

Sabotage Watch:

Proposed Changes to the Affordable Care Act Insurance Marketplace Will Harm Many Wisconsinites

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During the past year, Congress and the Trump administration have tried multiple times to repeal and replace the Affordable Care Act. Those efforts ultimately failed, and public sentiment regarding the health care law has become more and more positive. However, the actions taken by Congress and President Trump's administration have taken their toll. The most notable actions include eliminating federal funding for cost-sharing reductions, shortening the open-enrollment period, steeply cutting outreach and enrollment assistance, and repealing the requirement that everyone have health insurance. Even more changes that are in the works threaten to imperil the subsidized Marketplace plans that provide health care coverage to about 225,000 Wisconsinites.

This report examines the outcomes of the shortened open-enrollment period in the fall of 2017 and the potential impact in Wisconsin from multiple efforts to sabotage the ACA. It also highlights the resiliency of the ACA and its importance in Wisconsin, especially in rural areas of the state.

Because the most imminent threats relate to the high risk that many insurance companies will stop participating in the Marketplace, the report summarizes:

- The current status of the Marketplace in our state;
- The impact of sabotage and administrative actions that jeopardize the ACA.

The Marketplace is the Centrist Core of the ACA and Most Often Targeted by Administrative Actions

Health Insurance Marketplaces are a key component of the Affordable Care Act. Each state is required by the ACA to have such a Marketplace (or health insurance "exchange"), which is an online price comparison website where consumers can buy health insurance plans that provide minimum essential coverage, and most people are able to receive federal subsidies for that insurance.

People who make less than four times the Federal Poverty Level (FPL) may qualify for cost assistance through the marketplace. That assistance includes reduced premiums via tax credits for those making between 100 and 400 percent of FPL, and out-of-pocket cost assistance for those with incomes between 100 and 250 percent of FPL.

It is ironic that the Marketplace is currently the most vulnerable part of the ACA because it is the most centrist or bipartisan part of the law. It is a competitive market-based approach that is coupled with subsidies and federal standards to ensure that quality individual insurance plans will be affordable, without discriminating against people with preexisting conditions.

The Marketplace structure employed by the ACA is based on a Massachusetts model that is sometimes referred to as “RomneyCare” because former Governor Mitt Romney signed and helped develop that law. The Marketplace approach or health insurance “exchange” that began there had been endorsed by conservative groups like the Heritage Foundation. In fact, Dennis Smith, who was later appointed as Secretary of the Wisconsin Department of Health Services by Governor Walker, attended the signing of the “RomneyCare” bill when he was working at the Heritage Foundation.

Despite Cuts to Outreach and Advertising, Shortened Enrollment Period, and General Confusion, Wisconsin Continues to Have a Stable Marketplace

Despite numerous attempts by Congress and the Trump administration to rollback and undermine the ACA, 225,435 Wisconsinites signed up for Marketplace plans for 2018. That’s a decline of 7.2 percent compared to 2017, when 242,000 people signed up for coverage. The decrease of more than 17,000 state residents who signed up for Marketplace coverage should concern policymakers, but in light of the many policy changes including sharp cuts in advertising and outreach support and in the length of the enrollment period—the percentage drop is smaller than many people feared.

There are fewer Marketplace plans to choose from in 2018, but the vast majority of Wisconsinites have options. Because of multiple efforts to sabotage and undermine the health law, Marketplace strength has slipped since last year. However, most

Wisconsin counties (61 of 72) have two or more insurance carriers offering multiple plans through the Marketplace, and those 61 counties have 88 percent of the Wisconsin population.

The continuation of a strong Marketplace is especially important in Wisconsin because state lawmakers sharply reduced eligibility for BadgerCare in 2014, based on the rationale that adults over the poverty level could purchase affordable, subsidized health insurance plans through the Marketplace. Roughly 60,000 adults lost their BadgerCare coverage because of that decision.

Wisconsinites Have a Lot at Stake if the Marketplace Collapses

Before we turn to the actions that could cause the Marketplace to collapse, let’s look at what an end to that source of health insurance coverage would mean for Wisconsinites who now rely on it.

The most recent federal statistics on Marketplace participation show the following:

- More than 225,000 Wisconsinites signed up for Marketplace insurance plans for 2018.
- About 189,000 of those participants, or 84 percent, are receiving premium tax credits that substantially reduce the net cost of the premiums.
- Because premiums increased, the average premium tax credit in Wisconsin increased as well. The average premium tax credit is \$667 per month, which is the 9th highest nationally (among the 39 states relying on the federal Marketplace) and 17 percent above the national average of \$555.

Without the federal subsidies, the average premium for Marketplace plans would be more than three times higher in 2018. Although Marketplace plans don’t cover a large percentage of Wisconsinites, they are a key reason why the number of uninsured people in our state dropped by more than 200,000 from 2013 to 2016. In addition, Marketplace plans provide people with access to health care that

includes important behavioral health services, maternity care, and free preventative care.

The ACA expanded coverage for millions of Americans, and insurance rates for people of color have increased at greater percentages than for white populations. In Wisconsin, Latinos, Native Americans, and African Americans saw the highest gains in insurance coverage from 2013-2016. However, even with these gains, people of color in Wisconsin still have lower insurance rates than white Wisconsinites. CMS collects an inadequate amount of data related to race and ethnicity, so researchers, advocates, and policymakers are unable to assess who is and is not accessing ACA Marketplace plans. Access to insurance coverage leads to improved health outcomes, so the federal government should collect enough data to understand who's benefiting from the ACA and what steps they can take to address disparities in coverage.

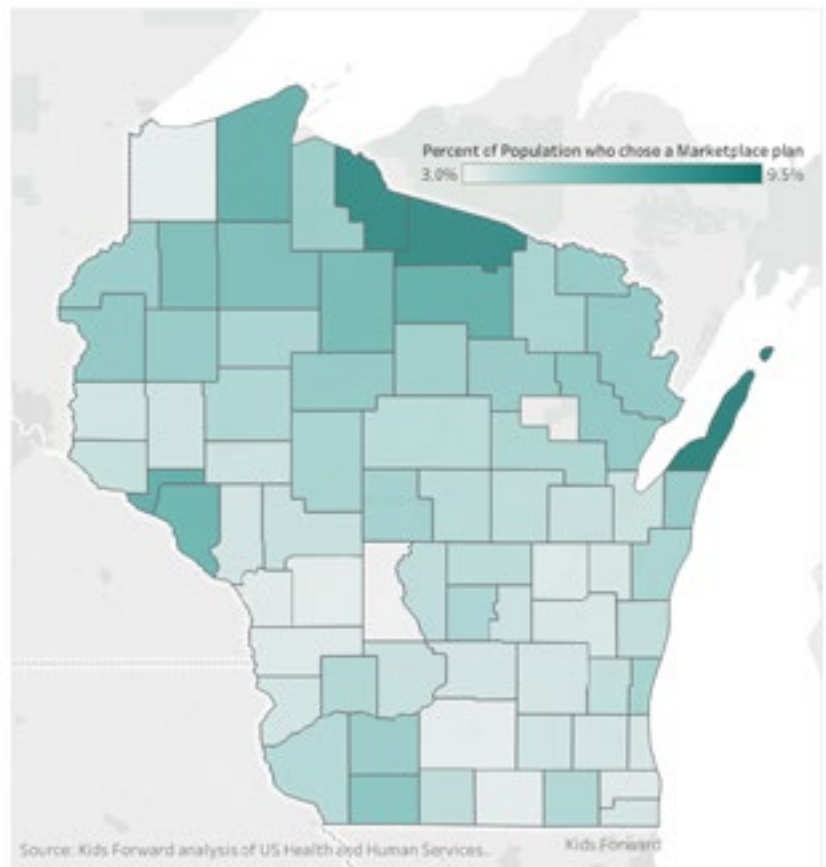
Marketplace Plans are Especially Important in Rural Wisconsin

Marketplace coverage is especially important in Wisconsin's more rural counties because more workers in those counties are self-employed or work for small employers who don't offer affordable insurance plans. The map shows that the percentage of people who are covered by Marketplace insurance plans is higher in rural areas. According to a 2017 report by the Center on Budget and Policy Priorities (CBPP), 37 percent of Marketplace consumers in Wisconsin live in rural areas, compared to an average of 18 percent in all of the 38 states that use the federally run Marketplace.

Among Wisconsinites who signed up for Marketplace plans this year, 84 percent receive Advance Premium Tax Credits (APTC) that significantly lower the net cost of their monthly premiums. Under the current structure of the ACA, the tax credits are higher for lower income households and for people in areas where insurance costs are higher. This is especially important because federal actions threatening the stability of the Marketplace have increased premiums across the country. In Wisconsin, average premiums have risen by 33 percent, but tax credits have also increased, which protects more than eight out of ten people in the Marketplace. In fact, the average monthly premium in 2018, after applying premium tax credits, was only \$4 higher than last year.

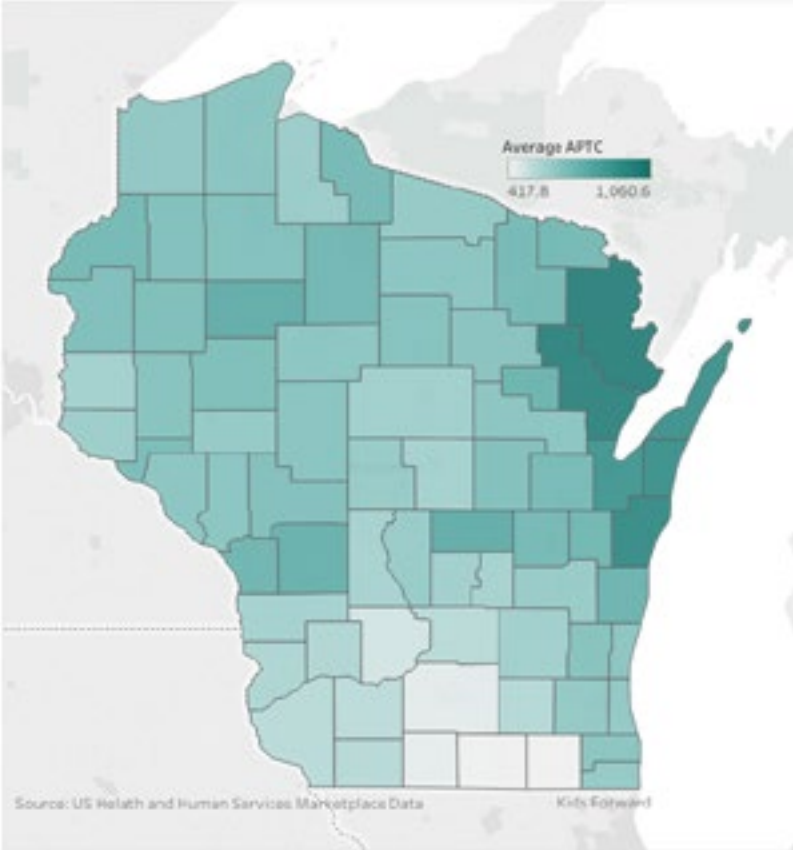
Because premiums increased, the average APTC

Access to Marketplace Plans Remains Critical in Rural Wisconsin
Percent of total population enrolled in a Marketplace plan (2018 plan year)



Premium Tax Credits Help Make Health Insurance more Affordable across the State and Especially in Rural Wisconsin

Average advanced premium tax credit (APTC), 2018 plan year



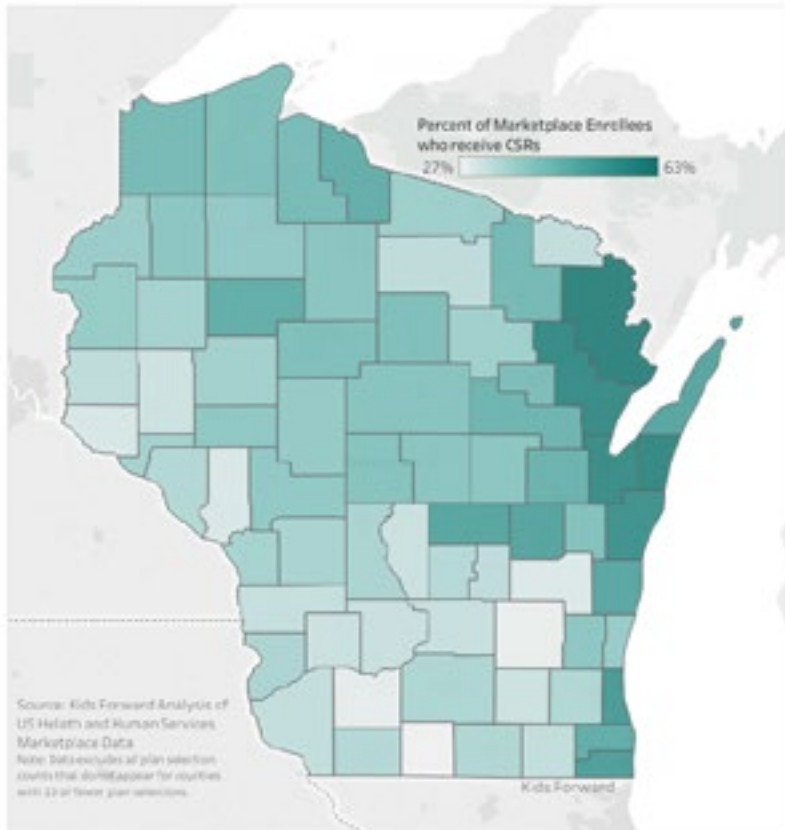
also increased. The next map shows the average APTC in each county in 2018 and illustrates that those credits are especially important for rural Wisconsinites.

Cost Sharing Reductions Continue to Provide Important Financial Assistance for Lower-Income Wisconsinites.

In October 2017 the Trump administration announced that it would stop reimbursing insurance companies for the cost of the cost-sharing subsidies that the ACA requires insurers to provide to people between 100-250 percent of the federal poverty level. Those eligible to receive cost-sharing reductions who choose plans with the discounts have lower copays, deductibles, and other out of pocket costs. Regardless of whether or not insurance companies are reimbursed, they still need to offer plans with these discounts, and they recover that expense by raising premiums.

Cost Sharing Reductions still Help Make Care More Affordable for Marketplace Enrollees throughout the State

Percent of Marketplace Enrollees who Receive Cost Sharing Reductions, 2018



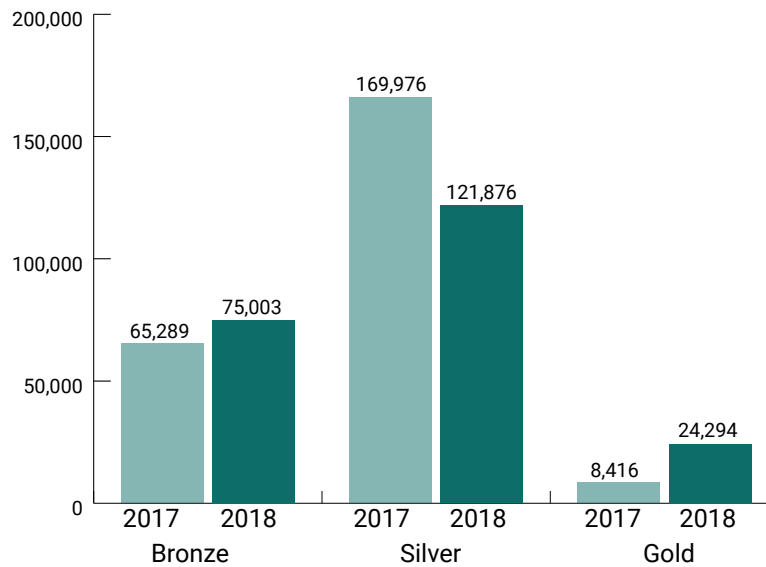
In Wisconsin premiums rose an average of 36 percent. For 2018, about 43 percent of Wisconsinites participating chose plans with cost-sharing reductions.

Since the premium tax credit amount is tied to the cost of silver plans, when those premiums increased so did the tax credits. People who received tax credits often had more buying power and were able to get a less generous bronze plan for smaller premiums or pay a little more for gold plans, which typically have lower deductibles and copays. Because of this unexpected outcome, more Wisconsinites chose gold or bronze level plans for 2018 coverage compared to last year, and about 44,000 fewer Wisconsinites chose silver level plans. The bar graph shows the changes in plan selection from 2017 to 2018.

In 2018 slightly fewer people chose plans with cost-sharing reductions. Still 43 percent of Wisconsinites with Marketplace plans are

More Wisconsin Marketplace Consumers Chose Bronze or Gold Plans in 2018

Number of Wisconsin residents purchasing bronze, silver, and gold tiered insurance plans through the Affordable Care Act Marketplace. After the Trump administration stopped funding cost-sharing reductions, the price of silver plans increased dramatically, which caused more people to choose bronze or gold plans than in 2017.



receiving the subsidies for out-of-pocket expenses. The next map shows the percent of Marketplace participants in each county who receive the cost-sharing reductions.

Positive Effects of Reinsurance Plan Likely to Be Outweighed by Ongoing Sabotage of the Marketplace

Wisconsin is taking a step to help stabilize the ACA Marketplace by creating a reinsurance program designed to help lower premiums. Reinsurance is a strategy where insurance companies are reimbursed for some of the health care costs of people who require very expensive care. By helping to insulate insurance companies against the financial risk of having to cover high cost care, they can offer lower premiums.

Wisconsin's reinsurance program may result in modest savings—projected to yield about a 10 percent rate reduction—that will largely benefit the small share of Wisconsin residents who don't qualify for premium tax credits. That assumes insurance carriers will pass along the additional financial assistance to consumers, which the Wisconsin plan does not require. More importantly, reinsurance will fail to hold down rates if state and federal policymakers continue to take steps that make

Marketplace plans less attractive for consumers, especially for healthier individuals.

Recent experience shows how policy choices made by the Trump administration and Congress have resulted in significantly higher premiums and fewer choices for consumers. For example, the Trump administration's refusal to honor the government's commitment to fund cost-sharing reductions resulted in an average 36 percent increase in premiums in Wisconsin. Repealing the penalty for individuals who do not purchase health insurance will result in even higher premiums and fewer people covered in the Marketplace.

In this broader context, Wisconsin should do much more if it wants to meaningfully help stabilize the individual marketplace and protect consumers, such as no longer participating in litigation that threatens the future of the Marketplace, and thereby creates additional uncertainties for insurers and consumers. Wisconsin should also consider creating its own state-based exchange. Most states that ran their own insurance marketplaces have offered longer open-enrollment periods than the federal government and have been able to generate the financing needed for better outreach and enrollment. Overall, states with their own exchanges saw very little decline in enrollment.

Conclusion

Congress's efforts this session to repeal and replace the Affordable Care Act and put caps and cuts on Medicaid spending were not successful. Nevertheless, ACA opponents have been able to roll back and undermine the Marketplace through administrative actions and Congress's weakening of the individual mandate that everyone has health insurance. These efforts have made health insurance through the Marketplace more expensive. However, for more than eight of ten Marketplace participants in Wisconsin the ACA's premium tax credits have protected them against the impact of these price hikes. The roughly 16 percent of people who earn too much to qualify for tax credits have been hit the hardest by the actions of Congress and the Trump administration.

The long-term fate of the individual health insurance Marketplace in Wisconsin is up in the air. Even though Congress did not repeal and partially replace the ACA, President Trump and his administration remain hostile to the law and maintain that the individual Marketplace will collapse. Although the federal Marketplace is currently stable in Wisconsin, it is not clear whether that will continue to be the case in the years to come.

Wisconsin has taken a modest step to help stabilize the ACA Marketplace by creating a reinsurance

program that could potentially help lower the premiums paid by Marketplace participants who are ineligible for federal premium tax credits. However, for that strategy to succeed, Wisconsin's insurance regulators will need to ensure that the savings for insurance companies are passed through to consumers. More importantly, the modest step of creating a reinsurance pool will fail to stabilize rates if federal and state policymakers continue to implement changes that encourage healthy individuals to buy skimpy insurance plans outside the ACA Marketplace and threaten its continued viability.

Collapse of the Marketplace would particularly be a problem for rural parts of Wisconsin because fewer employers in those areas offer affordable coverage for their workers. Rural areas and other low-income parts of Wisconsin have been and will continue to be hit the hardest by the proposed changes to Marketplace plans.

Appendix 1: Marketplace Plan Selections, Percent of Consumers with Advance Premium Tax Credit (APTC), Average APTC, and Percent of Consumers with Cost-Sharing Reductions (CSRs).

County	Plan Selections	Percent of Population Selecting a Plan	Consumers with APTC	Percent of Consumers Who Selected a Plan with APTC	Average APTC for Consumers	Consumers with CSRs	Percent of Consumers with CSRs
Adams	828	4.10%	701	85%	\$633	267	32%
Ashland	798	5.10%	699	88%	\$626	356	45%
Barron	2,348	5.20%	2,066	88%	\$712	880	37%
Bayfield	1,000	6.70%	885	89%	\$676	435	44%
Brown	9,931	3.80%	8,728	88%	\$937	5,904	59%
Buffalo	850	6.50%	738	87%	\$673	301	35%
Burnett	770	5.10%	673	87%	\$741	302	39%
Calumet	1,763	3.60%	1,497	85%	\$750	757	43%
Chippewa	2,871	4.50%	2,472	86%	\$713	1,088	38%
Clark	1,619	4.70%	1,467	91%	\$679	646	40%
Columbia	2,069	3.60%	1,716	83%	\$544	676	33%
Crawford	598	3.70%	510	85%	\$573	218	36%
Dane	17,037	3.20%	12,785	75%	\$446	6,138	36%
Dodge	3,176	3.60%	2,608	82%	\$610	895	28%
Door	2,628	9.50%	2,329	89%	\$962	1,351	51%
Douglas	1,382	3.20%	1,271	92%	\$658	624	45%
Dunn	1,685	3.80%	1,467	87%	\$685	537	32%
Eau Claire	3,904	3.80%	3,328	85%	\$644	1,594	41%
Florence	232	5.20%	*	*	\$742	77	33%
Fond du Lac	3,597	3.50%	2,932	82%	\$635	1,072	30%
Forest	423	4.70%	384	91%	\$732	191	45%
Grant	2,278	4.40%	2,019	89%	\$543	756	33%
Green	1,536	4.10%	1,230	80%	\$440	422	27%
Green Lake	711	3.80%	596	84%	\$594	240	34%
Iowa	1,204	5.10%	1,024	85%	\$537	346	29%
Iron	513	9.00%	486	95%	\$739	250	49%
Jackson	808	3.90%	715	88%	\$700	327	40%
Jefferson	3,138	3.70%	2,496	80%	\$554	1,006	32%
Juneau	779	3.00%	644	83%	\$591	285	37%
Kenosha	6,052	3.60%	5,179	86%	\$645	3,256	54%
Kewaunee	1,052	5.20%	974	93%	\$971	642	61%
La Crosse	3,917	3.30%	3,370	86%	\$759	1,458	37%
Lafayette	933	5.60%	832	89%	\$549	329	35%
Langlade	981	5.10%	915	93%	\$680	375	38%
Lincoln	1,383	5.00%	1,267	92%	\$693	603	44%
Manitowoc	3,674	4.60%	3,279	89%	\$999	2,125	58%
Marathon	5,763	4.20%	5,063	88%	\$609	2,426	42%

Marinette	2,167	5.40%	2,015	93%	\$1,061	1,360	63%
Marquette	692	4.60%	607	88%	\$608	242	35%
Menominee	34	0.80%	*	*	\$769	15	44%
Milwaukee	33,454	3.50%	28,313	85%	\$645	18,175	54%
Monroe	1,474	3.20%	1,320	90%	\$784	542	37%
Oconto	1,993	5.30%	1,844	93%	\$1,042	1,202	60%
Oneida	2,423	6.80%	2,093	86%	\$673	820	34%
Outagamie	7,197	3.90%	6,301	88%	\$733	3,404	47%
Ozaukee	4,178	4.70%	3,160	76%	\$668	1,641	39%
Pepin	500	6.80%	440	88%	\$722	188	38%
Pierce	1,630	4.00%	1,295	79%	\$622	497	30%
Polk	2,326	5.30%	2,029	87%	\$707	923	40%
Portage	3,005	4.30%	2,625	87%	\$600	1,250	42%
Price	830	6.10%	782	94%	\$750	346	42%
Racine	6,552	3.40%	5,445	83%	\$671	3,219	49%
Richland	775	4.40%	671	87%	\$567	250	32%
Rock	5,189	3.20%	4,075	79%	\$421	1,859	36%
Rusk	656	4.60%	609	93%	\$806	322	49%
St. Croix	3,269	3.70%	2,608	80%	\$605	1,107	34%
Sauk	2,498	3.90%	2,079	83%	\$482	810	32%
Sawyer	965	5.90%	830	86%	\$697	389	40%
Shawano	1,859	4.50%	1,690	91%	\$675	871	47%
Sheboygan	4,649	4.00%	3,922	84%	\$770	2,366	51%
Taylor	1,076	5.30%	1,025	95%	\$668	469	44%
Trempealeau	1,091	3.70%	899	82%	\$671	330	30%
Vernon	1,045	3.40%	884	85%	\$601	344	33%
Vilas	1,915	8.90%	1,679	88%	\$645	737	38%
Walworth	4,619	4.50%	3,387	73%	\$418	1,541	33%
Washburn	926	5.90%	833	90%	\$701	385	42%
Washington	5,373	4.00%	4,349	81%	\$686	2,207	41%
Waukesha	14,376	3.60%	10,707	74%	\$649	5,115	36%
Waupaca	2,123	4.10%	1,916	90%	\$700	879	41%
Waushara	1,015	4.20%	923	91%	\$804	523	52%
Winnebago	5,819	3.40%	5,129	88%	\$736	3,014	52%
Wood	3,511	4.80%	3,108	89%	\$637	1,485	42%