

Obamacare's Health Insurance Exchanges in 2021: Increased Options, but Still Less Than Pre-ACA

Edmund F. Haislmaier and Abigail Slagle

KEY TAKEAWAYS

Despite several years going by, overall competition and insurer choice in the Obamacare exchanges is no better than when they began in 2014.

The Trump Administration made improvements that helped stabilize the market, such as limiting the ability of medical providers and enrollees to “game” the system.

Overall, Obamacare is still much less competitive than the individual market was before Obamacare. Americans deserve far better choice in their health care.

Plan year 2021 is the eighth year of operation for the health insurance exchanges created by the Affordable Care Act (ACA, or Obamacare). It also marks the third consecutive year of increased insurer participation at both the state and county levels—a reversal of the prior trend of decreasing insurer participation during plan years 2016–2018.

State-Level Insurer Competition in the Exchanges

One way to measure insurer competition is to assess insurer participation on a state-by-state basis. Table 1 shows the number of carriers in each state and the District of Columbia in the individual market in 2013 and in the exchanges each year since they began in 2014. Insurers that offer exchange coverage through

This paper, in its entirety, can be found at <http://report.heritage.org/ib6066>

The Heritage Foundation | 214 Massachusetts Avenue, NE | Washington, DC 20002 | (202) 546-4400 | heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

TABLE 1
Number of Health Insurers Participating in the Exchanges, by State

State	HEALTH INSURERS PARTICIPATING IN THE EXCHANGES										ONE-YEAR CHANGES IN THE EXCHANGE									
	Pre-ACA*	Exchange										2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021		
		2013	2014	2015	2016	2017	2018	2019	2020	2021										
Alabama	4	2	3	3	1	2	2	2	2	2	1	0	-2	1	0	0	0			
Alaska	4	2	2	1	1	1	1	2	2	2	0	-1	0	0	0	1	0			
Arizona	11	8	11	8	2	2	5	5	5	5	3	-3	-6	0	3	0	0			
Arkansas	7	3	3	4	3	3	3	3	3	3	0	1	-1	0	0	0	0			
California	12	11	10	12	11	11	11	11	11	11	-1	2	-1	0	0	0	0			
Colorado	14	10	10	8	7	7	7	8	8	8	0	-2	-1	0	0	1	0			
Connecticut	7	3	4	4	2	2	2	2	2	2	1	0	-2	0	0	0	0			
Delaware	4	2	2	2	2	1	1	1	1	1	0	0	0	-1	0	0	0			
District of Columbia	4	3	3	2	2	2	2	2	2	2	0	-1	0	0	0	0	0			
Florida	18	8	10	7	5	4	5	7	8	8	2	-3	-2	-1	1	2	1			
Georgia	11	5	9	8	5	4	4	6	6	6	4	-1	-3	-1	0	2	0			
Hawaii	2	2	2	2	2	2	2	2	2	2	0	0	0	0	0	0	0			
Idaho	5	4	5	5	5	4	4	4	5	5	1	0	0	-1	0	0	1			
Illinois	12	5	8	7	5	4	5	5	8	8	3	-1	-2	-1	1	0	3			
Indiana	11	4	9	8	4	2	2	2	3	3	5	-1	-4	-2	0	0	1			
Iowa	5	4	3	4	4	1	2	2	3	3	-1	1	0	-3	1	0	1			
Kansas	9	3	3	3	3	3	3	3	6	6	0	0	0	0	0	0	3			
Kentucky	6	3	5	7	3	2	2	2	2	2	2	2	-4	-1	0	0	0			
Louisiana	8	4	5	4	3	2	2	3	3	3	1	-1	-1	-1	0	1	0			
Maine	4	2	3	3	3	2	3	3	3	3	1	0	0	-1	1	0	0			
Maryland	8	4	5	5	3	2	2	2	3	3	1	0	-2	-1	0	0	1			
Massachusetts	8	9	10	10	9	7	8	8	8	8	1	0	-1	-2	1	0	0			
Michigan	14	9	13	11	9	7	8	8	8	8	4	-2	-2	-2	1	0	0			
Minnesota	6	5	4	4	4	4	4	4	5	5	-1	0	0	0	0	0	1			
Mississippi	5	2	3	3	2	1	1	2	2	2	1	0	-1	-1	0	1	0			
Missouri	12	3	6	6	4	3	4	7	8	8	3	0	-2	-1	1	3	1			
Montana	2	3	4	3	3	3	3	3	3	3	1	-1	0	0	0	0	0			
Nebraska	4	4	3	4	2	1	1	2	2	2	-1	1	-2	-1	0	1	0			

TABLE 1
Number of Health Insurers Participating in the Exchanges, by State

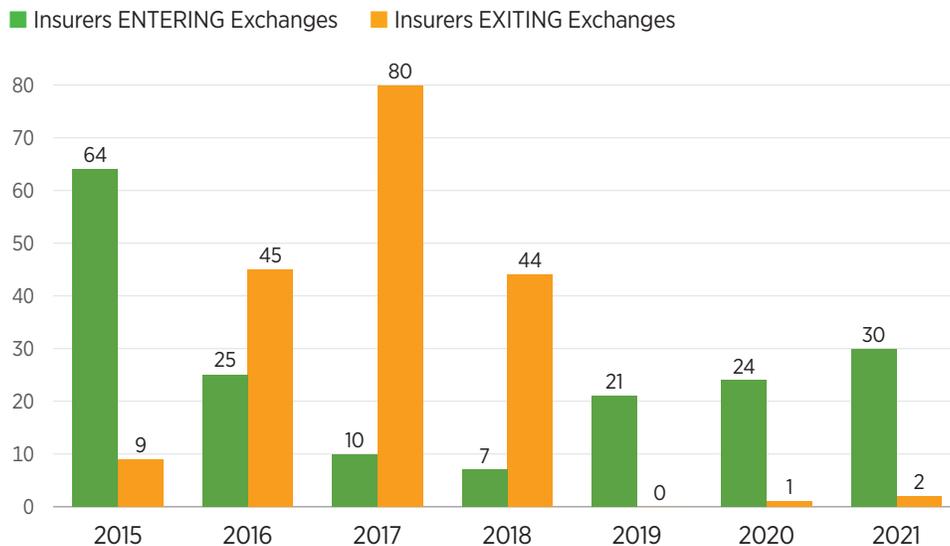
State	HEALTH INSURERS PARTICIPATING IN THE EXCHANGES										ONE-YEAR CHANGES IN THE EXCHANGE									
	Pre-ACA*					Exchange					2014- 2015	2015- 2016	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021			
	2013	2014	2015	2016	2017	2018	2019	2020	2021											
Nevada	5	4	5	3	3	2	2	3	5	1	-2	0	-1	0	0	1	2			
New Hampshire	2	1	5	5	4	3	3	3	3	4	0	-1	-1	0	0	0	0			
New Jersey	3	3	5	5	2	3	3	3	3	2	0	-3	1	0	0	0	0			
New Mexico	3	5	5	4	4	4	4	4	5	0	-1	0	0	0	0	0	1			
New York	10	16	16	15	14	12	12	12	12	0	-1	-1	-2	0	0	0	0			
North Carolina	12	2	3	3	2	2	3	4	6	1	0	-1	0	1	1	1	2			
North Dakota	3	3	3	3	3	2	3	3	3	0	0	0	-1	1	0	0	0			
Ohio	12	11	15	14	10	8	9	9	9	4	-1	-4	-2	1	1	0	0			
Oklahoma	8	4	4	2	1	1	2	3	6	0	-2	-1	0	1	1	1	3			
Oregon	10	11	10	9	6	5	5	5	5	-1	-1	-3	-1	0	0	0	0			
Pennsylvania	14	7	9	7	5	5	6	7	7	2	-2	-2	0	1	1	1	0			
Rhode Island	2	2	3	3	2	2	2	2	2	1	0	-1	0	0	0	0	0			
South Carolina	9	3	4	3	1	1	2	4	4	1	-1	-2	0	1	2	0	0			
South Dakota	4	3	3	2	2	2	2	2	2	0	-1	0	0	0	0	0	0			
Tennessee	10	4	5	4	3	3	5	5	6	1	-1	-1	0	2	0	1	0			
Texas	18	11	14	16	10	8	8	8	10	3	2	-6	-2	0	0	0	2			
Utah	9	6	6	4	3	2	3	5	5	0	-2	-1	-1	1	2	0	0			
Vermont	3	2	2	2	2	2	2	2	2	0	0	0	0	0	0	0	0			
Virginia	10	5	6	7	8	6	7	8	8	1	1	1	-2	1	1	0	0			
Washington	7	7	9	10	7	5	5	7	9	2	1	-3	-2	0	2	2	2			
West Virginia	4	1	1	2	2	2	2	2	2	0	1	0	0	0	0	0	0			
Wisconsin	15	13	15	16	14	11	12	12	13	2	1	-2	-3	1	0	1	0			
Wyoming	5	2	2	1	1	1	1	1	2	0	-1	0	0	0	0	0	1			
TOTAL	395	253	308	288	218	181	202	225	253	55	-20	-70	-37	21	23	28	28			

* Only includes insurers with at least 1,000 covered individuals in the state.

SOURCES: Authors' calculations based on federal and state information on exchange participation and Mark Farrah Associates insurer regulatory data for pre-ACA market participation.

CHART 1

Insurers Entering and Exiting State Exchanges



SOURCE: Authors' calculations based on federal and state information on exchange participation.

IB6066 heritage.org

more than one subsidiary in a state are counted as one carrier (the parent company), while insurers that offer coverage in more than one state are counted for each state (as exchange participation is a state-level decision).

In 2013, the last year before Obamacare's implementation, 395 insurers sold coverage in the individual market across all states and the District of Columbia. For 2021, 253 insurers offer coverage in the Obamacare exchanges. That is an increase of 72 insurers over the low of 181 in 2018, but it still leaves the 2021 exchanges 36 percent less competitive than the individual market was before the implementation of Obamacare.

Table 1 shows that choice and competition in the state exchanges dropped significantly over the three plan years of 2016–2018 but largely rebounded over the subsequent three years (2019–2021). One consequence of insurers returning to the exchanges was that the number of states with only one insurer offering coverage declined from eight in 2018 to five in 2019 to two in 2020. For 2021, only Delaware still has just one exchange insurer.

Over the past three plan years, the number of insurers offering exchange coverage increased by one insurer each in 16 states, by two insurers in six states, by three insurers in six states, by four insurers in four states, and by five insurers in two states (Missouri and Oklahoma), while remaining the

same in 16 states and the District of Columbia. The year-to-year pattern of insurers entering and exiting the exchanges is shown in Chart 1.

Yet even with the increase in insurer participation over the past three years, only five states have more insurers offering Obamacare exchange coverage in 2021 than before the ACA, while seven states have the same number, and 38 states and the District of Columbia have fewer. Indeed, as Table 1 shows, state-level choice and competition in the Obamacare exchanges in 2021 is essentially back to where it started out in 2014.

2021 County-Level Insurer Competition in the Obamacare Exchanges

Though state-level data are informative, the most tangible measure of competition for consumers is data at the county level. That is because health plans are offered, and priced, locally. Also, because some insurers offer Obamacare exchange coverage only in certain parts of a state, county-level data provides a more precise picture of the actual choices available to consumers.

While information on county-level insurer participation is not included in insurer regulatory filings, it is part of the data sets for exchange coverage and thus has been available for that subset of the market since 2014.

The state-level pattern of three years of decreasing insurer participation, followed by increasing participation over the past three years, was echoed at the county level.

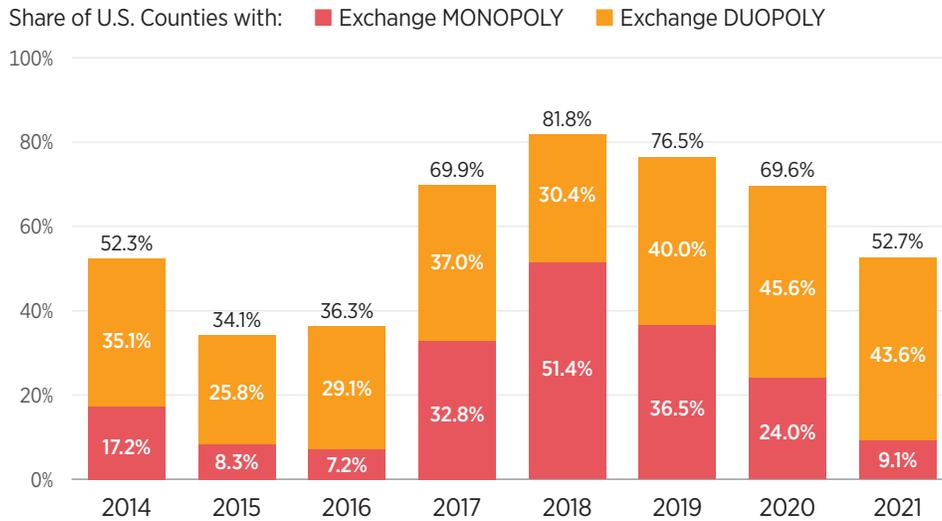
As Chart 2 shows, insurer exits resulted in the share of U.S. counties with only one or two carriers offering exchange plans increasing from 36 percent in 2016 to nearly 82 percent in 2018. Over the past three years, the return of insurers to the exchanges has brought the share of counties with an insurer monopoly or duopoly back down to 53 percent for 2021.

That reversal was driven mainly by changes in the share of counties with only one insurer, which peaked at over half of all counties (51.4 percent) in 2018 but is now down to only 9.1 percent for 2021—about the same level it was at back in 2015 (8.3 percent).¹ However, Chart 2 also shows that the share of counties with just two insurers actually increased over the past three years.

Thus, at the county level, the principal effect of insurers returning to the exchanges was that roughly one-quarter of U.S. counties shifted from having an insurer monopoly to a duopoly.² A secondary effect was a marginal increase in competition among the 572 counties that still had three or more insurers in 2018. As of 2021, roughly one-third of those counties (199 of the 572, or 34.7 percent) had also gained one or more additional insurers.

CHART 2

Counties With Little or No Insurer Choice on the Exchanges



SOURCE: Authors' calculations based on federal and state information on county-level insurer exchange offerings.

IB6066 heritage.org

Patterns of Insurer Exchange Participation

The pattern over the past three years consisted mainly of new or returning insurers selectively offering coverage in portions of states rather than statewide.

During the three-year period 2019–2021, there were 25 instances of insurers reentering state exchanges that they had previously dropped out of, but in only four of those does the insurer currently offer coverage on a statewide basis. Over the same period there were also 49 instances of insurers expanding into states where they had not previously offered exchange coverage, but in only six of those cases did the new entrant offer coverage statewide.

For instance, while Anthem returned to the exchanges in Indiana, Maine, Nevada, Ohio, and Wisconsin, in only two of those states (Maine and Nevada) does it currently offer coverage in all counties. Similarly, United reentered the exchanges in seven states, but in none of them does it currently offer coverage statewide.³

In general, most of the increase in competition came from smaller, local, or regional insurers and from carriers that focus on offering coverage in targeted metropolitan areas, such as Cigna and Oscar.

Market Stabilization

In part, the rebound in insurer competition reflects a number of actions taken by Trump Administration officials to stabilize the exchange market—such as limiting the ability of medical providers and enrollees to “game” the system and saddle carriers with significant losses.

The Trump Administration also eliminated the payment to insurers of separate “cost-sharing reduction” subsidies. Congress never appropriated funding for those separate payments, and their elimination forced insurers to include those costs in their base premiums for Silver plans.⁴ That not only made the true cost of Silver plans transparent but also increased the ACA’s “premium tax credits,” which are pegged to the second-lowest-cost Silver plan available to the subsidy-eligible enrollee. Thus, for subsidized enrollees—who overwhelmingly choose Silver plans—the increase in premiums was offset by an increase in subsidies, while premiums for other plans were unaffected by the change.

In addition, the Trump Administration approved “Section 1332” waivers in 15 states, which gave those states regulatory relief from some of Obamacare’s mandates in order to better align federal subsidy dollars with enrollee need using state-based “reinsurance” programs. As a result, insurers in those states were able to maintain, or even reduce, premiums in general. That particularly benefited unsubsidized exchange customers—who primarily choose Bronze plans.⁵

Conclusion

As the Obamacare exchange market has stabilized over the past three plan years, more insurers have resumed or expanded their offering of exchange coverage. The result is that, at both the state and county levels, insurer choice and competition in the Obamacare exchanges in 2021 is essentially back to where it started out in 2014. Improvements (especially to premiums) are due to the Trump Administration’s efforts to stabilize the market through actions such as limiting the ability of medical providers and enrollees to “game” the system and saddle carriers with significant losses and allowing states to waive some of Obamacare’s mandates in order to better align federal subsidy dollars with enrollee need using state-based “reinsurance” programs. Despite improvements, the exchanges in 2021 are still one-third less competitive than the individual market was before the implementation of Obamacare.

Edmund F. Haislmaier is Preston A. Wells, Jr. Senior Research Fellow in Domestic Policy Studies, of the Institute for Family, Community, and Opportunity, at The Heritage Foundation. **Abigail Slagle** is a Research Assistant in Domestic Policy Studies.

Endnotes

1. In 2018, there were 1,613 counties that had only one insurer. By 2021, 866 of those counties had two insurers, and 461 of them had three or more insurers.
2. The shift from one to two insurers occurred in 866 counties, or 27.5 percent of all counties.
3. United resumed offering coverage in three counties in Massachusetts in 2019 and in selected counties of Maryland, North Carolina, Oklahoma, Tennessee, Virginia, and Washington in 2021.
4. Doug Badger, "How Lawmakers Should Deal with Obamacare Cost-Sharing-Reduction Payments," Heritage Foundation *Issue Brief* No. 4797, December 18, 2017, <https://www.heritage.org/health-care-reform/report/how-lawmakers-should-deal-obamacare-cost-sharing-reduction-payments>.
5. Center for Medicare and Medicaid Services, "Section 1332: State Innovation Waivers," https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Section_1332_State_Innovation_Waivers- (accessed February 22, 2021). See also Doug Badger, "How Health Care Premiums Are Declining in States That Seek Relief from Obamacare's Mandates," Heritage Foundation *Issue Brief* No. 4990, August 13, 2019, <https://www.heritage.org/health-care-reform/report/how-health-care-premiums-are-declining-states-seek-relief-obamacares>, and Doug Badger and Edmund Haislmaier, "State Innovation: The Key to Affordable Health Care Choices," Heritage Foundation *Backgrounder* No. 3354, September 27, 2018, <https://www.heritage.org/health-care-reform/report/state-innovation-the-key-affordable-health-care-coverage-choices>.