

McKinsey Center for U.S. Health System Reform



Individual market enrollment: Early assessments and observations

During the first 15 weeks of the new individual market open enrollment period (OEP) — from October 2013 through early January 2014—we collected detailed information from both publicly available sources and our own national online consumer surveys to develop an initial assessment of the geographic, plan selection, and demographic characteristics of those enrolling in the individual market. We also obtained input from those who shopped and did not enroll, as well as those who had not yet shopped, to better understand why in each case they did not.

The publicly available data used in this analysis of the individual market come from official government sources at both the state and federal levels, including the most recent Health and Human Services (HHS) enrollment report on January 13, 2014. Our national survey data cover 4,563 adults aged 18 to 64 reporting their primary 2013 insurance coverage status as either uninsured, individually insured, or as having group coverage that will not continue into 2014. These respondents were eligible for neither Medicaid nor Medicare (we focused our research only on those eligible to enroll in the 2014 individual market), and were solicited in November, December, and early January (see full description of our methodology in the appendix). The total pool of Qualified Health Plan (QHP) eligible from which we drew our adult survey respondents is approximately 24 million uninsured and 10 million individually insured, as well as those who were insured by their employer in 2013 and are now QHP eligible. We refer to this as the addressable 2014 individual market.¹

We are just past the mid-point of the individual market OEP, and many of the early technical website issues are resolving. Consistent with the recent publicly released HHS QHP exchange plan selection numbers, our surveys from November to January revealed an increasing percent of respondents indicating they had enrolled in individual insurance for 2014. All of the findings in this Intelligence Brief represent an early perspective through January 10th of the rapidly evolving individual insurance marketplace. Accordingly, the characteristics of enrollment may differ materially on March 31, 2014—the end of the open enrollment period.

We identified five key observations from our research to date:

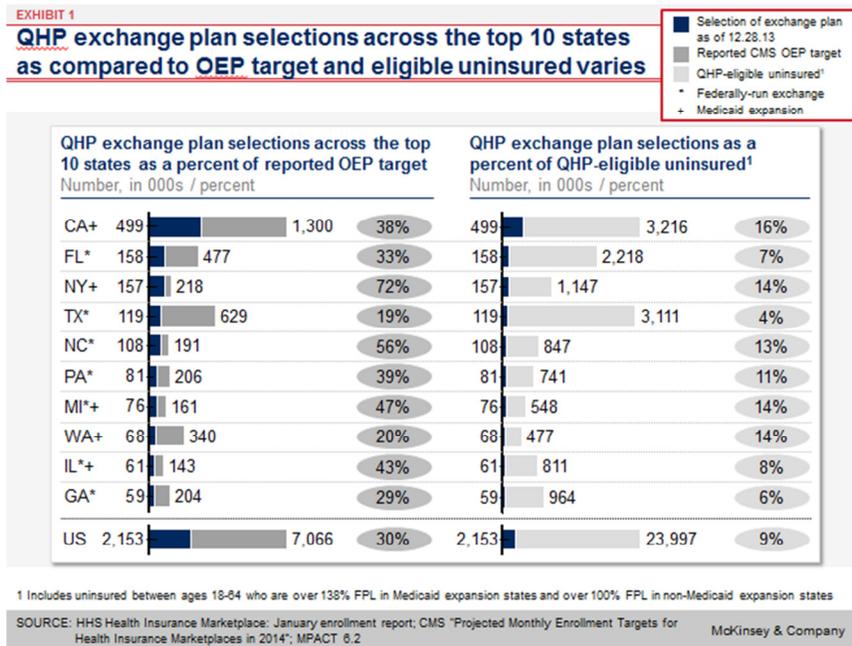
¹ QHP eligible defined as over 138 percent of the federal poverty level (FPL) in Medicaid expansion states and over 100 percent FPL in non-Medicaid expansion states, among those 18 to 64 years old

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- QHP exchange enrollment across the U.S. is geographically concentrated
- Silver-tier products are the most frequently chosen
- Age of QHP exchange enrollees skews higher than the QHP eligible uninsured and individually insured
- Our surveys of 4,563 QHP eligible consumers indicate 28 percent of all respondents at the time surveyed had enrolled in individual insurance for 2014; 31 percent of those who enrolled indicated they had purchased new plans, of whom 11 percent reported themselves as previously uninsured
- In our January survey, of the 64 percent of all respondents who had not enrolled, 26 percent cited an intention to enroll. Of this 26 percent, 70 percent were uninsured, with perceived affordability as the most frequently cited factor for not enrolling

Geographically concentrated QHP exchange enrollment

California, Florida, New York, Texas, and North Carolina have achieved exchange QHP plan selection totals exceeding 100,000 individuals and collectively represent nearly half (48 percent) of the nation’s total QHP exchange plan selection (Exhibit 1). These states are followed by Pennsylvania, Michigan, Washington, Illinois, and Georgia, and collectively, these 10 states represent 64 percent of total reported QHP exchange plan selection as of December 28th. Just over half of QHP enrollment in these 10 states is from the 3 state-run exchange states (California, New York, Washington). Five of these 10 states have not expanded their Medicaid programs and, therefore, have larger populations eligible for exchange QHP enrollment and subsidies.

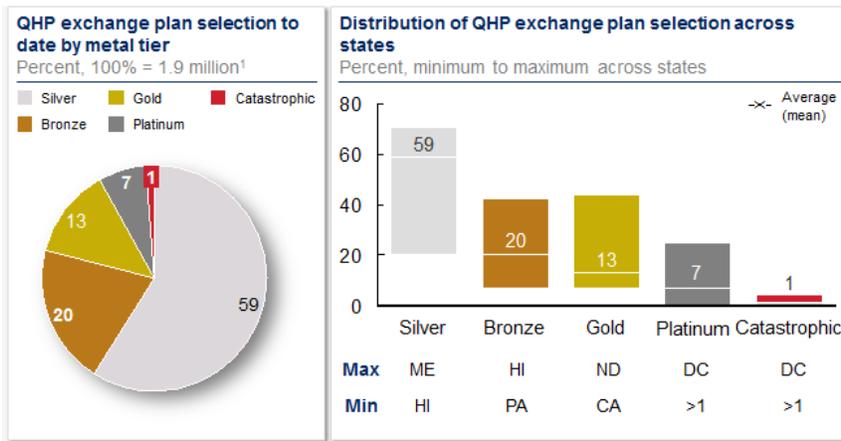


Each state has a target QHP exchange enrollment level linked to the end of OEP, reported by the Center for Medicaid and Medicare Services.² Across the top 10 states in QHP exchange plan selection, performance varies against this OEP target: New York has achieved 72 percent of its target, followed by North Carolina at 56 percent, both of which exceed the national average of 30 percent (~2.2 million out of 7.1 million). In contrast, Texas is at 19 percent of its OEP target and Washington is at 20 percent. Across the U.S., QHP enrollment as a percent of the reported CMS target ranges from 2 percent (Massachusetts) to 109 percent (Connecticut). When comparing QHP exchange plan selection to a benchmark of QHP eligible uninsured, variation among the 10 states ranges from 4 to 16 percent, with Texas the lowest and California the highest. Across the U.S., QHP exchange plan selection as a percent of QHP eligible uninsured ranges from 3 percent (Mississippi) to 54 percent (Vermont).

High prevalence of silver-tier QHP exchange enrollees

The distribution of QHP exchange plan selection by metal tier reported by HHS as of December 28th indicates that silver-tier products are the most frequently selected (59 percent of all QHP exchange plans), followed by bronze (20 percent), gold (13 percent), platinum (7 percent), and catastrophic (1 percent) (Exhibit 2).³ The availability of cost-sharing subsidies (in addition to premium subsidies) attached to silver-tier products may be contributing to this prevalence. Significant variation exists in tier selection at the state level, which in some rating areas may be due to price dispersion. For instance, this can occur in states where platinum premiums are lower than some silver, and even bronze, premiums (e.g., Kentucky).

EXHIBIT 2
Silver QHP exchange plans are most popular, but there is variation across states



¹ Number is based on plan selection in states as of latest date where metal tier breakdown is available (MN, NV, NY, OR are not available)

SOURCE: HHS Health Insurance Marketplace; January enrollment report; State exchange websites

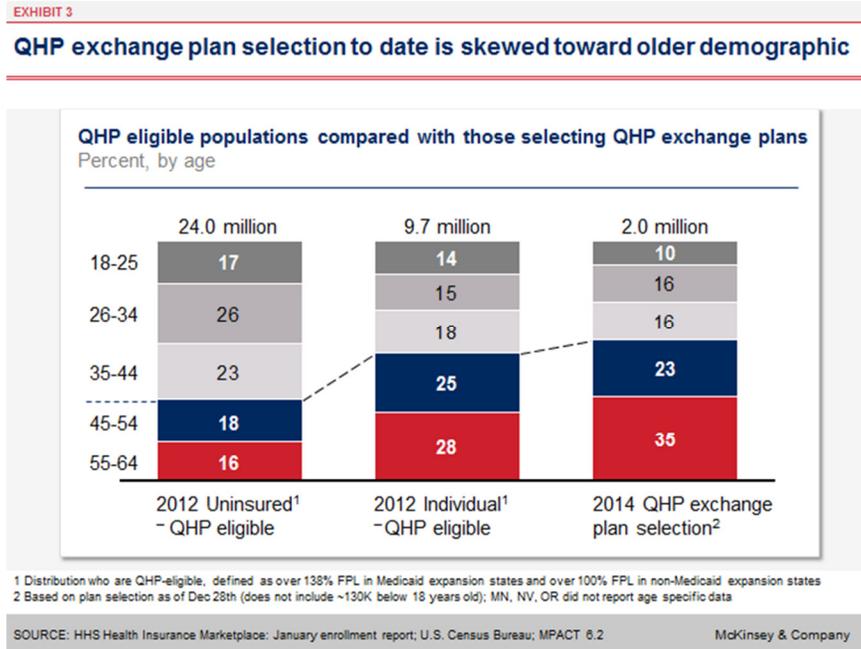
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² CMS Administrator to the Secretary, memorandum regarding “Projected Monthly Enrollment Targets for Health Insurance Marketplaces in 2014,” September 5, 2013.

³ Note that Minnesota, Nevada, New York, and Oregon have not yet released tier distribution; therefore, we report on only 1.9 million of the 2.2 million total QHP exchange plan selection.

Relatively older QHP exchange enrollees

The age distribution of QHP exchange plan selection reported by HHS as of December 28th skews older compared to both the QHP eligible uninsured and to the individually insured populations (Exhibit 3).⁴

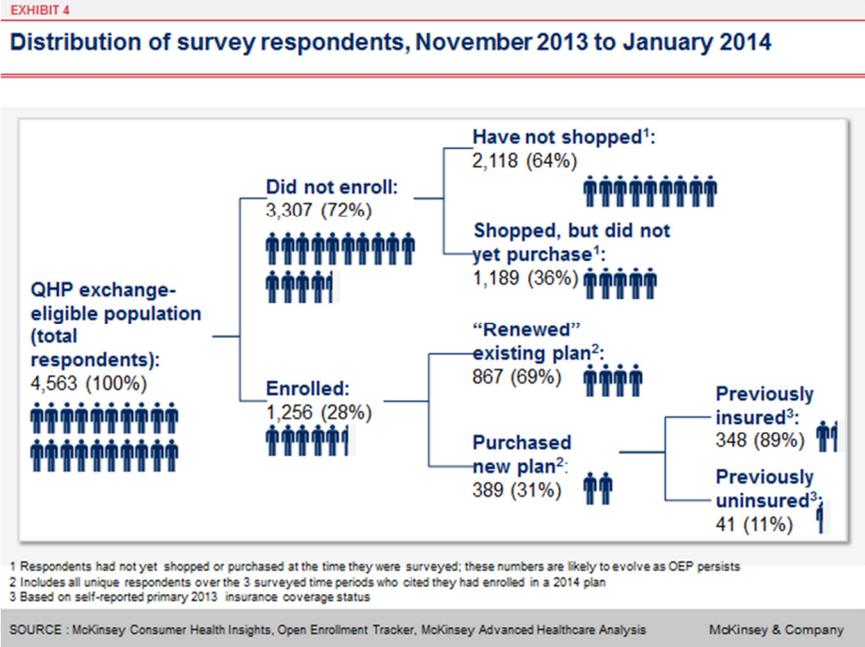


This observation is particularly pronounced in the 55 to 64-year-old age cohort, where QHP exchange enrollees represent 35 percent of those between ages 18 and 64, compared with 16 percent in that age group among the uninsured. Relatedly, the exchange enrollees in the 18 to 34-year-old cohort represent 26 percent of the total, compared with 43 percent in the uninsured population.

Among respondents citing enrollment, most were renewals; of those purchasing new plans, most (89 percent) reported being previously insured

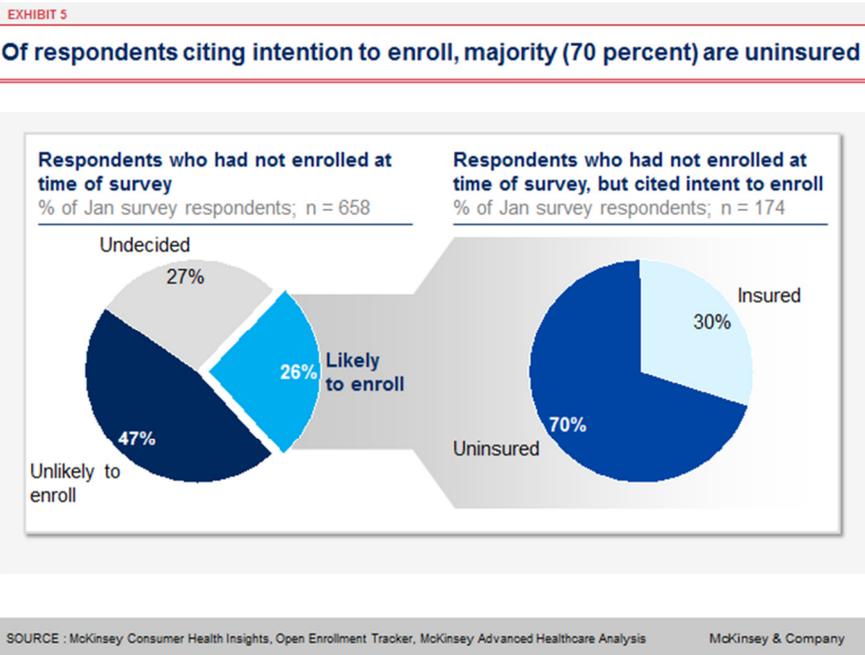
The distribution of our 4,563 QHP eligible survey respondents solicited in the early months of open enrollment (November, December, and early January) is shown in Exhibit 4. Of the total, 28 percent (1,256 respondents) indicated they had purchased individual health insurance coverage for 2014 at the time they were surveyed. More than two-thirds of these indicated that their existing policy was automatically renewed, or that they had shopped, and renewed, their existing health insurance policy. Close to one-third of these indicated that they purchased new health insurance. Of the respondents indicating they had purchased new plans, approximately 11 percent reported that they were uninsured in 2013, and 89 percent reported that they had insurance during 2013.

⁴ Note that Minnesota, Nevada, and Oregon have not yet released age data, reducing total QHP plan selection to 2.1M; in addition, we compare distribution across ages 18-64, yielding a QHP plan selection total of 2.0M.

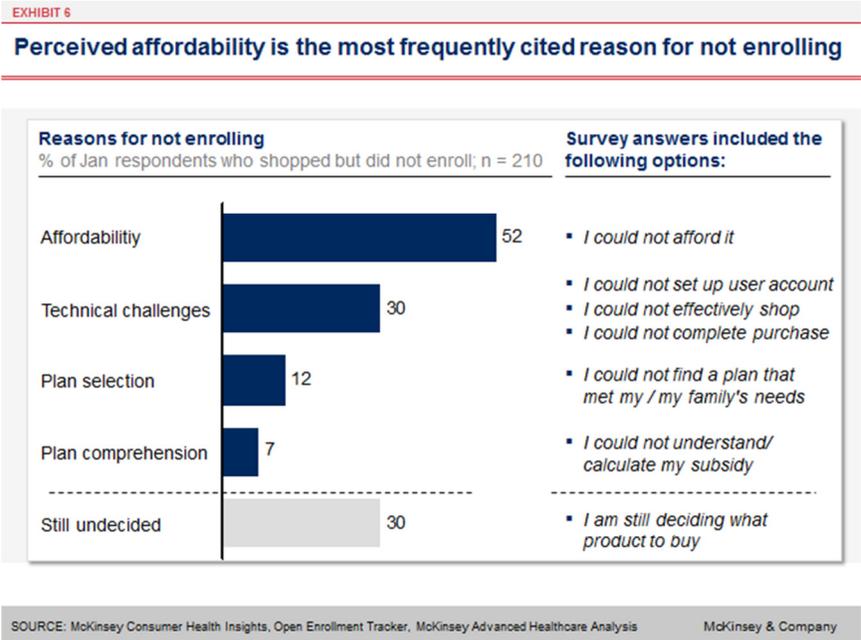


Most respondents citing an intention to enroll are uninsured, with perceived affordability cited as a key barrier to enrollment

Among all 1,040 January respondents, 64 percent had not yet enrolled in the individual market. Of those who had not yet enrolled, 26 percent cited an intention to enroll. Of this 26 percent, 70 percent were uninsured (Exhibit 5). This suggests a higher percent of prospective market growth from those previously uninsured if key perceived barriers to enrollment are addressed.



Of those respondents who had shopped but not enrolled, Exhibit 6 reveals their reasons for not enrolling. Limited perceived affordability was most frequently cited. Of those citing affordability as a barrier, 87 percent were uninsured and 84 percent were subsidy-eligible.



The percent of survey respondents choosing not to enroll declined steadily, from 81 percent in our November survey to 64 percent in our January survey. Some of this improvement may be attributed to the resolution of technical issues, which, while remaining the second-most frequently cited reason (30 percent) for not enrolling in the January survey, declined from November (56 percent).



The preliminary findings presented in this Intelligence Brief provide an early perspective of the emerging individual market. These findings are directional indicators only, based on publicly reported enrollment data and our own national online consumer survey.

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Appendix

Survey overview

Through a collaboration of McKinsey Advanced Healthcare Analytics (MAHA) and the McKinsey U.S. Center for Health System Reform, we are regularly surveying a national sample of uninsured, individually insured, or group insured (but not continuing in 2014) consumers throughout the individual market OEP. The objective is to understand the shopping and purchasing behavior of consumers who are eligible for the individual market and ACA marketplaces. These surveys are snapshots of enrollment over time, as consumers have until the end of March to purchase health coverage.

To date, we have completed three rounds of surveys:

- Nov. 25 to Dec. 6, 2013: sample size of 1,846
- Dec. 16 to Dec. 20, 2013: sample size of 1,677
- Jan. 6 to Jan. 10, 2014: sample size of 1,040

Across the three surveys, all states are represented except Alaska. The breakdown of participants by exchange type is 66 percent (federal) and 34 percent (state-run). The number of uninsured respondents totaled 2,385 (52 percent), and the number of 2013 insured respondents totaled 2,178 (48 percent).

Methodology

Each round of survey is designed and analyzed by McKinsey teams. These online surveys are administered in English by a third-party vendor.

We focus on consumer segments eligible for the individual market and ACA marketplaces:

- Ages 18 to 64
- Non-Medicaid eligible (over 100 percent FPL in states with no Medicaid expansion and over 138 percent in states with Medicaid expansion)
- Primary 2013 coverage self-reported to be uninsured, individually insured, or group insured (but not continuing and instead purchasing own coverage, whether by choice or employer discontinuation)

Weighting: Each response is weighted using 2012 population data for uninsured, individually insured, or group-insured segments separately with the following factors:

- Age
- Gender
- Geography
- Household size
- Income

Analysis: We analyze each survey separately, aggregating responses across surveys only to understand the demographic composition of those who have enrolled in health coverage for 2014. Before aggregating the responses, we remove the earlier responses of consumers who have participated in multiple surveys (~7 percent) to capture their most recent actions. The term “enrolled” is used to capture respondents who have obtained 2014 health coverage, whether through renewal or selection and payment of new plans.

Summary of survey questions

Current actions and channel usage: Which of the following describe your actions relating to healthcare coverage since October 1, 2013 (this open enrollment period)?

- I have not shopped for health insurance anywhere (e.g., online, with an agent, calling someone)
- My existing policy was renewed automatically
- I renewed my existing health insurance policy
- I shopped for new health insurance (9 options provided to describe actions they took and measure satisfaction)
- I purchased new health insurance (8 actions provided to describe actions they took and measure satisfaction)

Reasons for not completing purchase: I shopped but have not purchased or paid for any health insurance, because (7 options provided to describe reasons).

Intended action: Which of the following describes your intended actions between now and March 31, 2014 (the end of open enrollment period)? (unlikely, undecided, likely)

Obtaining previous Intelligence Briefs

Previous Intelligence Briefs on exchange dynamics can be obtained online at:
www.mckinsey.com/client_service/healthcare_systems_and_services/latest_thinking

- “Hospital networks: Configurations on the exchanges and their impact on premiums” (December 2013)
- “Exchanges go live: Early trends in exchange dynamics” (October 2013)
- “Emerging exchange dynamics: Temporary turbulence or sustainable market disruption?” (September 2013)

January 2014

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