CCIIO Data Brief Series

The Unsubsidized Uninsured: The Impact of Premium Affordability on Insurance Coverage

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I. Overview

The Patient Protection and Affordable Care Act (ACA) established a set of provisions that changed the availability and affordability of health coverage for many Americans. The ACA's expansion of Medicaid eligibility to non-disabled adults, along with the introduction of premium tax credit subsidies to low- and middle-income Americans purchasing an individual market plan through an Exchange increased access to coverage for many people. However, other ACA requirements increased the cost of health insurance coverage and, in turn, reduced the affordability of health coverage for many other people—in particular people without access to employer-sponsored coverage and who earn too much money to qualify for the ACA's premium subsidies. This report takes a closer look at the unsubsidized population and the impact of increasing premiums on health coverage.

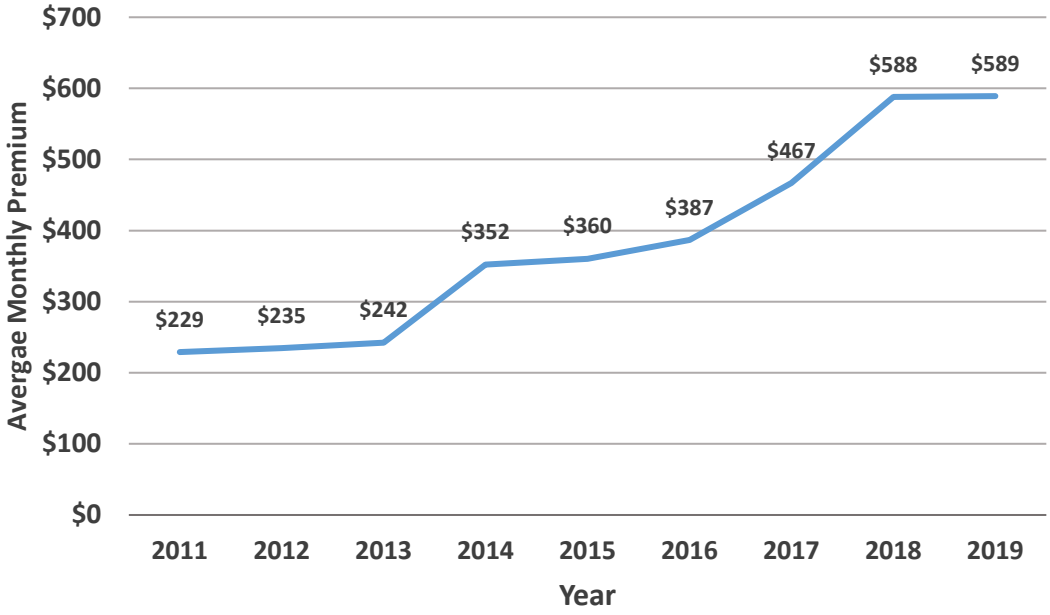
II. Premium Trends

Premiums increased substantially since the ACA's main insurance market reform requirements took effect in 2014. Some of these requirements include, but are not limited to, the closure of state high risk pools, premium rating requirements including compressed age rating bands, a more generous set of mandated essential health benefits, health insurance taxes, and the Exchange user fees.[1] As noted above, the ACA attempted to help offset premium costs for consumers by offering government subsidies to eligible individuals and families making 100 percent of the Federal Poverty Level ("FPL") up to 400 percent FPL to purchase health insurance coverage on the Health Insurance Marketplace®[2] (Marketplace).[3] The structure of the premium tax credit also encourages premium inflation because the amount of the subsidy is linked to the overall cost of the health plan.

As shown in Figure 1, average premiums increased substantially from the year before the ACA's main requirements took effect in 2013 to 2019, rising from $242 to $589—a 143 percent increase. This premium data represents the average premium people paid for coverage in individual health insurance market nationally. Without subsidies to offset the cost of these increasing premiums, emerging trends indicate that the unsubsidized populations are unable to afford health insurance and are increasingly becoming uninsured.

[1] *See* Milliman, Comprehensive Assessment of ACA Factors That Will Affect Individual Premiums in 2014, April 25, 2013.
[2] Health Insurance Marketplace® is a registered service mark of the U.S. Department of Health & Human Services.
[3] 26 USC 36B(c)(1)(A).

Figure 1: Average Monthly Premiums, 2011 to 2019*



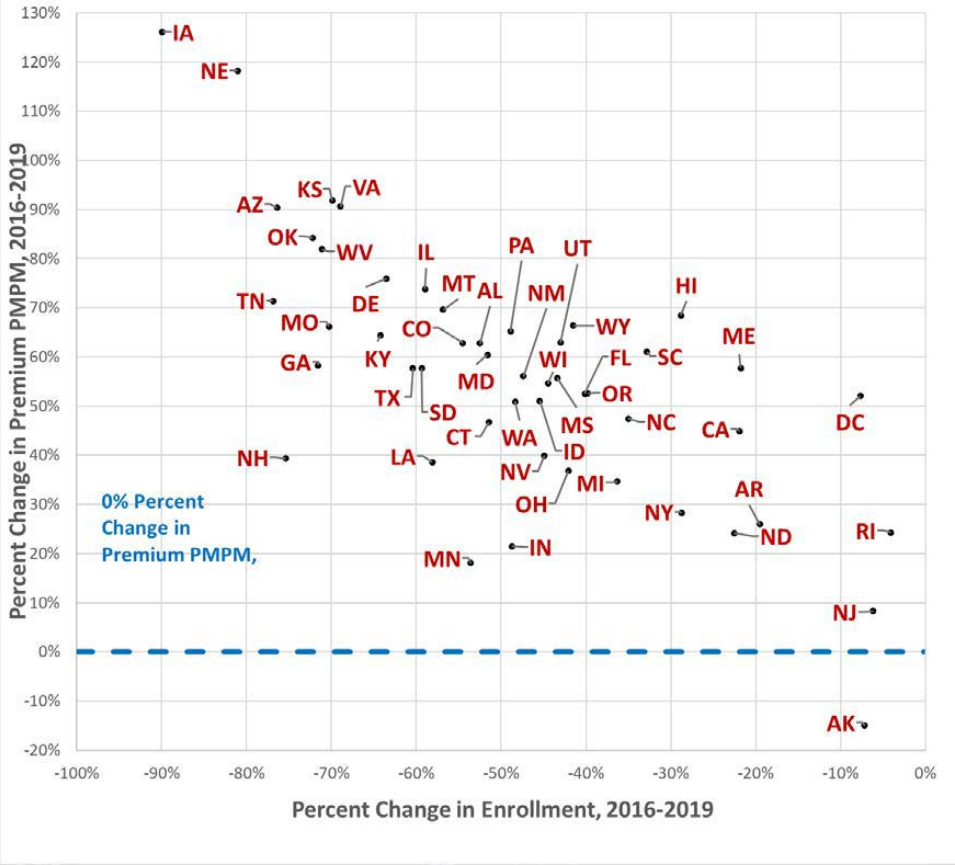
** Note: Data for 2011 through 2013 were sourced from CMS Medical Loss Ratio (MLR) data, which were collected starting in tax year 2011 from issuers to enforce ACA MLR requirements. Premium data for 2014 to 2019 in this chart are sourced from the ACA the risk adjustment program. Both data sources best reflect the premium for individual market that was available for purchase in the market for each respective year. After 2014, MLR data includes data from consumers in health plans that are not available to new consumers, including people who retained grandfathered plans and certain non-grandfathered plans that are not in compliance with certain ACA market reforms, also known as grandmothered plans.*

III. Decline in Unsubsidized Enrollment

At the same time premiums increased, enrollment in individual market plans among those people who purchase coverage without a premium subsidy (referred to as the "unsubsidized") declined. CMS regularly publishes data on enrollment trends among the subsidized and unsubsidized in the individual market.[4] Nationally, average premiums increased by 52% from 2016 to 2019, during that same period, the number of unsubsidized individuals and families enrolling in individual market plans fell from 6.2 million to 3.4 million, representing a decline in unsubsidized enrollment of 2.8 million people.

Looking at state level data shows a clear link between rising premiums and declining unsubsidized enrollment. As Figure 2 shows, from 2016 to 2019, states with larger declines in unsubsidized enrollment tended to experience a larger increase in average premiums. For example, Iowa, the state with the highest premium increase (from $408 to $923), also experienced the largest drop (90 percent) in its unsubsidized enrollment.

Figure 2: Change in State Average Premium vs. Change in Enrollment in the Unsubsidized Individual Market, 2016 to 2019

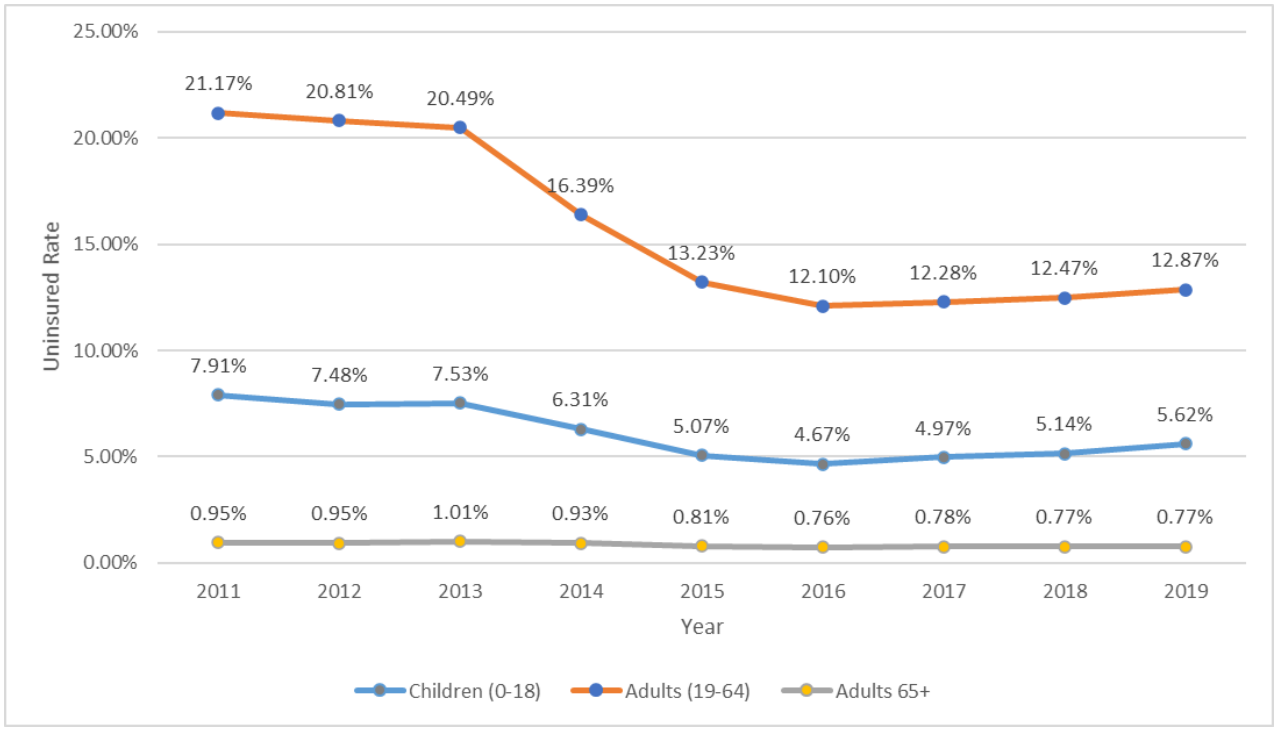


[4] Centers for Medicare & Medicaid Services, "Trends in Subsidized and Unsubsidized Enrollment." Oct. 9, 2020 at https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/Trends-Subsidized-Unsubsidized-Enrollment-BY18-19.pdf.

IV. Uninsured Trends

As premiums increased and unsubsidized enrollment declined, data from the U.S. Census Bureau show the number and rate of people without insurance has edged up. While the uninsured rate declined from 2013 to 2016 immediately after key provisions of the ACA expanded access to subsidized health coverage, Figure 3 shows that the uninsured rate then began to increase from 2016 to 2019. This increase in the uninsured rate occurred among both children and adults age 19 to 64. During this time, the number of uninsured under 65 years old increased by 2.26 million to 28.9 million people.[5] This includes an increase of roughly 678,000 uninsured children and 1.58 million uninsured working-age adults.

Figure 3: Uninsured Rate by Age, 2011 to 2019



Source: U.S. Census Bureau, American Community Survey (ACS) - 1-Year Estimates-Public Use Microdata Sample (2010-2019), MDAT (census.gov).

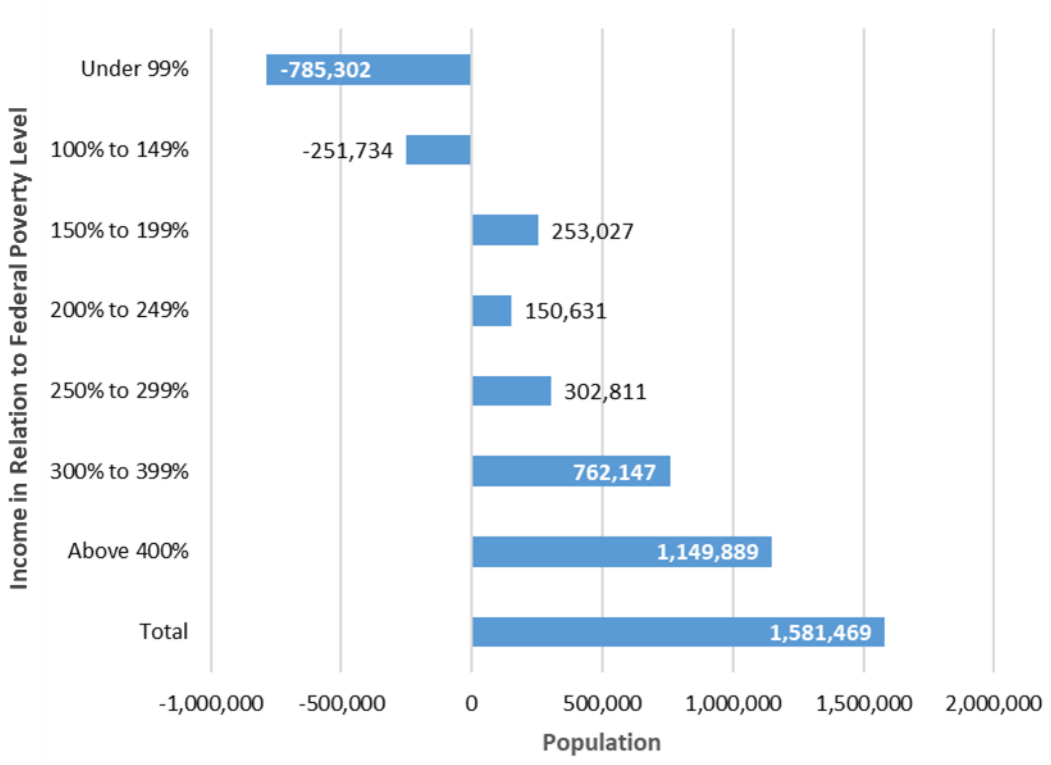
Comparing changes in the number of people with health insurance coverage by household income level shows that much of the increase in the number of uninsured under 64 from 2016 to 2019 occurred among people with household incomes too high to qualify for subsidized health coverage. Among people under 65 with household incomes above 400 percent of the FPL—the cutoff point to qualify for federal premium tax credits—the number of uninsured increased by 1.33 million from 2016 to 2019. This represents 59 percent of the increase in the number of uninsured over this time.

[5] U.S. Census Bureau, American Community Survey (ACS) - 1-Year Estimates-Public Use Microdata Sample (2010-2019), MDAT (census.gov).

Looking at adults age 19 to 64 reveals people with household incomes higher than 400 percent of FPL represent an even larger proportion of the increase in the uninsured for this population. At this income level, as shown in Figure 4, the number of uninsured adults age 19 to 64 increased by 1.15 million from 2016 to 2019—73 percent of the total increase. Appendix A provides further details on trends in the uninsured rates for this adult population nationally and by state from 2010 to 2019.

The change in the number of uninsured children by household income follows a more even distribution across incomes. However, children in households with incomes higher than 400 percent of FPL still represent a large share of the increase in the number of uninsured children, representing 27 percent of the increase. Appendix B includes additional charts that compare changes in the number and rate of uninsured among children and adults age 19 to 64.

Figure 4: Changes in the Number of Uninsured Adults Age 19 to 64 by Household Income Level, 2016 to 2019



Source: U.S. Census Bureau, American Community Survey (ACS) - 1-Year Estimates-Public Use Microdata Sample (2010-2019), MDAT (census.gov).

V. Affordability is a Key Factor in Recent Uninsured Trends

The fact that such a large proportion of the increase in the number of uninsured occurred among middle to higher income people who do not qualify for federal subsidies strongly suggests that the rising cost and declining affordability of health coverage for this population was a substantial factor contributing to the rise in the uninsured population from 2016 to 2019. This conclusion is consistent with survey data from the National Center for Health Statistics, which shows in 2019 over 70 percent of uninsured adults (ages 18 to 64) cited affordability as the primary cause for their being uninsured, making it the most common reason reported.[6] This is also consistent with a body of economic research that shows people are very price sensitive when making the decision to buy health coverage.[7]

VI. Conclusion

While CMS has made great strides to address the affordability issues facing the uninsured, there is more work to do to improve affordability and reduce the uninsured population. The unsubsidized population continues to struggle with the high cost of individual market plan premiums contributing to the increasing uninsured rate. Premiums are stabilizing but remain too expensive for Americans who are not eligible for premium subsidies. The ACA fails to support this population and its regulatory requirements ultimately raise premiums for consumers.

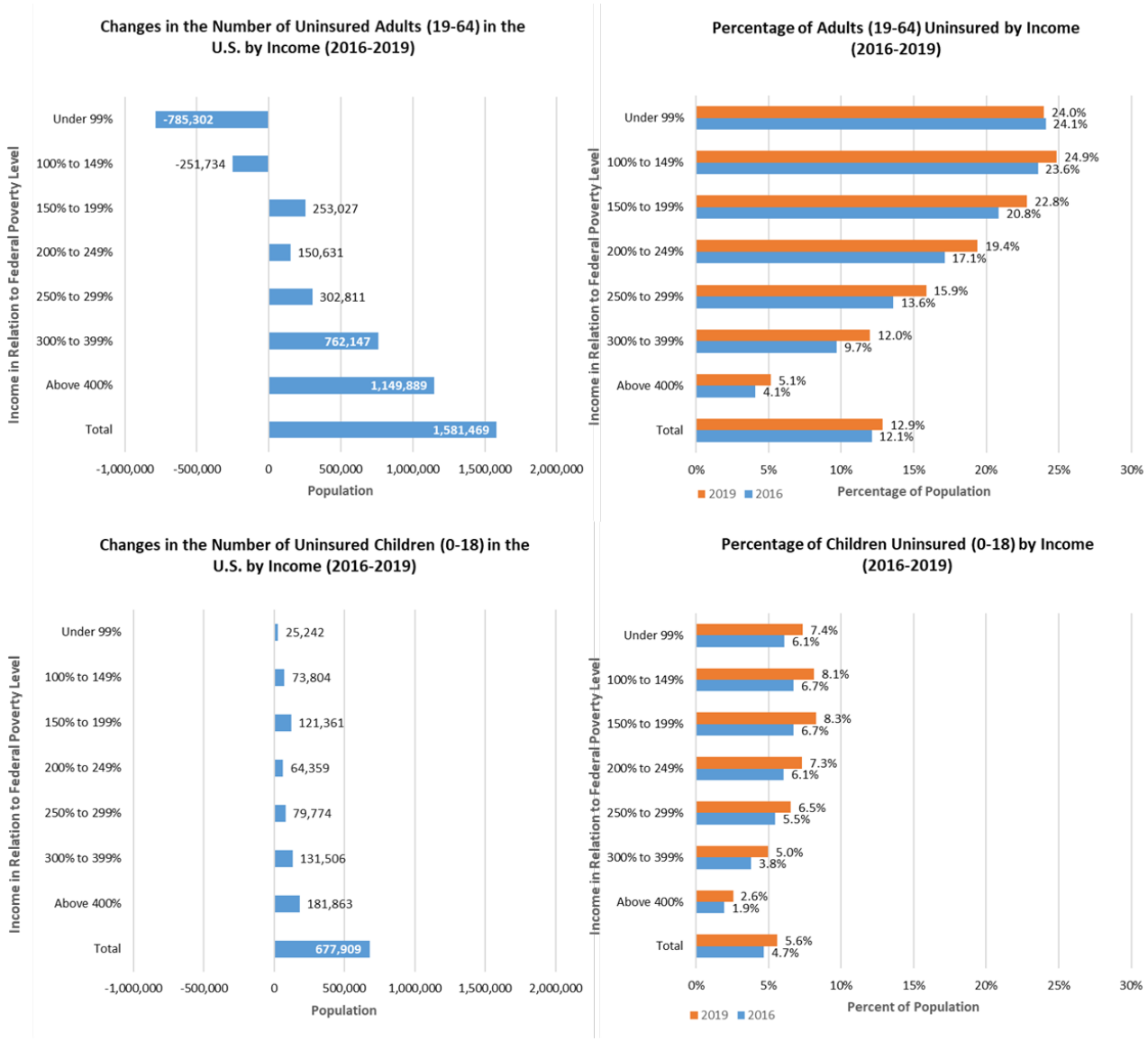
Long-term solutions lie in policies that make systemic changes to address the underlying issues causing premiums to increase. To that end, CMS has been advancing a number of policies using the tools available under current law to reduce the cost of care by, for example, encouraging more insurers to compete in the market, empowering patients to be value-conscious consumers by making quality and cost data transparent, and moving to value-based payments in our public programs. These are the types of policies that will ultimately deliver affordable health insurance options for all Americans.

[6] 2019 NHIS Survey: National Center for Health Statistics, 2019 NATIONAL HEALTH INTERVIEW SURVEY (NHIS), https://www.cdc.gov/nchs/nhis/2019nhis.htm.

[7] *See* Abraham, Jean, et al, "Demand for Health Insurance Marketplace Plans was Highly Elastic in 2014-2015, National Bureau of Economic Research (July 2017), https://www.nber.org/papers/w23597 (finding a one percent premium increase on the Exchanges reduced enrollment by 1.7 percent).

Appendix A: Uninsured Rate of Adults above 400 Percent FPL from 2010–2019 by State

State	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
United States	7.0	6.6	6.5	6.7	5.3	4.4	4.1	4.5	4.8	5.1
Alabama	5.16	6.11	5.00	5.42	5.11	3.80	4.06	4.63	4.87	5.15
Alaska	12.00	10.38	13.35	11.89	9.47	10.17	9.97	11.27	8.28	10.47
Arizona	7.56	8.32	7.38	7.28	6.55	5.63	5.16	5.54	6.21	6.47
Arkansas	7.98	6.47	7.22	8.59	5.28	4.59	4.60	4.61	4.92	3.87
California	8.50	8.03	7.73	8.15	6.02	4.24	3.64	4.06	4.43	4.69
Colorado	6.39	6.32	5.90	6.04	5.34	4.03	3.99	4.00	4.57	4.66
Connecticut	4.89	4.46	5.03	5.56	4.18	3.51	2.91	3.34	3.38	3.62
Delaware	6.02	6.86	3.88	5.32	4.39	3.95	3.09	2.82	4.15	4.21
District of Columbia	5.43	4.84	3.85	4.77	3.67	2.05	1.86	2.14	1.77	1.76
Florida	10.48	9.99	10.16	10.71	8.61	7.17	6.68	7.64	8.39	8.56
Georgia	7.86	7.87	7.34	8.09	6.13	5.45	5.53	6.43	7.30	6.65
Hawaii	6.19	4.15	3.38	4.28	2.81	2.53	2.18	2.70	2.77	3.43
Idaho	7.90	7.38	7.51	7.09	7.10	4.53	5.96	7.31	6.10	8.15
Illinois	6.22	5.64	5.73	5.86	4.68	3.19	2.94	3.15	3.61	4.35
Indiana	6.15	5.22	6.13	5.76	4.87	4.19	3.51	4.27	4.59	4.82
Iowa	2.96	3.64	3.24	3.57	2.45	1.87	2.39	1.98	2.36	2.89
Kansas	5.47	4.37	4.50	4.66	3.94	4.37	3.82	3.13	3.88	4.61
Kentucky	5.94	5.45	4.97	6.17	3.92	2.86	2.47	2.53	3.11	3.92
Louisiana	10.07	9.23	8.29	9.64	7.05	5.71	5.45	5.53	5.86	5.67
Maine	6.64	5.95	5.18	6.01	5.19	4.75	4.32	4.03	5.27	5.35
Maryland	5.49	5.60	5.27	6.18	4.22	3.00	3.25	3.46	3.46	3.88
Massachusetts	2.50	2.33	2.29	2.23	2.07	1.88	1.83	1.87	1.86	2.15
Michigan	5.94	5.35	5.34	4.92	4.11	2.92	2.59	2.61	3.04	3.37
Minnesota	4.16	3.41	3.43	3.48	2.57	2.01	2.19	1.94	2.22	2.67
Mississippi	8.32	8.31	7.62	8.86	6.14	5.32	5.14	5.45	7.25	7.56
Missouri	5.28	5.17	5.47	5.03	4.44	3.68	3.87	3.82	4.61	4.74
Montana	7.91	8.77	8.55	9.16	6.09	7.48	4.26	6.31	5.69	7.58
Nebraska	5.30	4.56	4.00	4.08	3.32	2.62	3.11	3.88	3.86	3.74
Nevada	11.15	9.81	9.18	10.28	8.48	5.33	6.01	7.16	7.86	7.24
New Hampshire	6.01	4.80	5.78	5.87	4.38	3.95	3.64	3.10	3.56	4.77
New Jersey	7.37	6.64	6.60	6.57	5.40	4.36	4.11	4.05	4.23	4.74
New Mexico	10.12	9.74	8.86	8.91	7.63	6.22	4.81	5.24	5.67	6.65
New York	7.43	6.68	6.19	6.36	5.06	4.67	3.83	3.84	3.63	4.09
North Carolina	6.10	6.02	6.49	5.91	5.09	4.45	4.17	4.79	4.99	5.80
North Dakota	3.41	4.37	5.42	3.71	2.74	5.04	3.24	3.21	4.05	4.13
Ohio	5.58	4.63	4.81	4.96	3.53	3.20	2.58	3.00	3.28	3.79
Oklahoma	8.88	7.85	8.80	9.09	6.57	7.00	6.81	8.19	7.47	8.46
Oregon	7.45	5.81	5.50	7.05	5.23	3.70	4.05	4.06	4.34	4.79
Pennsylvania	5.12	4.79	4.27	4.43	3.68	3.08	2.53	2.93	3.23	3.56
Rhode Island	5.38	6.05	5.57	6.23	5.26	3.06	2.21	2.53	2.57	2.70
South Carolina	7.44	7.21	7.51	7.03	6.32	5.03	5.36	5.37	5.80	6.39
South Dakota	3.74	5.28	6.66	4.42	4.57	4.06	4.31	2.82	4.35	4.95
Tennessee	6.68	5.81	6.25	5.91	5.13	4.35	4.15	5.35	5.47	5.31
Texas	9.90	9.65	9.74	9.69	8.19	7.26	7.38	8.29	8.74	9.37
Utah	7.34	6.63	6.19	6.74	5.74	4.55	4.48	4.61	5.48	4.92
Vermont	5.50	5.02	2.78	5.79	3.46	3.03	2.78	4.59	2.35	3.67
Virginia	5.39	5.06	5.09	5.63	4.92	4.45	3.79	4.17	4.20	4.33
Washington	6.28	5.87	6.40	6.68	4.37	3.25	2.79	3.55	4.02	3.56
West Virginia	7.91	7.58	5.96	6.45	5.08	4.39	3.31	4.45	4.08	4.46
Wisconsin	4.13	4.09	3.97	4.09	2.68	2.65	2.62	2.14	3.11	3.17
Wyoming	7.09	10.76	10.47	8.17	6.96	6.15	6.35	7.42	5.99	7.80



Source: U.S. Census Bureau, American Community Survey (ACS) - 1-Year Estimates-Public Use Microdata Sample (2010-2019), MDAT (census.gov).