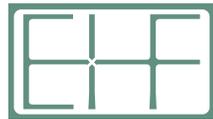




Health Reform Monitoring Survey -- Texas

RICE UNIVERSITY'S
BAKER INSTITUTE



EPISCOPAL HEALTH
FOUNDATION

Issue Brief #10: Marketplace Plans: Premiums, Network Size and Market Competition

November, 2014

Woohyeon Kim, Elena Marks, Marah Short,
Hannah Crowe, and Vivian Ho

Since late 2013, individuals have been able to shop for and purchase private health insurance through the Marketplace via Healthcare.gov. Through the Marketplace, Texans can learn what plans are available to them, examine the features of the plans, determine whether they qualify for tax credits to lower their premiums, and purchase the plan that is best suited to their needs.

During the first year of the Affordable Care Act's Health Insurance Marketplace, consumers learned that many plans offered limited provider networks. This issue brief examines the availability of Marketplace plans in Texas, the number of in-network hospitals in the plans, and other plan characteristics influencing premiums. Our analysis focuses on Marketplace Silver plans, because they provide the benchmark by which premium-reducing tax credits are determined and because the majority of Texans who purchased Marketplace plans chose a Silver plan.

AT A GLANCE

At least one insurer offered plans in each rating area, with more insurers entering larger markets.

Hospital networks vary greatly in size, with only one insurer consistently offering large networks.

Smaller hospital networks are associated with lower premiums, but more competitive insurance markets do not have lower premiums.

METHODOLOGY

The state of Texas is divided into 26 rating areas, representing 25 different Metropolitan Statistical Areas (MSA) and one rating area comprised of 177 rural counties that are not within an MSA. Private health insurance companies could choose to offer plans in none, any, or all 26 rating areas. The Marketplace plans that are available to a particular individual depends on the rating area in which he or she lives.

We obtained a list of all Marketplace insurers and plans available in each of the 26 rating areas in Texas and their cost structures from the website Healthcare.gov. To determine the number of hospitals in each plan's network, in August of 2014, we consulted the website of each insurer. We counted the number of hospitals listed for each plan using the insurers' list of covered facilities when it was available on the website. For plans without a comprehensive list, we utilized the zip code search function on the plan's website to calculate the number of hospitals. We limited our search to hospitals within 50 miles of any zip code inside the given rating area to assure that facilities were within a reasonable traveling distance of potential customers.

Texas Health Insurance Plans by Rating Area

Table 1 lists the insurers offering plans in each rating area and the premium for a Silver plan for a 30 year old. Larger cities such as Austin, Dallas, Houston, and San Antonio have more insurers and more plans available through the Marketplace than do smaller Texas cities. For example, there were 5 insurers selling Silver plans in Dallas and 7 insurers offering Silver plans in Houston. In contrast, customers shopping for Silver plans in Longview and Victoria had only 2 insurance plans to choose from, both sold by Blue Cross Blue Shield.

Table 1: Silver Plan Premiums for a Single 30 year old by Rating Area

RATING AREA	INSURER	PREMIUM*
Abilene	BCBS (HMO)	212.74
Abilene	BCBS (PPO)	262.40
Abilene	Firstcare (HMO)	239.65
Amarillo	BCBS (HMO)	194.58
Amarillo	BCBS (PPO)	240.01
Amarillo	Firstcare (HMO)	239.65
Austin	Aetna (PPO)	263.00
Austin	Ambetter (HMO)	243.23
Austin	BCBS (HMO)	221.69
Austin	BCBS (PPO)	271.87
Austin	Cigna (PPO)	241.98
Austin	Humana (HMO)	182.87
Austin	S&W (HMO)	262.32
Austin	Sendero (HMO)	226.07
Beaumont	Aetna (PPO)	266.00
Beaumont	BCBS (HMO)	233.70
Beaumont	BCBS (PPO)	288.81
Beaumont	CHC (HMO)	304.64
Beaumont	Humana (HMO)	252.72
Beaumont	Molina (HMO)	335.83
Brownsville	Ambetter (HMO)	266.81
Brownsville	BCBS (HMO)	166.68
Brownsville	BCBS (PPO)	214.74
Brownsville	Molina (HMO)	335.83

* In cases where an insurer offered more than one type of Silver plan within a single rating area, we report the premium for the lowest priced plan.

Table 1: Silver Plan Premiums for a Single 30 year old by Rating Area *continued*

RATING AREA	INSURER	PREMIUM*
College Station	BCBS (HMO)	206.21
College Station	BCBS (PPO)	247.18
College Station	Cigna (PPO)	257.70
College Station	Firstcare (HMO)	239.65
College Station	S&W (HMO)	262.32
Corpus Christi	BCBS (HMO)	211.07
Corpus Christi	BCBS (PPO)	249.48
Corpus Christi	Humana (HMO)	209.97
Dallas	Aetna (PPO)	352.00
Dallas	BCBS (HMO)	234.54
Dallas	BCBS (PPO)	287.09
Dallas	Cigna (PPO)	266.50
Dallas	Molina (HMO)	287.88
Dallas	S&W (HMO)	262.32
El Paso	Ambetter (HMO)	256.39
El Paso	BCBS (HMO)	182.87
El Paso	BCBS (PPO)	227.09
El Paso	Molina (HMO)	273.47
Houston	Aetna (PPO)	277.00
Houston	BCBS (HMO)	211.23
Houston	BCBS (PPO)	263.84
Houston	Cigna (PPO)	256.34
Houston	CHC (HMO)	304.64
Houston	Humana (HMO)	220.96
Houston	Molina (HMO)	278.28
Houston	S&W (HMO)	262.32
Killeen	Aetna (PPO)	255.00
Killeen	Ambetter (HMO)	230.08
Killeen	BCBS (HMO)	192.31
Killeen	BCBS (PPO)	251.49
Killeen	Firstcare (HMO)	239.65
Killeen	S&W (HMO)	262.32
Laredo	BCBS (HMO)	183.13
Laredo	BCBS (PPO)	221.06
Laredo	Molina (HMO)	351.83
Longview	BCBS (HMO)	205.75

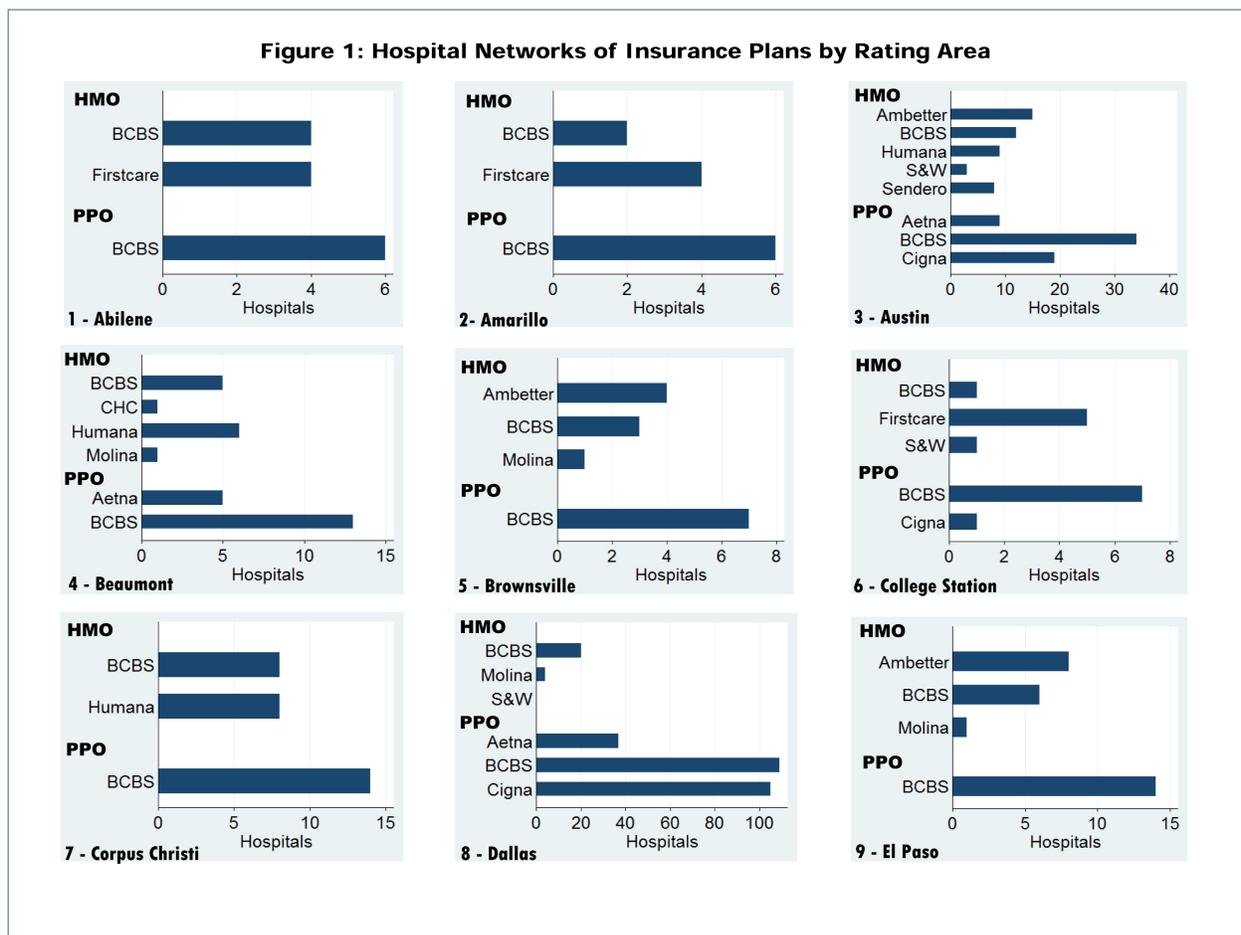
RATING AREA	INSURER	PREMIUM*
Longview	BCBS (PPO)	253.79
Lubbock	BCBS (HMO)	211.34
Lubbock	BCBS (PPO)	260.68
Lubbock	Firstcare (HMO)	239.65
McAllen	BCBS (HMO)	167.60
McAllen	BCBS (PPO)	206.13
McAllen	Humana (EPO)	165.23
McAllen	Molina (HMO)	303.84
Midland	BCBS (HMO)	199.88
Midland	BCBS (PPO)	254.08
Midland	Firstcare (HMO)	239.65
Odessa	BCBS (HMO)	188.30
Odessa	BCBS (PPO)	232.26
Odessa	Firstcare (HMO)	239.65
San Angelo	BCBS (HMO)	212.50
San Angelo	BCBS (PPO)	262.12
San Angelo	S&W (HMO)	262.32
San Antonio	Aetna (PPO)	238.00
San Antonio	Ambetter (HMO)	249.19
San Antonio	BCBS (HMO)	212.53
San Antonio	BCBS (PPO)	253.79
San Antonio	Community First (HMO)	342.47
San Antonio	Humana (HMO)	182.43
Sherman	BCBS (HMO)	232.52
Sherman	BCBS (PPO)	286.80
Sherman	Cigna (HMO)	284.62
Texarkana	BCBS (HMO)	197.37
Texarkana	BCBS (PPO)	243.45
Tyler	BCBS (HMO)	202.36
Tyler	BCBS (PPO)	256.08
Victoria	BCBS (HMO)	209.53
Victoria	BCBS (PPO)	249.77
Waco	Aetna (PPO)	305.00
Waco	Ambetter (HMO)	223.13
Waco	BCBS (HMO)	210.41
Waco	BCBS (PPO)	259.53
Waco	Firstcare (HMO)	239.65
Waco	Humana (HMO)	187.25
Waco	S&W (HMO)	262.32
Wichita Falls	BCBS (HMO)	237.62
Wichita Falls	BCBS (PPO)	278.77

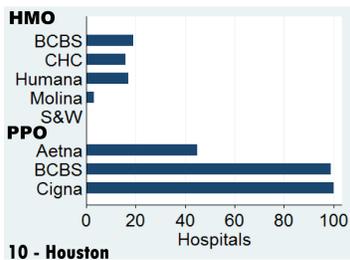
Some insurers offered more than one Silver plan within a single rating area. In these cases we report the premium of the lowest priced plan. Offering two Silver plans allows an insurer to vary premiums, deductibles, copayments, and the out-of-pocket maximum in a manner to attract customers who expect either high or low needs for healthcare in the coming year. If these two plans also happen to be the lowest priced Silver plans in a rating area, they effectively limit the size of the tax credits available to customers for purchasing higher priced plans being offered by competing insurers. The federal formula that determines the size of tax credits in each rating area is based in part on the second lowest priced plan.

Marketplace Plans and Hospital Network Size

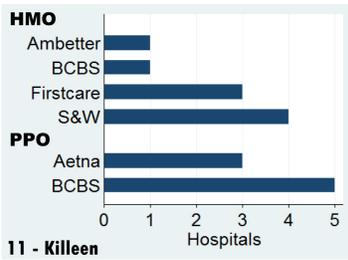
Figure 1 presents information on the hospital network size of each insurer’s Silver plans. The network size is the same for all Silver plans offered by an insurer in a rating area. Among the 304 Silver plans available in Texas, the size of the hospital networks vary greatly, with larger networks in larger cities. While Houston and Dallas both have networks with approximately 100 hospitals, the median size of networks in Texas is four hospitals.

Figure 1

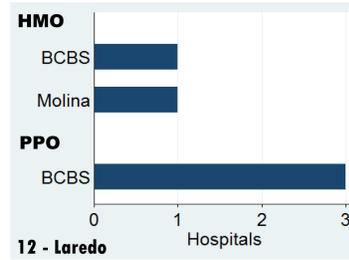




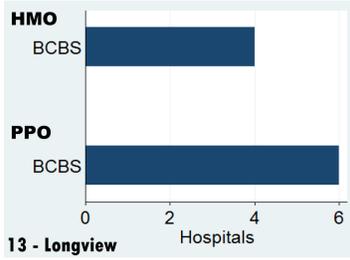
10 - Houston



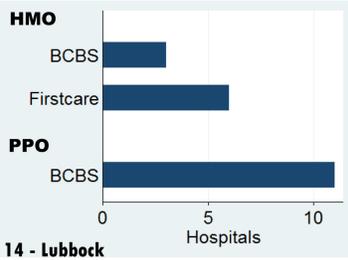
11 - Killeen



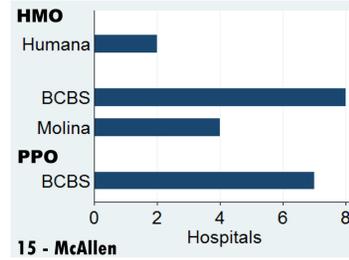
12 - Laredo



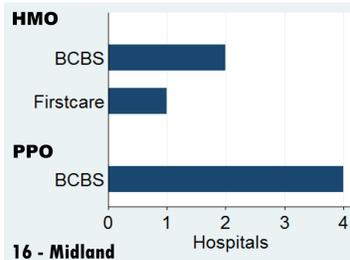
13 - Longview



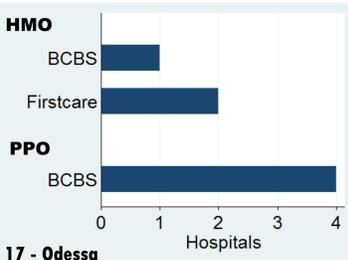
14 - Lubbock



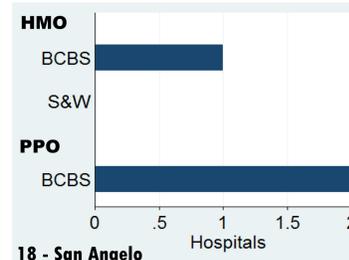
15 - McAllen



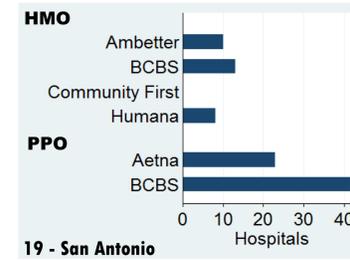
16 - Midland



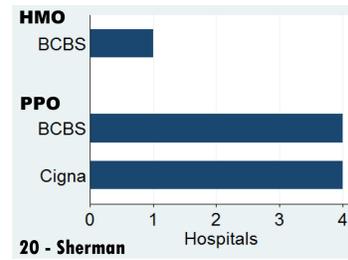
17 - Odessa



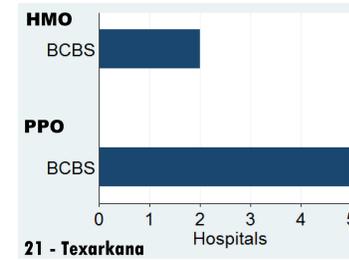
18 - San Angelo



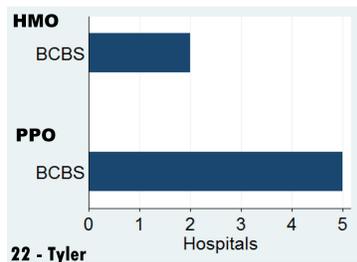
19 - San Antonio



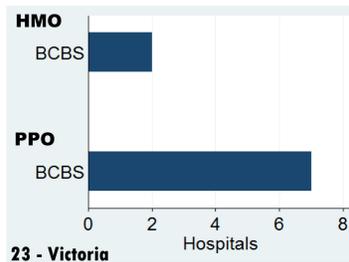
20 - Sherman



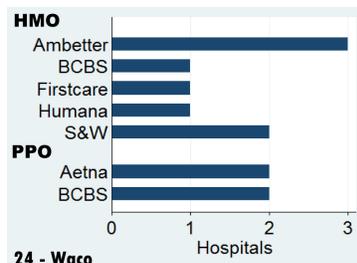
21 - Texarkana



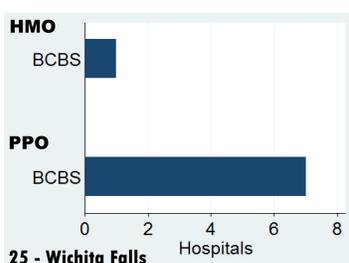
22 - Tyler



23 - Victoria



24 - Waco



25 - Wichita Falls

There are two insurers that offer plans that do not include a single hospital within their MSA. Community First Health offered plans to the San Antonio area that cover urgent-care clinic visits but do not provide coverage for visits to any hospitals. The closest hospital within the Scott & White plan offered in Dallas is approximately 70 miles away near Waco. In areas with limited hospital availability, individuals may face higher out-of-pocket costs if they must visit a nearby out-of-network hospital for an emergency. The number of hospitals included in some plans may have increased since we gathered these data.

Marketplace Premiums, Network Size, and Market Competition

Many have opined that insurers limited the size of their networks to reduce their costs. If so, we would expect to see that cost reduction reflected in the prices that consumers pay for limited network plans. Table 2 below shows the relationship between the number of hospitals in a Silver plan's network and the average premium (pre-tax credit) for a 30 year old. The data show that the 32 plans with more than 20 hospitals have an average premium that is 8.5% higher than the 53 plans with 10-19 hospitals. The difference in premiums among the plans with 0-4, 5-9 and 10-19 are negligible, and actually the 75 plans with 5-9 hospitals are less expensive than the 144 plans with 4 or fewer.

Table 2: Hospital Network Size by Premium and Number of Plans

Number of Hospitals	Premium	Number of Plans
0 -> 4	254.88	144
5 -> 9	250.03	75
10 -> 19	257.40	53
20 +	279.13	32

The economics of market competition suggest that rating areas with more insurers offering plans should have lower average premiums. However, Table 3 indicates that rating areas with more insurers have slightly higher premiums.

Table 3: Number of Insurers Per Rating Area and Silver Plan Premiums

Insurers	Premium	Number of Rating Areas
1 -> 2	249.84	14
3 -> 4	251.97	4
5 -> 7	263.21	7

This pattern is also evident in Table 1. For example, only BCBS and Firstcare offered Silver plans in Amarillo, and premiums varied between \$194.58 and \$240.01. In contrast, seven insurers offered plans in Houston, with premiums ranging from \$211.23 to \$304.64. Insurers may have been expecting sicker populations to enroll in large cities, because healthier people might already have coverage from large employers. Large markets also contain more hospitals offering the most advanced medical treatments, which can raise medical costs.

Looking Forward

Insurers were cautious about entering the Marketplace its first year due to uncertainties about the cost of covering the customers who would enroll. Currently there is at least one insurer in each rating area. But in the upcoming enrollment period beginning November 15, 2014, the number of insurers offering plans is predicted to increase. U.S. Health and Human Services Department Secretary Sylvia Burwell stated that there is an expected 25% increase in the number of insurers for 2015 plans. Texas is expected to have 16 insurers offering plans, up from 12 in 2014, and will be one of the states with the most insurers. However, it is not yet clear which rating areas the insurers will enter, which will determine nature of competition.

Hospital networks vary greatly in size, and this may not change much in 2015. Many insurers will likely continue to use limited network size and high deductibles as a means to control costs and prevent large increases in plan premiums. Yet we should still expect premiums to increase for 2015, as they do

every year to reflect rising health care costs. In 2013 and 2014 private insurance premiums increased at a slower pace than previous years, but they did increase. It is important that individuals re-evaluate their plan options to ensure they make the choice which best fits their needs. Features such as the premium, deductible and network coverage may change in their currently selected plan, and new plans may be available in their rating area.

ABOUT THE AUTHORS

Hannah Crowe, is an undergraduate student at Rice University and an intern in the Health Policy Forum at Rice University's Baker Institute for Public Policy.

Vivian Ho, PhD, is the James A. Baker III Institute Chair in Health Economics, a professor in the Department of Economics at Rice University, and a professor in the Department of Medicine at Baylor College of Medicine.

Woohyeon Kim is a graduate student in Economics at Rice University and a research assistant in the Health Policy Forum at Rice University's Baker Institute for Public Policy.

Elena Marks, JD, MPH, is the President and Chief Executive Officer of The Episcopal Health Foundation and a nonresident Health Policy Fellow at Rice University's Baker Institute for Public Policy.

Marah Short, MA, is the Associate Director of the Health Policy Forum at Rice University's Baker Institute for Public Policy.

The authors gratefully acknowledge the assistance of **Philomene Balihe, MPH**, and **Meei Hsiang Ku-Goto** and the financial support of the members of the Baker Institute's Health Policy Forum. The core HRMS is supported by the Robert Wood Johnson Foundation, the Ford Foundation, and the Urban Institute. We appreciate the Urban Institute's willingness to collaborate on expanding the HRMS sample to support estimates for Texas.

Founded in 1993, the **JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY** has established itself as one of the premier nonpartisan public policy think tanks in the country. The institute ranks 11th among university-affiliated think tanks worldwide, 20th among U.S. think tanks and fifth among energy resource think tanks, according to a 2013 study by the University of Pennsylvania's Think Tanks and Civil Societies Program. As an integral part of Rice University, one of the nation's most distinguished institutions of higher education, the Baker Institute has a strong track record of achievement based on the work of its endowed fellows, Rice faculty scholars and staff. Located in Houston, Texas, the nation's fourth-largest city and the energy capital of the United States, as well as a dynamic international business and cultural center, the Baker Institute brings a unique perspective to some of the most important public policy challenges of our time.

Contact information can be found at: <http://bakerinstitute.org>

THE EPISCOPAL HEALTH FOUNDATION is a newly established entity with \$1 billion in assets dedicated to improving the health and well-being of the people and communities in the Episcopal Diocese of Texas. The Foundation embraces the World Health Organization's broad, holistic definition of health: a state of complete physical, mental and social well-being and not merely the absence of disease. The Foundation's work includes research, grant-making and other initiatives aimed at transformational change.

Contact information can be found at: <http://www.episcopalhealth.org>

Suggested Citation:

Kim W., Marks E., Short M., Crowe H. and Ho V.
James A. Baker III Institute for Public Policy, Rice University,
The Episcopal Health Foundation,
Health Reform Monitoring Survey – Texas,
Issue Brief #10:

Marketplace Plans: Premiums, Network Size and Market Competition. Houston Texas: 2014

©2014 James A Baker III Institute for Public Policy, Episcopal Health Foundation

RICE UNIVERSITY'S
BAKER INSTITUTE



EPISCOPAL HEALTH
FOUNDATION