS, diabetes, hepatitis C, and end-stage renal disease. This revised risk adjustment will go into effect in 2018.

Another complaint of insurers: what they claim are some consumers' attempts to manipulate the system by waiting until they become ill before buying insurance. Therefore, risk adjustment will also take into consideration individuals that sign up for exchange plans outside of open enrollment periods.

This isn't the first time the issue of some individuals "gaming" the system has been addressed: the Obama administration had already tightened criteria for enrolling at times other than proscribed open enrollment periods, restricting new policies during those windows to individuals having undergone major life changes like divorce, loss of existing coverage, or relocation to a new state.

A stable exchange market would benefit everyone—especially consumers.

Elizabeth Carpenter is senior vice president at the consulting firm Avalere Health. She theorizes that the Obama administration is attempting to use the few remaining months in office to inspire confidence in the ACA exchange. She says: "The focus on the risk-management program really seems to imply that there's focus on the stability of the market right now."

She goes on to predict that the next administration, along with Congress, will need to make further changes by mid-2017 in order to keep the exchanges going—for instance, provisions for network adequacy.

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