



June 15, 2017

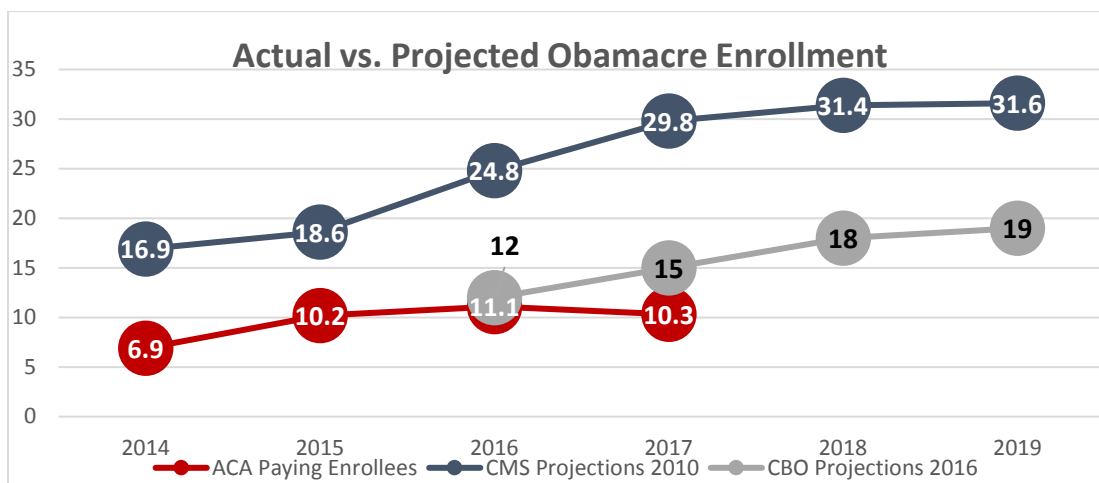
## Four Takeaways on Obamacare's Collapsing Enrollment

1. Exchange enrollment remains lower than expected.
2. Rate hikes are causing people to drop out.
3. More people are dropping out than before.
4. When insurers leave the market, so do consumers.

The Department of Health and Human Services (HHS) released two reports<sup>i</sup> on the Affordable Care Act's (ACA) individual marketplace exchanges addressing the number of people who actually activated<sup>ii</sup> their enrollment by paying their premium after initially signing up for insurance coverage. Unsurprisingly, enrollment continues to fall short of projections. Below are four takeaways from these reports.

### 1. Enrollment remains far below projections.

Current enrollment of just 10.3 million people in the Obamacare exchanges falls far short of the Obama Administration's original projection of 30 million in 2017.<sup>iii</sup> In 2016, the Congressional Budget Office (CBO) also overshot the mark by predicting 15 million in the exchanges this year.<sup>iv</sup> The fact that CBO used its 2016 projections to evaluate the American Health Care Act (AHCA) casts further doubt on CBO's estimate that 23 million more people would be left uncovered under the AHCA since CBO's base figure appears to be inflated.<sup>v</sup> Regardless, low enrollment is bad news for those who remain in the Obamacare exchanges because large numbers of healthy enrollees are needed to help lower overall costs.

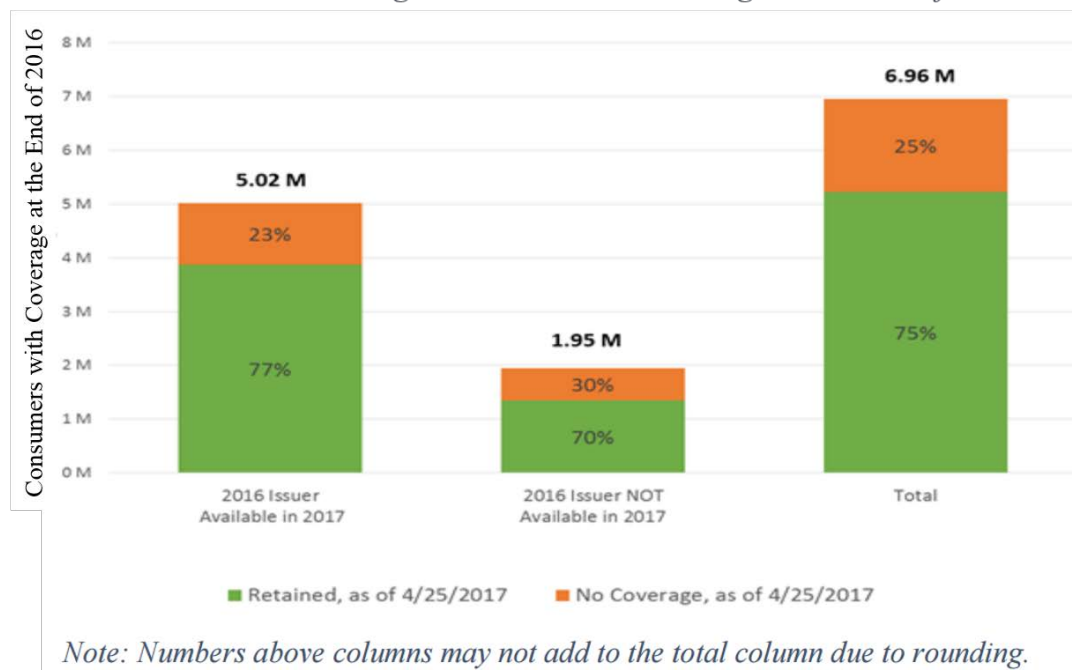


**2. Even those with subsidies find Obamacare unaffordable.** According to HHS survey data, 46 percent of consumers who canceled their coverage before paying their first month's premium since August 2016 cited cost as the reason. The average premium for consumers leaving the market after open enrollment ended in January was roughly \$209 a month,<sup>vi</sup> more than twice as much as the \$100 per month the Obama Administration had touted.<sup>vii</sup> Furthermore, these rates continue to rise despite the promise from the previous administration that premiums would go down for the average family.

**3. The dropout rate was higher than in previous years.** Nearly 2 million Americans, or 16 percent of enrollees, dropped out of the exchanges after initially signing up. In the previous 3 years, the average dropout rate was 13 percent which shows a marked increase in people leaving the exchanges.<sup>viii</sup> On average, premiums for 2017 rose by over 25 percent nationwide.<sup>ix</sup> These premiums were requested and approved by October 2016, before the 2016 elections. This suggests that Obamacare, due to its fundamentally flawed structure, is unsustainable regardless of who occupies the White House.

**4. Individuals who lose their insurer are more likely to drop out.** According to HHS, individuals who experienced their insurer leaving the marketplace after 2016 were less likely to maintain coverage in 2017.<sup>x</sup> This trend is particularly concerning as reports continue to pour in from across the country of insurers leaving the marketplace in 2018.<sup>xi</sup> If more insurers continue to exit the market, more people will likely forgo insurance and further damage the risk pools in the exchanges.

*Retention Rates Among Consumers with Coverage at the End of 2016*



Source: CMS

<sup>i</sup> CMS, "High Costs, Lack of Affordability Most Common Factors that Lead Consumers to Cancel Health Insurance Coverage," HHS, June 6, 2017, <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2017-Press-releases-items/2017-06-12.html>

<sup>ii</sup> Activating refers to "effectuated" enrollment meaning that the enrollee selected a plan during open enrollment and paid their premium.

<sup>iii</sup> Foster, Richard S., "Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as Amended," table 2, CMS, April 2010, [https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/downloads/ppaca\\_2010-04-22.pdf](https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/downloads/ppaca_2010-04-22.pdf)

<sup>iv</sup> CBO, "Federal Subsidies for Health Insurance Coverage for People Under Age 65: Tables From CBO's March 2016 Baseline," March 2016, <https://www.cbo.gov/sites/default/files/recurringdata/51298-2016-03-healthinsurance.pdf>

<sup>v</sup> In March 2017 JEC had projected effectuated enrollment of less than 11 million based on average dropout rates after consumers initially select a plan. See [https://www.jec.senate.gov/public/\\_cache/files/33f9d1f3-491e-4844-a98a-ce882f75478c/cbo-analysis-of-ahca-052617.pdf](https://www.jec.senate.gov/public/_cache/files/33f9d1f3-491e-4844-a98a-ce882f75478c/cbo-analysis-of-ahca-052617.pdf) for more on the CBO estimate of AHCA.

<sup>vi</sup> CMS, "The Health Insurance Exchange Trends Report: High Premiums in Coverage Lead to Decreased Enrollment in the Health Insurance Exchanges," June 12, 2017, <https://downloads.cms.gov/files/cost-disruptions-trends-report-06-12-17.pdf>

<sup>vii</sup> O'Donnell, Jayne, "Some Obamacare Rates Rise 25% as Healthcare.gov Opens for Shopping," USA Today, October 24, 2016, <https://www.usatoday.com/story/news/politics/2016/10/24/healthcaregov-opens-plan-window-shopping-today-amid-rate-worries/92688126/>

<sup>viii</sup> See <https://www.jec.senate.gov/public/index.cfm/republicans/2017/3/declining-obamacare-participation-five-takeaways-from-the-2017-enrollment-report>.

<sup>ix</sup> JEC Republicans, 2017 State-By-State Obamacare Premium Increases Over Previous Year,

[https://www.jec.senate.gov/public/\\_cache/files/394282ca-8521-44d0-98de-9aa140d221de/statebystate.png](https://www.jec.senate.gov/public/_cache/files/394282ca-8521-44d0-98de-9aa140d221de/statebystate.png)

<sup>x</sup> CMS, "The Health Insurance Exchange Trends Report: High Premiums in Coverage Lead to Decreased Enrollment in the Health Insurance Exchanges," June 12, 2017, <https://downloads.cms.gov/files/cost-disruptions-trends-report-06-12-17.pdf>

<sup>xi</sup> For example, see [https://www.washingtonpost.com/news/wnk/wp/2017/06/06/major-obamacare-insurer-pulls-out-of-ohio-leaving-big-gaps-in-coverage/?utm\\_term=.2632aa3866d8](https://www.washingtonpost.com/news/wnk/wp/2017/06/06/major-obamacare-insurer-pulls-out-of-ohio-leaving-big-gaps-in-coverage/?utm_term=.2632aa3866d8)