

Most federally run exchanges will offer more plans, lower premiums than expected, HHS report shows

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An eagerly awaited report by HHS released Wednesday on health plan premiums and participation in the 36 states where the federal government is fully or partly running the new **insurance exchanges** shows that consumers in most of those states will have many plans to choose from and that premiums will be significantly lower than expected in 2014.

When the exchanges open for enrollment Oct. 1, individuals and families will have an average of 53 plan choices, almost everyone will have a choice of two or more insurance issuers, and the average premium nationally for the second-cheapest silver-tier plan will be \$328 a month without a federal premium subsidy – 16% lower than projections based on Congressional Budget Office estimates. Counting federal tax credits, 56% of uninsured Americans may pay less than \$100 per person per month for coverage, including Medicaid in states that expand Medicaid, according to the report.

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Insurers to face stiff competition in federally run exchanges

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The number of local plan choices available to consumers on the federally facilitated exchanges will range from six to 169. On average, there are eight different **health insurers** participating in each of the exchanges, ranging from one to 13. The report found that premiums tend to be lower in states with more participating insurers.

With tax credits, a 27-year-old individual in Texas could pay \$83 a month for the lowest-cost bronze plan, while a family of four in that state with an income of \$50,000 could pay just \$57 a month. That's only slightly more than the family would have to pay under the **healthcare reform law's** tax penalty for not getting coverage in 2014.

"Prices are affordable, and tax credits will make them even more affordable," said Gary Cohen, director of the CMS Center for Consumer Information and Insurance Oversight, which is overseeing the federally facilitated exchanges, in a conference call. "Premiums will vary from one state to another. States that have competition and rate review have lower rates."

The new HHS report, combined with previous reports from states running their own exchanges that showed similar results, bolsters the Obama administration's case that the **Patient Protection and Affordable Care Act** is achieving its goal of fostering competition in the health insurance marketplace and producing affordable premiums for consumers. The report, however, only discusses premiums, not total out-of-pocket costs including deductibles, copays and coinsurance. ACA supporters acknowledge that out-of-pocket costs may prove a barrier to care for some lower-income exchange subscribers, though households earning less than 250% of the federal poverty level will qualify for cost-sharing subsidies.

There has been widespread uncertainty and concern about how the federally facilitated exchanges were doing because HHS had kept mum about plan participation and rates until releasing the embargoed report today. Observers worried that HHS and CMS staff were overwhelmed by the unexpected task of having to operate so many exchanges, given the expectation that most states would choose to run their own. But opposition to Obamacare and the exchanges by Republican governors and state legislators around the country left the job to HHS in most states (though Democratic-led states such as Illinois and Delaware also did not establish their own exchanges for various reasons).

Another worry was that some major national insurers including UnitedHealthcare, Cigna Corp. and Aetna had announced they were limiting their exchange participation to selected states. That exacerbated concerns about whether enough insurers would participate. But the big insurers' limited participation has been offset by the widespread participation of other types of insurers, including Blue Cross and Blue Shield plans, local and regional plans including those run by providers, plans operated by Medicaid managed-care insurers, and new consumer-governed co-op plans established by the healthcare reform law.

The HHS report provides an unprecedented look at health plan premiums within and across states, presenting weighted average premiums for all federally approved bronze- and silver-tier plans in 48 states. Under the ACA, plans in the bronze, silver, gold and platinum tiers must have actuarially equivalent benefits to other plans in the same tier; bronze plans cover 60% of subscribers' average expected costs, silver plans cover 70%, gold plans cover 80% and platinum plans cover 90%. That allows apples-to-apples comparisons of premiums, which was one of the ACA's goals.

For instance, the second-lowest cost silver plan premium ranges from \$192 in Minnesota to \$250 in Oregon to \$403 in Indiana to \$516 in Wyoming.

The report shows that many individuals and families will be able to pay modest amounts for bronze and silver coverage if their income is between 100% and 400% of the federal poverty level and they qualify for premium subsidies. In Jackson, Miss., a 27-year-old earning \$25,000 with a subsidy will be able to pay \$8 a month for the lowest-cost bronze plan, in Indianapolis, \$70, in New Orleans, \$74, and in Houston, \$81. The cheapest bronze plan, counting the subsidy, will cost more in other places -- \$123 in Philadelphia, \$124 in Sioux Falls, S.D., and \$142 in Columbus, Ohio.

For a family of four with an income of \$50,000, the price of the lowest-cost bronze plan after taking into account the tax credit will be \$0 in Anchorage, Jackson, Miss., and Fairfax County, Va.; \$11 in Indianapolis; \$26 in Dallas; \$32 in St. Louis; \$134 in Wichita, Kan.; \$202 in Phoenix; and \$273 in Columbus, Ohio.

But there are states and local markets that will have limited plan competition, and that is associated with higher premiums. While Arizona has an average number of 106 plans available and Florida has an average number of 102, Alabama has 7, New Hampshire and West Virginia have 12, and Mississippi has 22.

Katrina Reynolds, administrator at the University of Mississippi Medical Center, said the state insurance commissioner found that residents in most counties of that state will have few plans to choose from. She's not sure how many uninsured Mississippi residents will buy exchange coverage, though she hopes takeup is high, both to improve the health of the population and to lessen the uncompensated care burden on her hospital.

"Today we just don't have a read on it," she said. "The only thing we can do is participate and teach people about their plans."

But in a talk yesterday at the Clinton Global Initiative in New York City, **President Barack Obama** expressed confidence that a lot of Americans would enroll. "When people look and see that they can get high-quality healthcare for less than their cellphone bill," he said, "they're going to sign up."

-- with **Maureen McKinney**, **Jessica Zigmund**, and **Gregg Blesch**