



McKinsey&Company

2016 OEP: Reflection on enrollment

Center for U.S. Health System Reform

May 2016

Overview

As the Affordable Care Act (ACA) third individual-market open enrollment period (OEP) came to a close in January, McKinsey's Center for U.S. Health System Reform conducted its eighth national online survey to gather insights into how the individual-market and consumer behavior have evolved.

We surveyed a nationally representative sample of 2,763 qualified health plan (QHP)-eligible uninsured and individually insured consumers (excluding employer-sponsored, Medicaid- and Medicare-eligible; see appendix for details) to find out what actions they reported taking during the 2016 OEP (e.g., how they shopped for, and evaluated, various plans; whether they decided to enroll or go uninsured). We also learned about their awareness of potential subsidies and penalties and other factors influencing their actions.

All findings reflect the rapidly evolving individual market through February 18. These self-reported findings cannot be directly compared with publicly reported exchange enrollment; we have examined enrollment trends across non-ACA and ACA plans (on and off marketplace), while public reports are focused specifically on the ACA on-marketplace enrollees. We have based our findings on how respondents described their behavior, attitudes, and demographics, and the descriptions may naturally include some subjectivity.

For additional methodological details, or with any further questions, please contact us at reformcenter@mckinsey.com.



Key observations from our 2016 Open Enrollment Survey

- 1 Over half of QHP-eligible uninsured individuals have been uninsured for over three years; many understand trade-offs of remaining uninsured.

- 2 While awareness of penalties and subsidies continues to rise, fewer consumers understand their personal eligibility or are shopping.

- 3 Most consumers are renewing; carrier renewing is more likely among those previous plan renewers, younger, and higher income

- 4 Switching is largely driven by plan discontinuation, carrier dissatisfaction, influence of brokers, and large premium increases.

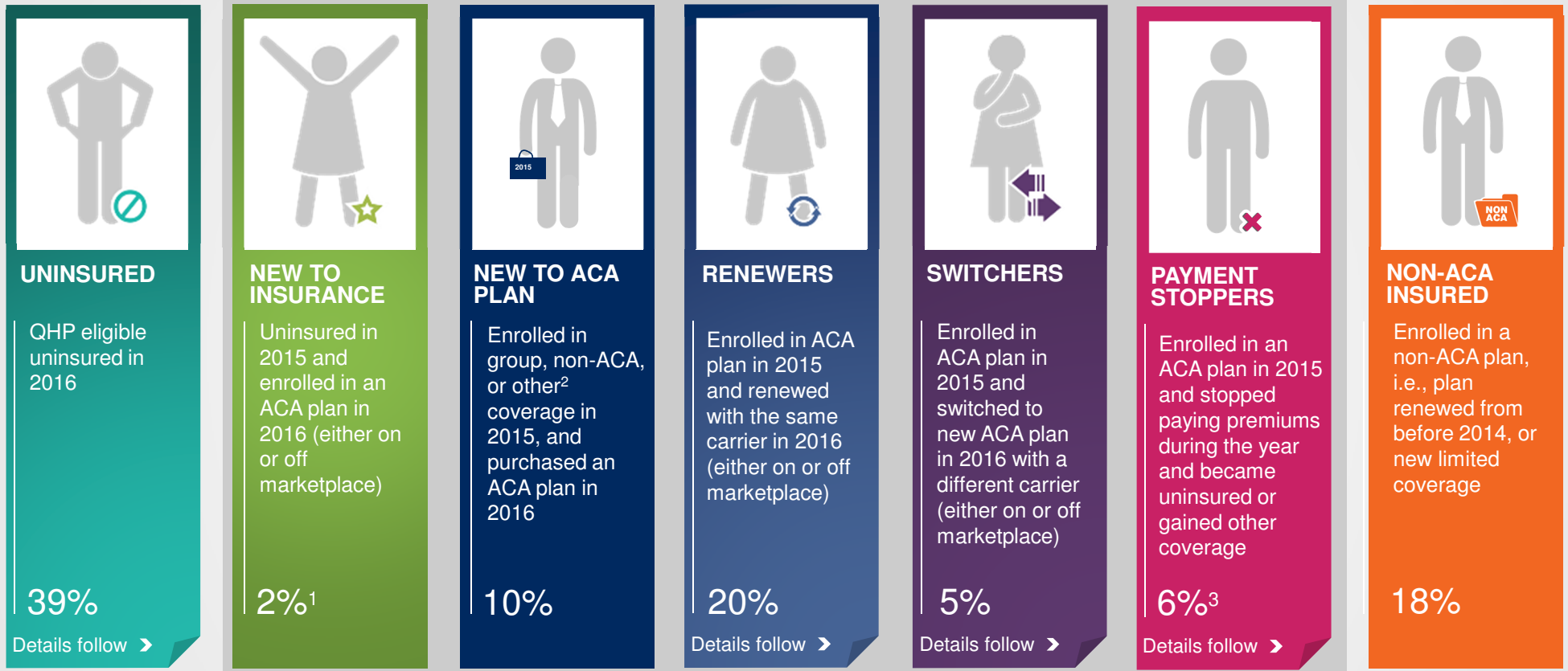
- 5 Nearly a quarter of consumers stopped payment on their premiums in 2015, yet most repurchased an exchange plan in 2016 and many repurchased the same plan.



There are seven key segments of the QHP-eligible market

■ ACA market

% of the 2016 QHP-eligible market

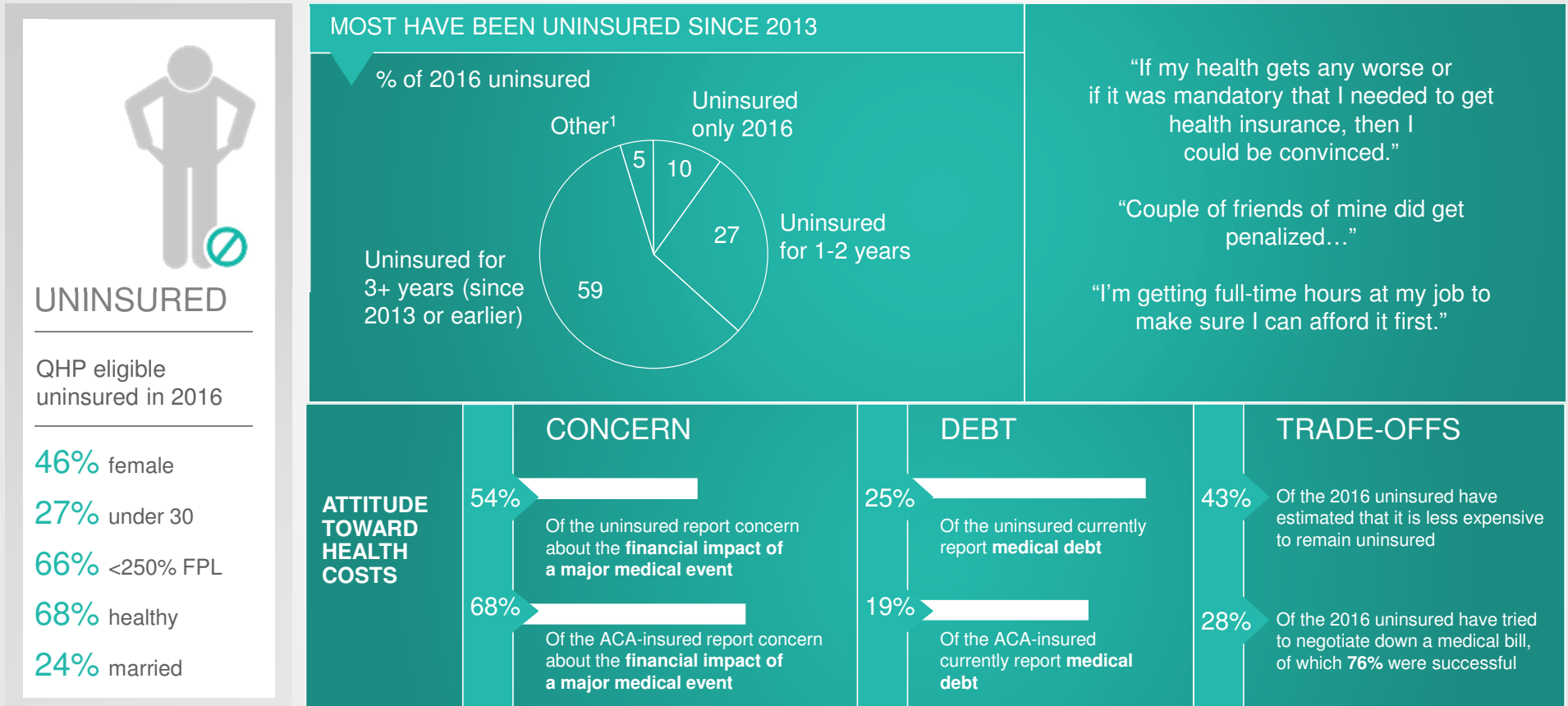


NOTE: The 2016 ACA market is made up of the profiles: New to Insurance, New to ACA plan, Switchers, Renewers, and Payment Stoppers. The Uninsured profile represents the 2016 uninsured market, and Non-ACA profile represents the 2016 non-ACA market

¹ Includes those who report not having insurance for most of 2015. See appendix on page 11 for methodology around how this differs from other publicly reported figures. ² Other includes Medicaid, TriCare/VA, and other types of health insurance. ³ Percentage represents the number of payment stoppers who re-purchased an ACA plan in 2016. Those who remained uninsured in 2016 are in the Uninsured profile (7% of payment stoppers) and those who purchased a non-ACA plan in 2016 are in the Non-ACA profile (6% of payment stoppers).

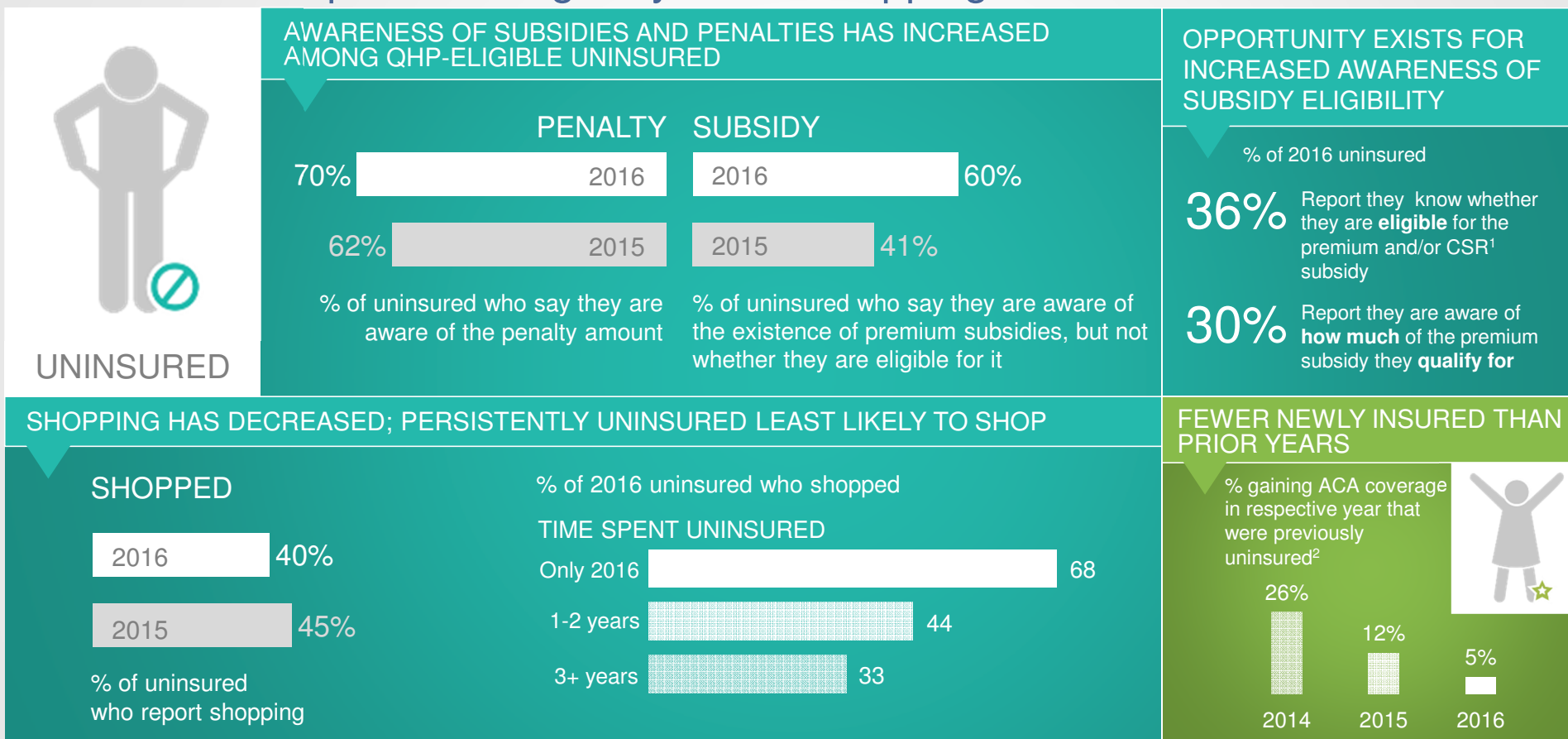
SOURCE: McKinsey Individual Market OEP Survey, February 2016

Over half of QHP-eligible uninsured individuals have been uninsured for over three years; many understand financial trade-offs of remaining uninsured



¹ Other includes those who were uninsured as of February 2016, but have churned in and out of having insurance in the past 3 years.

While awareness of penalties and subsidies continues to rise, few consumers understand their personal eligibility or are shopping



¹ CSR refers to the cost-sharing reduction subsidy offered to eligible participants by the Affordable Care Act, which helps to reduce consumers' out of pocket expenditure for deductibles, coinsurance, copayments, and maximum out-of-pocket costs. Premium subsidies are also offered to eligible participants to help reduce the cost of the monthly premium payment ² Includes those who report not having insurance for most of the previous year. See appendix on page 11 for methodology around how this differs from other publicly reported figures

SOURCE: McKinsey Individual Market OEP Survey and follow-up phone calls, February 2016

Most consumers are renewing; carrier renewing is more likely among those previous plan renewers, younger, and higher income



RENEWERS

Enrolled in ACA plan in 2015 and renewed with the same carrier in 2016

58% female

18% under 30

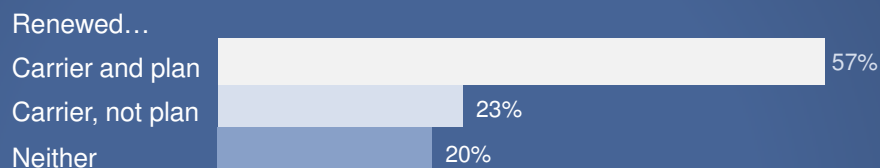
74% <250% FPL

45% healthy

40% married

RENEWALS ARE HIGH

% of 2016 ACA-insured who were ACA-insured in 2015



GROUPS THAT ARE LESS LIKELY TO SWITCH CARRIERS¹...

PAST PLAN RENEWERS

Individuals who **renewed their plan** in 2015 were **~50% less likely** to switch carriers in 2016 than those who bought a new plan in 2015

MIDDLE AGED AND YOUNGER

Younger individuals (under 50) were **50-60% less likely** than older persons (50 - 64) to switch carriers.

HIGHER INCOME

Higher-income individuals (400%+ FPL) were **~40% less likely** to switch carriers than lower-income individuals (<399% FPL)

"I've got to keep my PCP – I've had her for 12 years. I see lots of specialists and wanted to maintain those relationships."

"I went back on the Exchange to shop, but it's overwhelming... I chose my [same] plan again."

"I've had this insurance company for a long time. I think they do a good job."

¹ Of those who were ACA-insured in 2015 and 2016.



What switching remains is largely driven by plan discontinuation, carrier dissatisfaction, influence of brokers, and large premium increases



SWITCHERS

Enrolled in ACA plan in 2015 and switched to new ACA plan in 2016 with a different carrier

61% female

8% under 30

76% <250% FPL

55% healthy

45% married

WHAT DRIVES CARRIER SWITCHING?

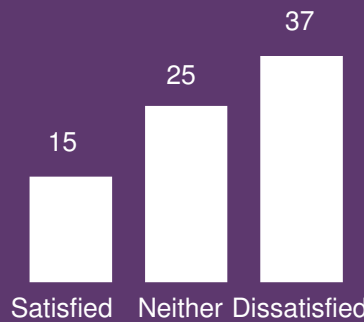
PLAN DISCONTINUATION

49% of those who reported their **2015 plan was discontinued** switched carriers in 2016

14% of those who reported their **2015 plan was NOT discontinued** switched carriers in 2016

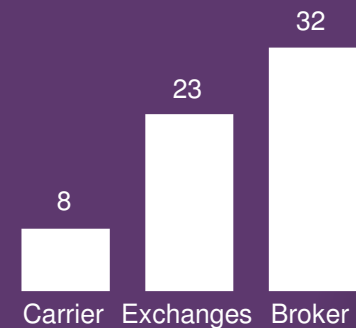
CARRIER DISSATISFACTION

% of 2015 and 2016 ACA-insured respondents who switched companies



2016 PURCHASE CHANNEL

% of 2015 and 2016 ACA-insured respondents who switched companies¹



PREMIUM PRICE INCREASE

% of 2015 and 2016 ACA-insured respondents who switched companies²

2015 reported plan premium price change



¹ Of those who reported paying a premium for their plan as of February 2016

² Of those whose plan was not discontinued in 2015, since this is mutually exclusive with a premium price change. Includes only those who reported a change in their premium price.

SOURCE: McKinsey Individual Market OEP Survey, February 2016

Nearly a quarter of consumers stopped payment on their premiums in 2015, yet most repurchased an exchange plan in 2016 and many repurchased the same plan

PAYMENT STOPPERS



Enrolled in an ACA plan in 2015 and stopped paying premiums during the year and became uninsured or gained other coverage

DEMOGRAPHICS

- 36% female
- 31% under 30
- 71% <250% FPL
- 43% healthy
- 48% married

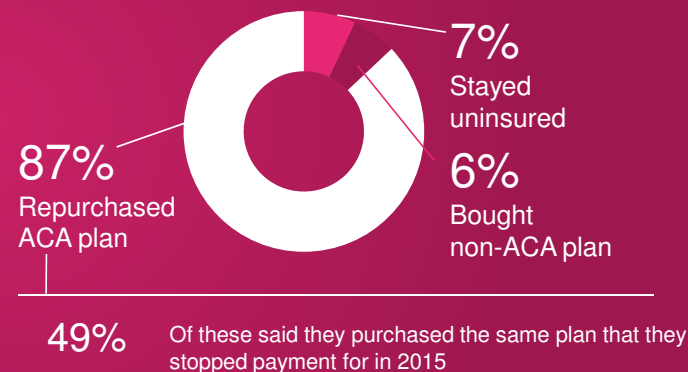
MAJORITY REPORTED RE-PURCHASING A PLAN IN 2016, HALF OF WHOM BOUGHT THE SAME PLAN

PAYMENT STOPPERS IN 2015

% of 2015 ACA respondents¹



2016 ACTIONS OF THOSE WHO STOPPED PAYMENTS



REPEAT BEHAVIOR

67% Of payment stoppers were individually insured in 2014, of which...

67% said they had also stopped payments on their 2014 plan

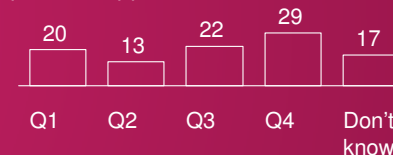
RATIONALE VARIES

36% Reported that they **gained other coverage**

26% Reported that they **could no longer afford insurance**

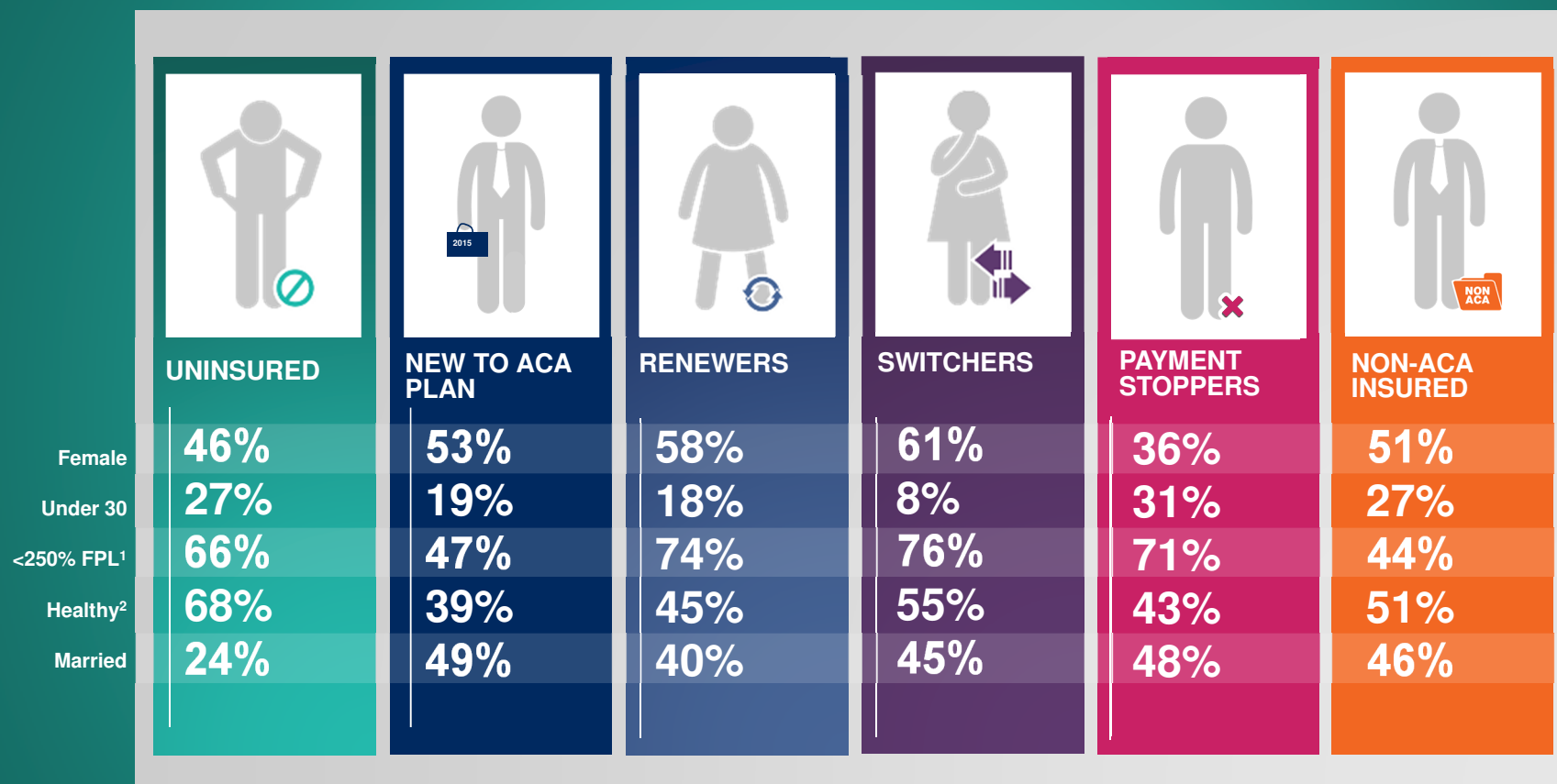
>50% STOP BEFORE Q4

% of 2015 payment stoppers by quarter stopped



¹ This sample includes only those who were in our survey (uninsured or individually insured in 2016) and therefore may not be completely representative of the total 2015 ACA market.

Appendix: Demographics of QHP-eligible market segments



NOTE: 'New to insurance' profile not included here due to insufficient sample size.

¹ FPL refers to income as a percent of Federal Poverty Level (FPL)

² Defined as 'low' health risk based on number of chronic conditions and expected healthcare utilization.' Medium'- and 'high'-risk percentages not shown here.

SOURCE: McKinsey Individual Market OEP Survey, February 2016

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Appendix: Survey Overview

Survey overview

Through the McKinsey Center for U.S. Health System Reform, we regularly survey a national sample of QHP-eligible uninsured and individually insured consumers (excludes those eligible for Medicaid and Medicare). This research is independently funded by McKinsey & Company without contribution from any third party. The objective is to understand the intended actions, shopping, and purchasing behavior of consumers who are eligible to purchase individual coverage on the ACA exchanges or elsewhere. These surveys therefore provide snapshots of enrollment over time. These surveys have included phone interviews of a subset of respondents, from which quotes have been used in this publication.

To date, we have completed eight 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
- Feb. 4 to Feb. 13, 2014: sample size of 2,096
- Apr. 7 to Apr. 16, 2014: sample size of 2,874
- Nov. 6 to Nov. 10, 2014: sample size of 2,000
- Feb. 21 to Feb. 24, 2015: sample size of 3,007
- Feb. 2 to Feb 18, 2016: sample size of 2,763

Caveats: Three important points help clarify how these survey findings should be interpreted.

- Some of the reported 2016 ACA-insured respondents purchased coverage through channels other than online exchanges. As a result, our survey numbers cannot be directly compared with publicly reported exchange enrollment.
- Our survey was conducted only in English. Thus, it does not reflect the behavior or attitudes of those who would have preferred a survey in Spanish or another language.
- Some survey findings cannot be compared to publicly-reported figures because of methodology differences. For example, our survey's "New to Insurance" estimates (2% of 2016 QHP-eligible and 5% of 2016 ACA-insured) are limited to respondents who self-reported to be uninsured for most of 2015. Some publicly-reported estimates of "newly insured" include a broader group of all consumers who were uninsured at the time they signed up for a 2016 marketplace plan.



Appendix: Further Methodology

Methodology: The survey was designed and analyzed by McKinsey teams. The surveys were administered online in English by a third-party vendor. We used the following characteristics to focus on the consumer segments eligible to purchase individual coverage on the ACA exchanges or elsewhere:

- Ages 18 to 64
- Income above 100% FPL in Medicaid non-expansion states and above 138% FPL in Medicaid expansion states
- Primary 2016 coverage (by self-report) is no insurance or individual insurance
- Primary decision-maker, equally involved, or contribute to health insurance decisions for their household

Weighting: Each response was weighted separately for the 2016 QHP-eligible uninsured, ACA-insured, and non-ACA-insured segments similar to previous annual post-OEP surveys, using the following factors: age, gender, geography, household size, income. In addition, responses were weighted across reported primary 2015, 2014, and 2013 coverage to reflect the national distribution of uninsured vs. individually insured QHP-eligible consumers over these three years. To inform the weighting, we used the McKinsey Predictive Agent-based Coverage Tool (MPACT), which provides specific county-level demographic details about the 2013, 2014, and 2015 QHP-eligible populations. These details are attained by merging county- and state-level data from the U.S. Census Bureau, Small Area Health Insurance Estimates (SAHIE), American Community Survey (ACS), Centers for Medicare and Medicaid Services (CMS), and Health and Human Services (HHS). These estimates have been reconciled with publicly reported enrollment information for 2015 (i.e., exchange enrollment, Medicaid enrollment).

Insurance coverage status: Respondents were asked their coverage in 2013, 2014, 2015, and 2016, as follows:

- “Which of the following best describes your primary insurance coverage in 2013? For most of the year I was...”
- “Which of the following best describes your primary insurance coverage in 2014? For most of the year I was...”
- “Which of the following best describes your primary insurance coverage in 2015? For most of the year I was...”
- “Which of the following best describes your current (2016) insurance coverage? I am covered by...”

Health status: We categorized respondents into three types of health risk—low, medium, high—based on self-reported chronic medical conditions and self-reported details on their use of the health care system.

