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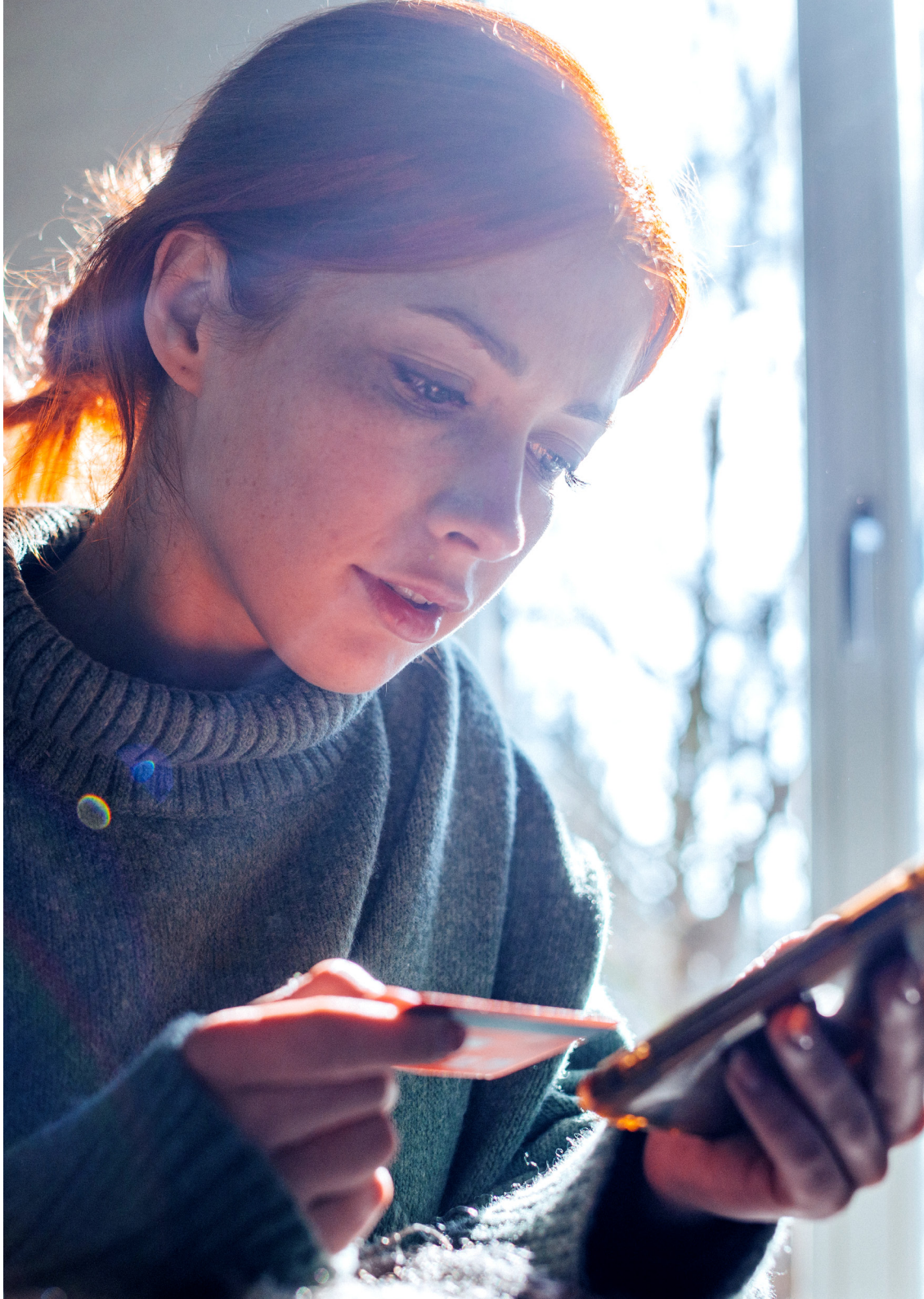
Healthcare Practice

The individual health insurance market in 2023

This represents an outsize year for insurer and enrollment growth. More than 3.6 million new consumers entering the market are choosing among an average of 88 plans.

by Edith Chan, Brandon Flowers, Himani Kohli, and Isaac Swaiman



April 2023

Introduction

The year 2023 marks the tenth year of operation for the US health insurance exchanges since they launched as part of the Affordable Care Act in 2014. The individual market has remained fluid during this time, with insurer participation, pricing, and plans changing from year to year.

Consumer participation increased 25 percent to approximately 16 million from 2020 to 2022,[1] coincident with extended enrollment periods[2] and enhanced subsidies implemented under the American Rescue Plan Act of 2021[3] and extended through 2025 by the Inflation Reduction Act of 2022.[4]

We have collected and analyzed data from every health insurance exchange in the country across the 33 marketplaces on the federal platform and the 18 state-based marketplaces at the county level (see sidebar, "Methodology"). This document includes several insights into the individual market for 2023 that are relevant to stakeholders, including insurers, providers, private equity firms, policy analysts, and consumers:

— Participation continues to grow across almost all insurer categories, as it has since 2018, although the growth rate has slowed in 2023. Participation in 2023 increased most in the national insurance carrier (nationals) category, while participation in the insurtech category declined, driven primarily by the exit of Bright Health.[5]

— Consumers continue to have increased choice in product offerings in 2023, given increased insurer participation and an increase in the number of plans offered by participating insurers. Beyond 2023, this trend could be affected by regulations recently proposed by the Centers for Medicare & Medicaid Services (CMS) for federally facilitated marketplaces (FFM), which would limit the number of plans each insurer can offer starting in 2024.[6]

— Plan premiums have increased modestly in 2023 (a median increase of 4 percent for the lowest-price silver plan) following four consecutive years of almost no premium changes. These increases have occurred across insurer categories and metal tiers, although insurtechs increased premiums the most.

— National insurers are offering more competitively priced silver-level plans compared with last year. They currently offer the lowest-price silver option available to 20 percent of consumers, up from 6 percent in 2022. Medicaid insurers and Blue Cross Blue Shield insurers (Blues) continue to provide the lowest-price silver plan option for the largest share of consumers on the individual market (30 percent of and 25 percent of consumers, respectively).

Looking ahead, consumer participation could continue to grow. Open enrollment results from November 1, 2022, through January 25, 2023, show 13 percent growth from 2022.[7] The upcoming resumption of Medicaid redeterminations, which states may begin as early as April 2023, could result in an estimated additional 2.7 million individuals becoming disenrolled from Medicaid coverage and eligible for individual market premium subsidies.[8]

[1] McKinsey Enrollment Projection tool, with estimates based on 2021 insurer-reported financials, 2022 open-enrollment-period results, and 2022 Unified Rate Review Template data.
[2] "CMS extends open enrollment period and launches initiatives to expand health coverage access nationwide," Centers for Medicare & Medicaid Services (CMS), US Department of Health and Human Services (HHS), September 17, 2021.
[3] "H.R.1319: American Rescue Plan Act of 2021," 117th Congress, March 11, 2021.
[4] "H.R.5376: Inflation Reduction Act of 2022," 117th Congress, August 16, 2022.
[5] "Bright Health Group announces it will withdraw from the individual market in every state, including California, at the end of 2022," Covered California, October 18, 2022.
[6] "Fact sheet: HHS Notice of Benefit and Payment Parameters for 2024 proposed rule," CMS, December 12, 2022.
[7] "Fact sheet: Marketplace 2023 open enrollment period report: Final national snapshot," CMS, January 25, 2023.
[8] "Unwinding the Medicaid continuous enrollment provision: Projected enrollment effects and policy approaches," Issue brief HP-2022-20, Office of the Assistant Secretary for Planning and Evaluation (ASPE), HHS, August 19, 2022.

Methodology

Findings in this document are based on publicly available information. Rates for 2014 through 2023 come from the McKinsey Exchange Offering Database, which includes county- and plan-level information from publicly available rate filings and healthcare.gov. The consumer population is defined as the population that has enrolled in any type of individual coverage, including on-exchange and off-exchange plans. Full-year enrollment for 2022 is projected.

The data for prior years in this article is slightly different from the data in last year's article[1] because we undertook some additional preprocessing steps (for example, cleaning, quality assessment, validation, and adding missing data). We also refreshed the data to consistently account for M&A activity over the years.

Due to data availability limitations, the analysis excludes the following counties in New York:

- 2020: Herkimer, Montgomery, Orleans, Saratoga, Schuyler, Tompkins, Washington, Wayne, and Wyoming (combined estimated enrollment 12,969)
- 2021: Chemung, Erie, Montgomery, Orleans, Saratoga, Washington, Wayne, and Wyoming (combined estimated enrollment 20,427)

Pricing. Pricing analyses in this document are based on on-exchange plans only; this report does not include off-exchange pricing data. For consistency, premiums were obtained for a 27-year-old nonsmoking individual without family or partner coverage. To understand the premium changes that consumers will see (before the impact of subsidies), we calculated the weighted average rate change in premiums from 2022 to 2023 for the lowest-price silver plan in each rating area and county combination. First, we established a distribution of individuals using individual market plans in each county based on Federal Information Processing Standards (FIPS) codes. Next, we combined this population distribution with data about premiums for lowest-price silver plans in 2022 and 2023. Finally, we used the 2022 and 2023 premiums to calculate weighted average rate changes for all 50 states and the District of Columbia individually and collectively.

Insurer participation. To calculate insurer participation, including the consumer view of insurer participation, we analyzed the number of unique insurer parent companies that are offering plans on exchanges.

Insurer categories. Insurer categories are defined as follows:

- **Blues:** insurers that are members of the Blue Cross Blue Shield Association
- **Consumer operated and oriented plan (CO-OP):** a recipient of federal CO-OP grant funding
- **Medicaid:** an insurer that also operates as a managed care organization (MCO) and whose main line of business outside of individual coverage is in Medicaid
- **National:** a multistate, non-Blue insurer with a nationwide commercial footprint (for example, Aetna CVS Health, United HealthCare, Cigna)
- **Provider:** an insurer that also operates as a provider or health system
- **Regional/local:** a nonprovider, non-Blue insurer with a presence typically in a single state, but that may include a collection of states with regional focus
- **Insurtech:** a venture capital–backed insurer, typically with an innovative, tech-first value proposition (for example, Bright Health, Friday Health Plan, Oscar Health)

[1] Stephanie Carlton, Mike Lee, and Arjun Prakash, "Insights into the 2022 individual health insurance market," McKinsey, August 3, 2022.

Plan types. Plan types reported here were taken directly from insurer rate filings and summary of benefits and coverage documents. Independent assessment of plan types was not part of the analysis presented in this document. Plan types are defined as follows:

- **HMO:** A health maintenance organization is a plan typically centered on a primary-care physician who acts as a gatekeeper to other services and referrals. It usually provides no coverage for out-of-network services, except in emergency or urgent-care situations.

- **EPO:** An exclusive provider organization is a plan similar to an HMO. It usually provides no coverage for any services delivered by out-of-network providers or facilities except in emergency or urgent-care situations; it generally does not require members to use a primary care physician for in-network referrals.

- **PPO:** A preferred provider organization is a plan that typically allows members to see physicians and get services that are not part of a network; out-of-network services often require a higher copayment.

- **POS:** A point-of-service plan is a hybrid of an HMO and a PPO; it is an open-access model that may assign members to a primary care physician and usually provides partial coverage for out-of-network services.

Level of plan coverage. Metal levels indicate the share of covered medical costs paid by the plan versus the share paid by consumers in the form of deductibles, copays, and coinsurance. Generally, premiums are higher when the plan covers a larger share of expenses.[2]

- **Platinum:** Plan pays approximately 90 percent of covered expenses.

- **Gold:** Plan pays approximately 80 percent of covered expenses.

- **Silver:** Plan pays approximately 70 percent of covered expenses. Some consumers with lower incomes (between 100 and 250 percent of the federal poverty limit) qualify for cost-sharing reductions, which increase the proportion of expenses paid by the plan at no extra cost to the consumer.

- **Bronze:** Plan pays approximately 60 percent of covered expenses.

- **Catastrophic:** Plan has very low monthly premiums and very high deductibles, providing protection for high-cost medical situations. Only individuals under 30 or with an exemption based on affordability or other hardship are eligible to purchase catastrophic plans.[3]

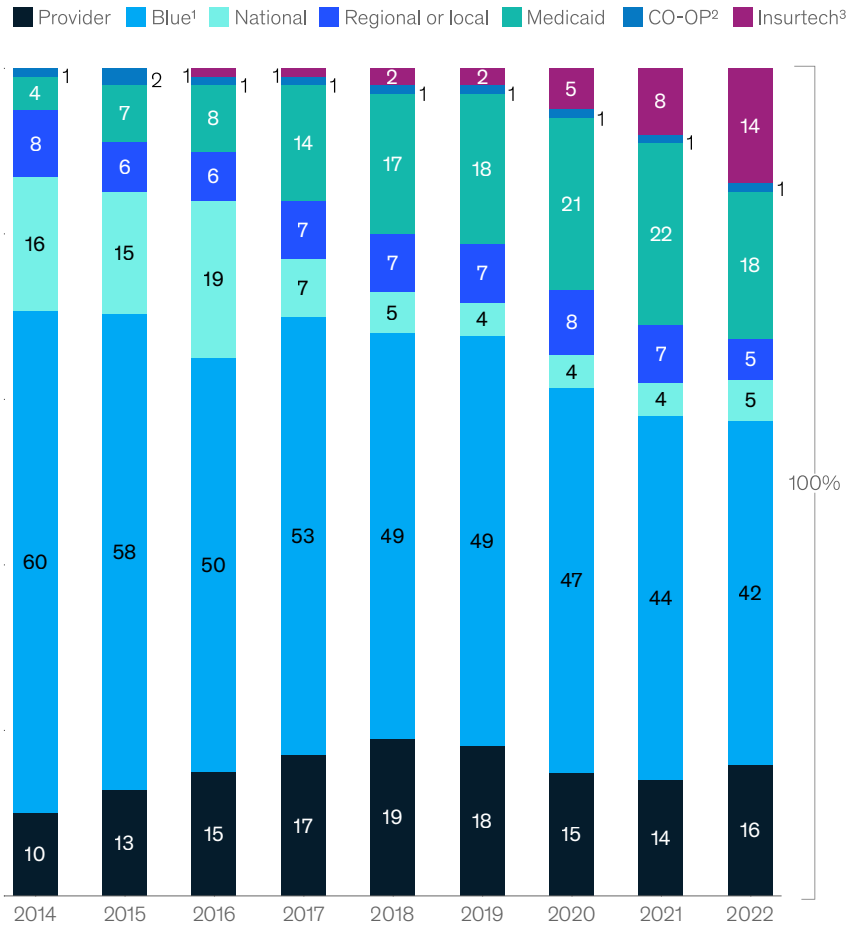
[2] "How to pick a health insurance plan: The health plan categories: Bronze, Silver, Gold & Platinum," healthcare.gov, accessed March 11, 2023.
[3] "How to pick a health insurance plan: Catastrophic health plans," healthcare.gov, accessed March 11, 2023.

The individual marketplace grew to approximately 16 million enrollees in 2022

Heading into the 2023 open enrollment period, consumer participation increased to more than 16 million in 2022. Approximately 42 percent of members were enrolled with Blues in 2022, down 18 percentage points from their high in 2014. Insurtechs enrolled 14 percent of members, a 12-percentage-point increase since 2019.

Enrollment in 2022 exceeded 16 million for the first time since 2016.

Enrollment levels by plan type, %



	2014	2015	2016	2017	2018	2019	2020	2021	2022
Estimated enrollment, million (on- and off-exchange plans)	**14.5**	**16.9**	**16.7**	**14.6**	**13.4**	**12.8**	**13.2**	**14.4**	**16.1**

Note: Figures may not sum to 100%, because of rounding.
[1]Blue Cross Blue Shield payers.
[2]Consumer operated and oriented plans.
[3]Plans carried by Bright Health, Friday Health Plans, or Oscar Health.
Source: McKinsey Center for US Health System Reform analysis of federal and state individual marketplace data

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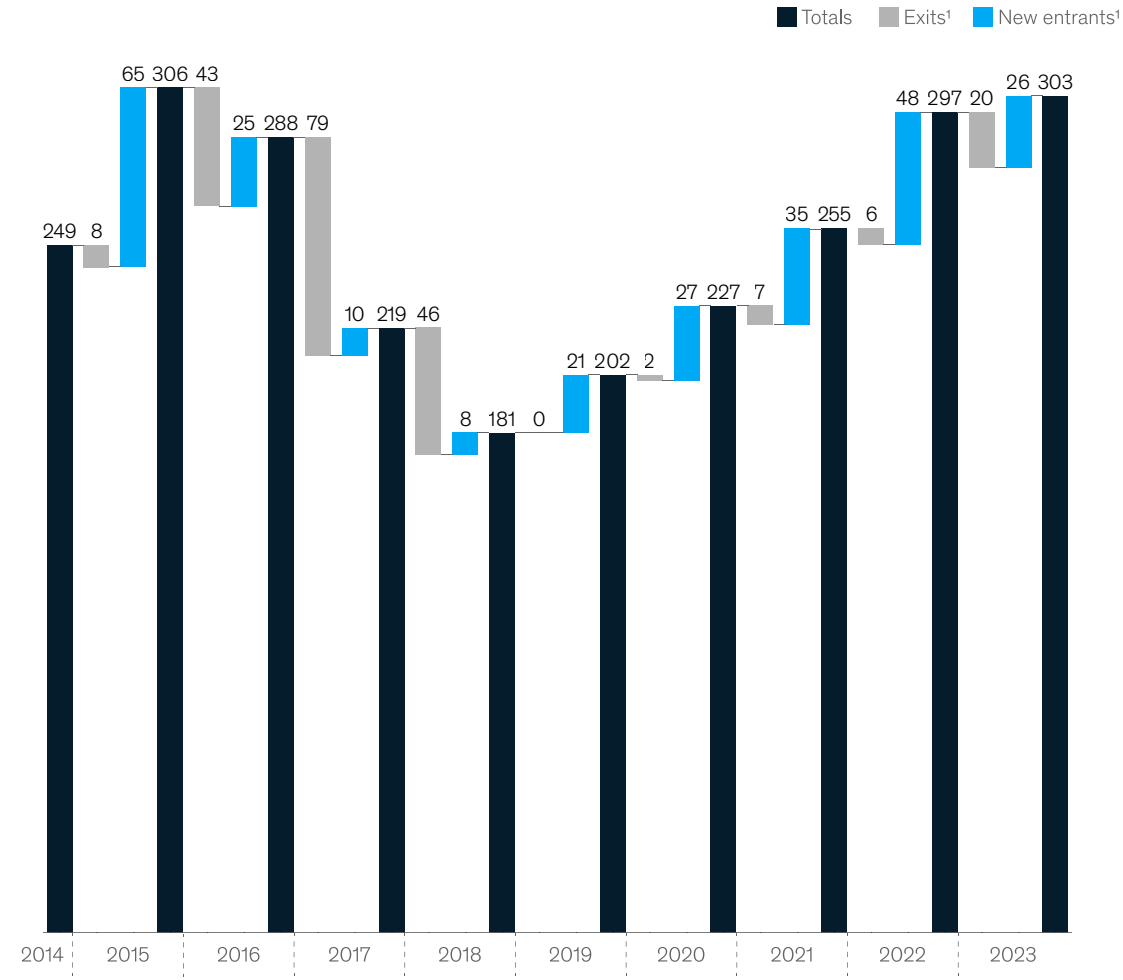
Insurer participation continued to grow in 2023, although at a slower rate

Insurer participation increased in 2023 for the fifth consecutive year to 303 insurer participants at the state level, nearly matching the all-time high of 306 in 2015.

Twenty-six new insurers entered at the state level in 2023 (a 9 percent increase in participation), compared with 48 and 35 new entrants in 2022 and 2021, respectively. This increase was offset by the exit of 20 insurers (a 7 percent decrease) at the state level. The overall net increase of six insurers (a 2 percent increase) in 2023 is lower than the increases observed in the previous four years, which ranged from 11 to 16 percent.

Insurer participation increased in 2023 for the fifth straight year.

Exchange participation by year, count of carrier parents at the state level



[1]New entrants include carrier parents that newly filed individual exchange plans in a given state as well as those that were already participating in a state but filed plans under an additional or different set of entities. In an acquisition, an acquired carrier parent is considered to exit while the acquirer is (if applicable) counted as a new entrant, resulting in a net change of 0.
Source: McKinsey Center for US Health System Reform analysis of federal and state individual marketplace data

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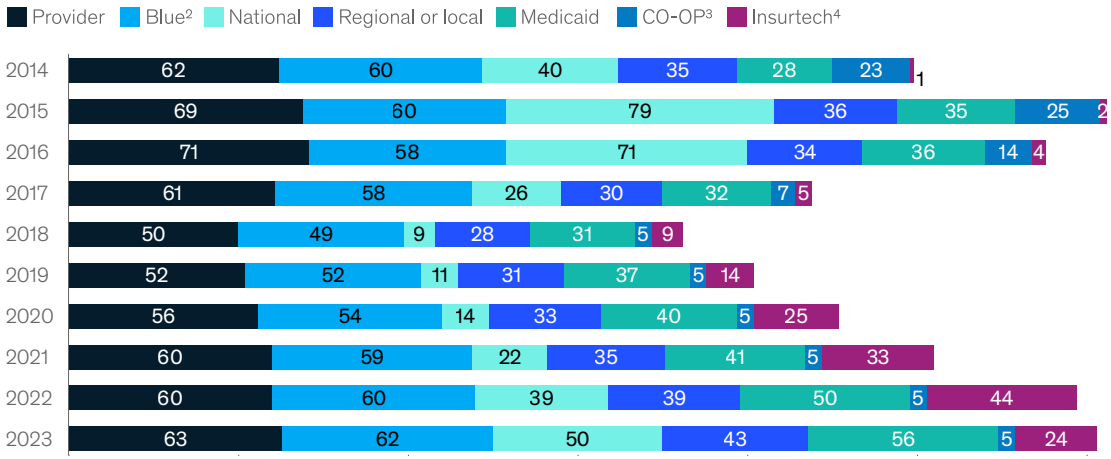
National insurers expanded participation the most from 2022 to 2023, and insurtechs were the only insurer category to see declines

Although insurtechs have been a major contributor to participation growth in recent years, they experienced a retrenchment in 2023, with Bright Health exiting the market and Friday Health Plan pausing operations in some states.[9] All other insurer categories were stagnant or grew in 2023, with national insurers driving the largest increase in participation. As of 2023, 59 percent of consumers have access to a plan from a national insurer, up from 47 percent in 2022. Blues (98 percent) and Medicaid (76 percent) insurers still provide access to the most consumers nationwide.

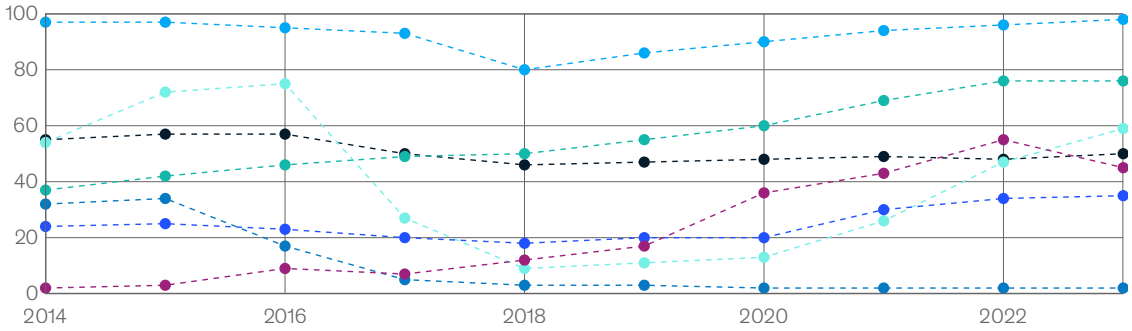
[9] Priscilla Waggoner, "Friday Health Plans scaling back from 7 states to 5," *Valley Courier*, November 4, 2022.

Exchange participation and consumer access increased across all insurer categories except insurtech from 2022 to 2023.

Exchange participation by year and insurer category, number of insurer parents at the state level[1]



Consumers with access to plan type,[5] %



[1]Some totals shift over time or depending on segmentation due to M&A activity, such as regional insurers being acquired by national insurers (eg, Tufts and Harvard Pilgrim are counted as one carrier [Point32] from 2021 onward; True Health is counted as an insurtech plan from 2021 onward after it was acquired by Bright Health; etc).
[2]Blue Cross Blue Shield payers.
[3]Consumer operated and oriented plans.
[4]Plans carried by Bright Health, Friday Health Plans, or Oscar Health.
[5]Consumers are defined as the population that has enrolled in any type of individual coverage, including both on- and off-exchange plans; enrollment for 2019–23 is estimated or projected based on 2022 county codes; access is defined as the insurer type offering at least 1 on-exchange silver plan in a given county.
Source: McKinsey Center for US Health System Reform analysis of federal and state individual marketplace data

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Consumer choice of insurers and products has increased substantially over the past five years

Consumer access to multiple insurer options has increased along with insurer participation over the past five years, with 87 percent of consumers having access to three or more insurers in 2023. This is unchanged from 2022 but up from 49 percent (an increase of 38 percentage points) since 2018. Just 4 percent of counties had access to only a single insurer in 2023, down from 52 percent in 2018.

Additionally, consumers continue to have more choices, with insurers offering 17 percent more plan options in 2023 than in 2022 and more than three times the number of offerings in 2018.

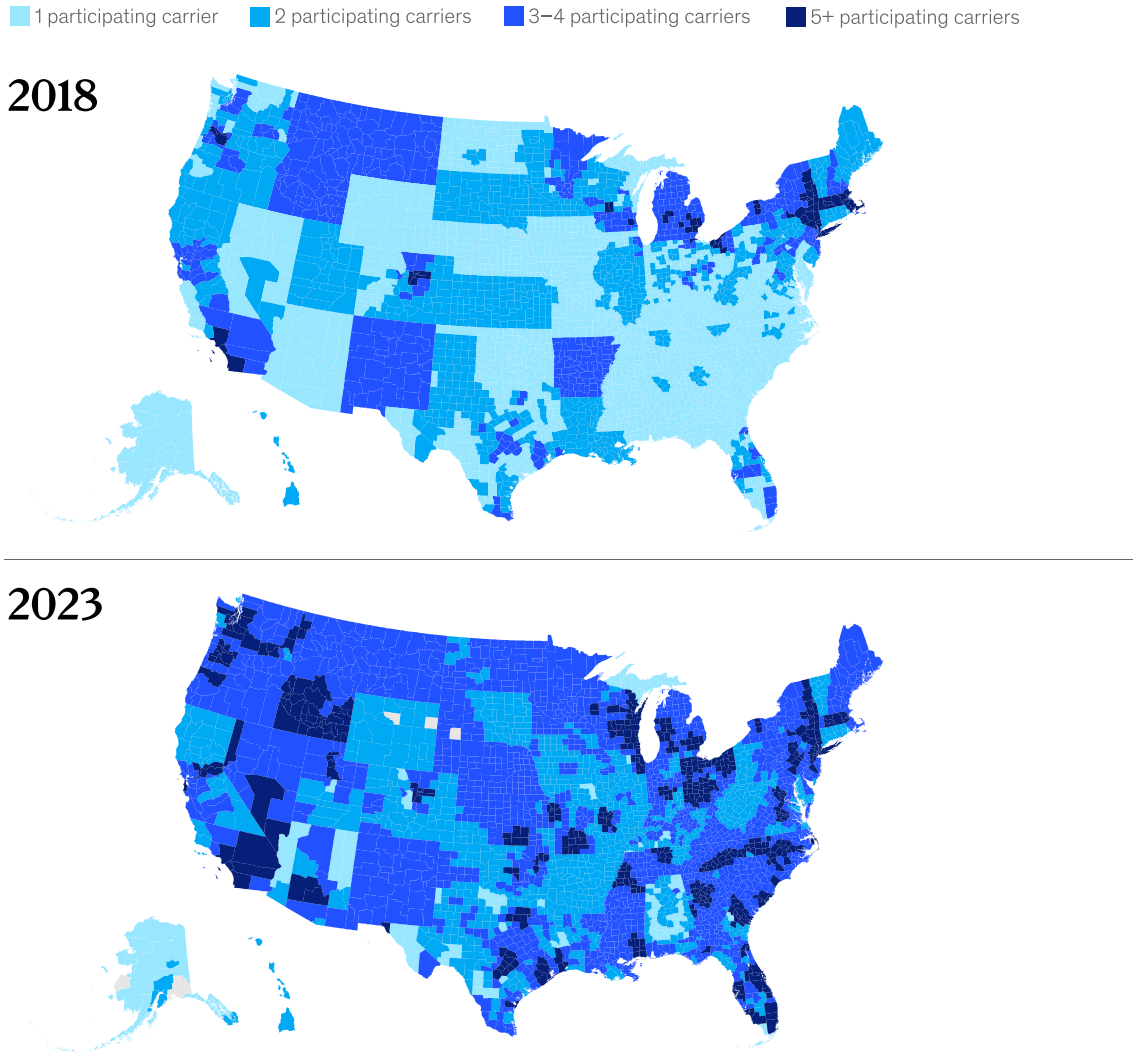
On average, a consumer can choose among five insurers and 88 plans in 2023, compared with three insurers and 27 plans in 2018.

With the goal of simplifying the shopping experience for consumers, CMS included regulations as part of the HHS Notice of Benefit and Payment Parameters for 2024 proposed rule that would limit insurers in FFM states to offering two nonstandardized plans (in addition to one standardized plan, which insurers are required to begin offering starting in plan year 2024) per product network type (for example, HMO, PPO) and metal tier.[10] We estimate that if this rule had been in effect for plan year 2023, the average number of plan options available to FFM consumers would be 34 percent lower overall, with a 45 percent reduction in nonstandardized plan options.

[10] Standardized plans have a standard actuarial value, maximum out-of-pocket cost, deductible, and cost sharing for a given metal level of coverage. In 2022, nine states required Health Insurance Marketplace insurers to offer standardized plans, and six limited the number of nonstandardized plans on their state-based marketplaces. "HHS Notice of Benefit," December 12, 2022; Rose C. Chu et al., "Facilitating consumer choice: Standardized plans in health insurance marketplaces," Issue brief HP-2021-29, ASPE, HHS, December 28, 2021.

The proportion of counties with a single insurer decreased from 52 percent in 2018 to 4 percent in 2023.

Exchange participation by county



Source: McKinsey Center for US Health System Reform analysis of federal and state individual marketplace data

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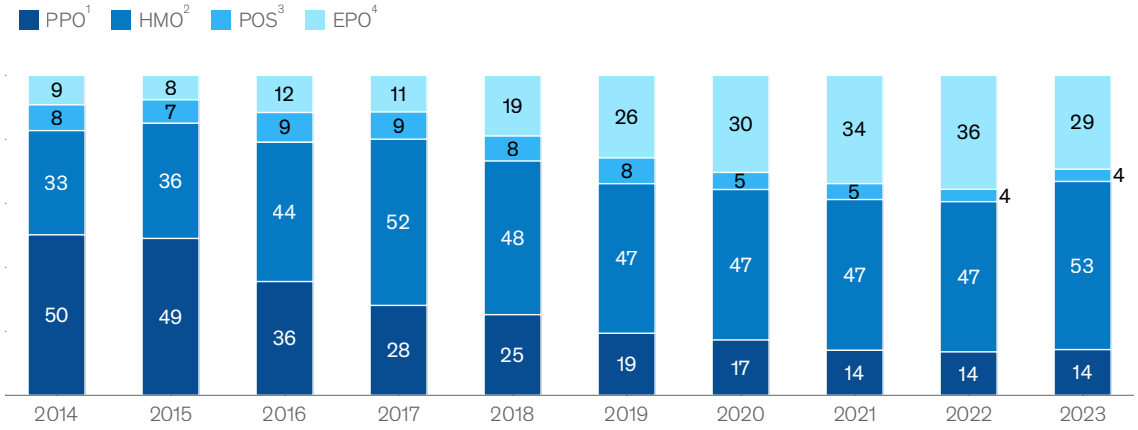
Growth in product availability has varied by plan type and metal tier

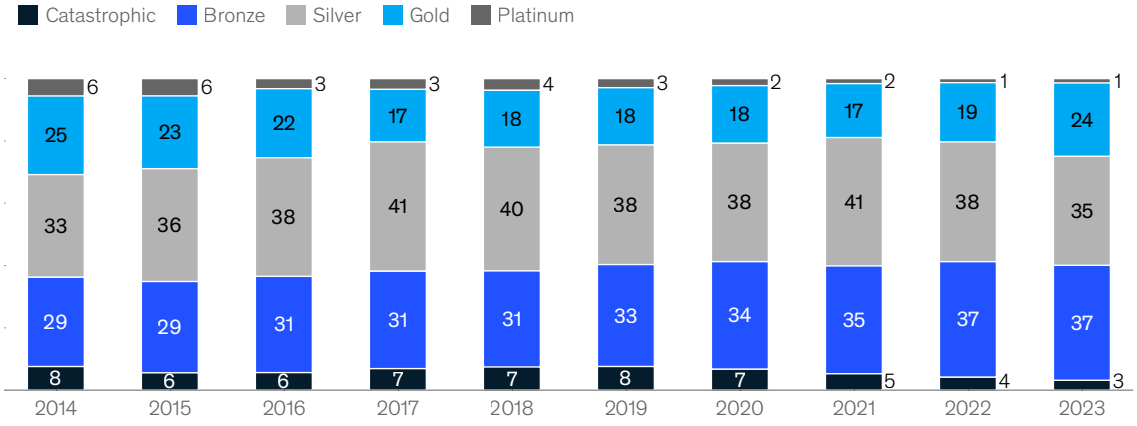
Although overall product offerings have increased substantially, this growth has not been consistent. In 2023, 82 percent of plans available to consumers are HMO or EPO plans that generally do not provide out-of-network coverage, with the proportion of HMOs relative to EPOs increasing in 2023. In 2014, HMOs and EPOs represented a combined 42 percent of offerings, with the increase coming at the cost of PPO and POS offerings, which have declined from 58 percent in 2014 to 18 percent in 2023.

A higher proportion of plans available to consumers in 2023 are gold plans (24 percent, compared with 19 percent of total product offerings in 2022). Proportions across other tiers in 2023 are largely consistent with recent years, including a six-percentage-point increase in availability of bronze plans since 2018, with proportional decreases in platinum and catastrophic plans.

The availability of managed care plans has steadily grown since 2014, and gold plan offerings increased in 2023.

Plan type offerings by year, %





Note: Figures may not sum to 100%, because of rounding.
[1]Preferred provider organization.
[2]Health maintenance organization.
[3]Point of service.
[4]Exclusive provider organization.
Source: "HHS notice of benefit and payment parameters for 2024 proposed rule," Centers for Medicare & Medicaid Services (CMS), December 12, 2022; McKinsey Center for US Health System Reform analysis of federal and state individual marketplace data

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Rates for plans increased in 2023 across metal tiers and plan categories

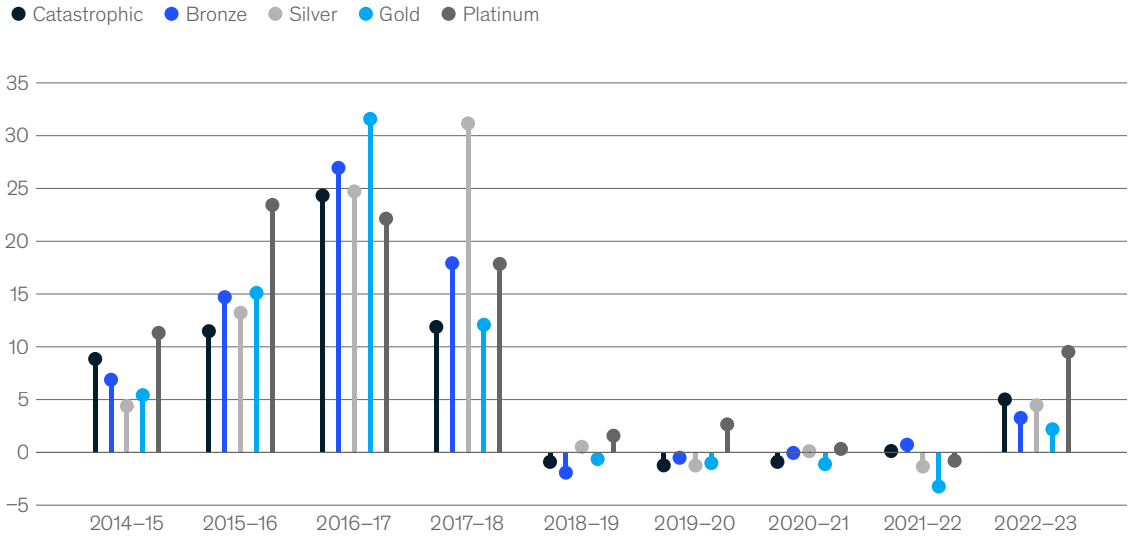
Gross premiums in 2023 increased across all metal tiers after four years of relative premium stability or declines.

Platinum and catastrophic plans saw the highest rate increases in 2023, at 10 percent and 5 percent, respectively. Increases for gold plans were relatively modest at 2 percent.

Premiums for the lowest-price silver plan also increased across all plan categories, with the highest increases coming from insurtechs.

Across all metal tiers, premiums increased from 2022 to 2023.

Median change in gross premium of lowest-price plan from previous year, by metal tier,[1] %



Projected percentage of consumers experiencing a premium change in the lowest-price silver plan from 2022 to 2023,[2] %

	> 7.5 decrease	0–7.5 decrease	0–7.5 increase	> 7.5 increase
Blue[3]	8	13	48	31
CO-OP[4]	1	6	59	34
Medicaid	2	10	40	47
National	5	25	43	27
Provider	6	15	54	25
Regional or local	1	12	25	62
Insurtech[5]	0	1	35	64
All	**4**	**13**	**43**	**40**

7.5%

Overall, most silver plans became more expensive in 2023, with many consumers seeing a price increase of more than 7.5 percent.

Note: Displayed values are rounded; bars are representative of actual values.
[1]Premium changes may differ from Centers for Medicare & Medicaid Services (CMS) estimates due to differences in methodology, including use of the lowest-cost plan rather than second-lowest-cost plan; cost-sharing reduction subsidies for silver plans were no longer directly federally funded starting in 2018.
[2]Consumers are defined as the population that has enrolled in any type of individual coverage, including both on- and off-exchange plans; enrollment for 2019–23 is estimated or projected based on 2022 county codes.
[3]Blue Cross Blue Shield payers.
[4]Consumer-operated and -oriented plans.
[5]Plans carried by Bright Health, Friday Health Plans, or Oscar Health.
Source: McKinsey Center for US Health System Reform analysis of federal and state individual marketplace data

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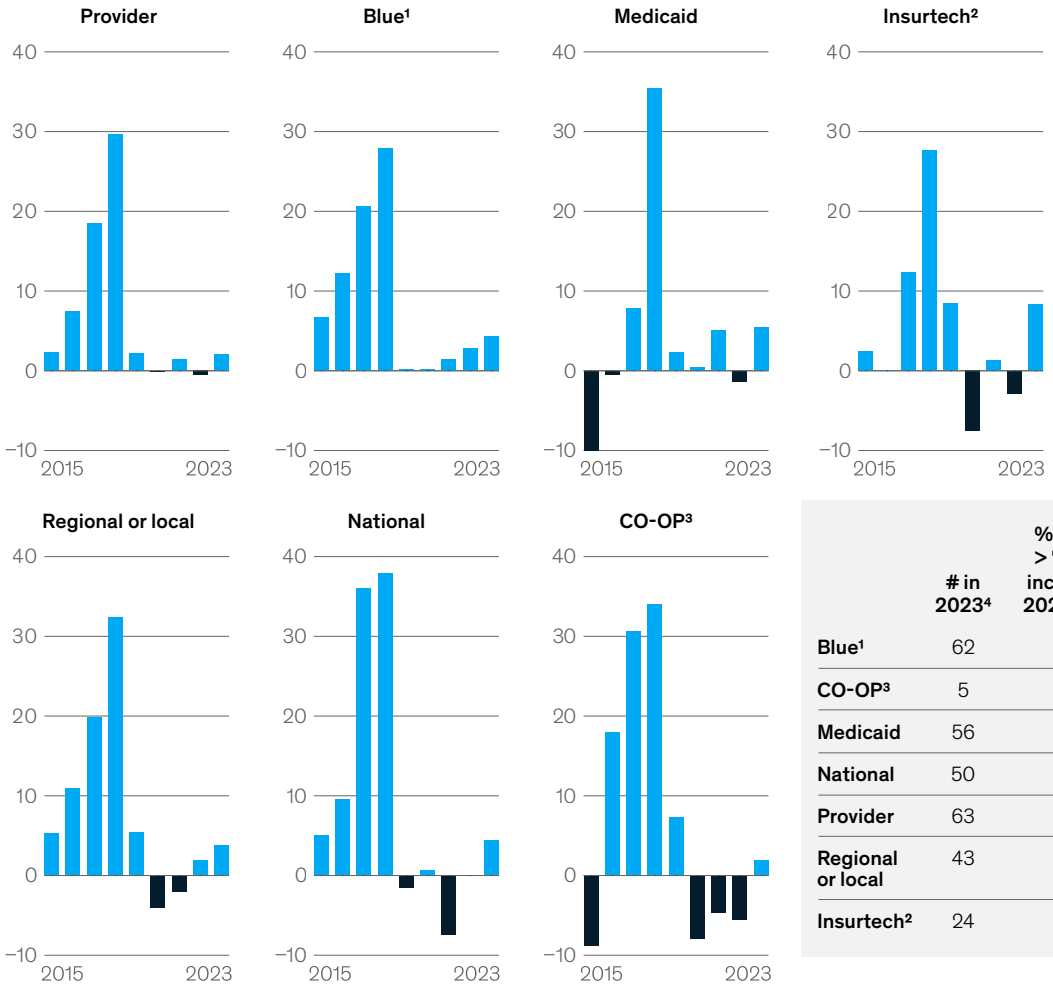
Premium changes varied by insurer type

From 2022 to 2023, 83 percent of all consumers enrolled across all insurer categories saw at least some increase in lowest-price silver premiums. The insurtech category had the largest increases in 2023, with a median increase of 8 percent, compared with 4 or 5 percent for Blues, nationals, Medicaid, and regional insurers, and 2 percent for provider plans.

A greater share of national insurers had declines in silver premiums from 2022 to 2023, compared with other insurers; but on average, the provider and CO-OP categories had the most stable premiums.

All insurer categories had higher premiums for the lowest-price silver plan in 2023, with insurtechs and Medicaid having the largest increase.

Median presubsidy premium change of lowest-price silver plan, %



	# in 2023[4]	% with > 7.5% increase 2022–23
Blue[1]	62	31
CO-OP[3]	5	34
Medicaid	56	47
National	50	27
Provider	63	25
Regional or local	43	62
Insurtech[2]	24	64

[1]Blue Cross Blue Shield payers.
[2]Plans carried by Bright Health, Friday Health Plans, or Oscar Health.
[3]Consumer operated and oriented plans.
[4]At the state level.
Source: McKinsey Center for US Health System Reform analysis of federal and state individual marketplace data

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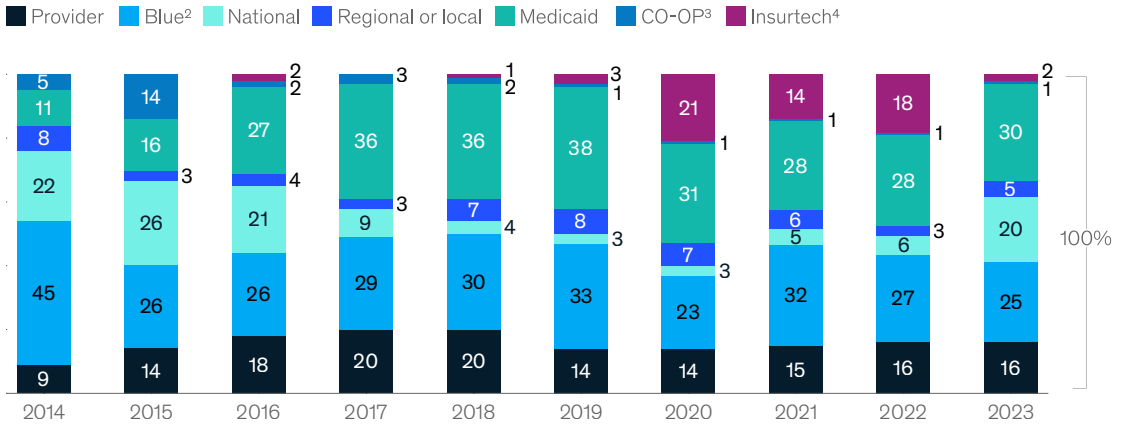
National insurers improved their price position in 2023

Nationals now offer the lowest premiums for silver plans for 20 percent of consumers in the individual market, an increase of 14 percentage points from 2022. This increase is offset by a similar decrease in price leadership for insurtechs from 2022 (price leader in silver for 18 percent of consumers) to 2023 (price leader in silver for 2 percent of consumers).

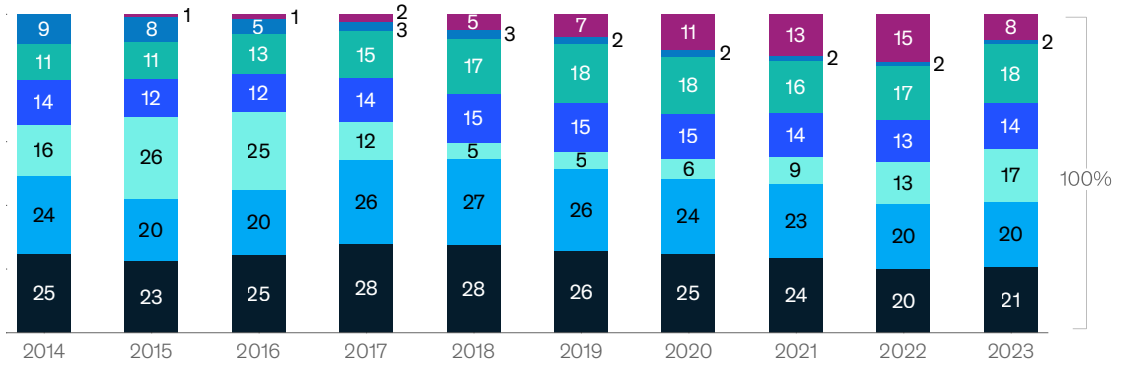
Medicaid and Blues plans maintain the highest proportion of price leadership in 2023, offering the lowest-cost option for 30 percent and 25 percent of consumers, respectively.

Plans offered by Blue, national, or Medicaid insurers are the lowest-premium options for 75 percent of consumers.

Consumers with insurer offering the lowest-premium silver plan, price leadership by insurer type,[1] %



Exchange participation by year and insurer type, % of state-level insurer parents



Note: Figures may not sum to 100%, because of rounding.
[1]Consumers are defined as the population that has enrolled in any type of individual coverage, including both on- and off-exchange plans; enrollment for 2019–23 is estimated or projected based on 2022 county codes; access is defined as the insurer type offering at least 1 on-exchange silver plan in a given county.
[2]Blue Cross Blue Shield payers.
[3]Consumer operated and oriented plans.
[4]Plans carried by Bright Health, Friday Health Plans, or Oscar Health.
Source: McKinsey Center for US Health System Reform analysis of federal and state individual marketplace data; McKinsey Enrollment Projection Tool (EPT), as of January 6, 2021

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