



Weekly Checkup

Some State Marketplaces Still At Risk of Instability

CONOR RYAN | MAY 8, 2014

The story of a successful or unsuccessful Affordable Care Act rollout needs to be examined at the state level. With nation-wide enrollment at 8 million, concerns that the exchange markets would collapse altogether have largely subsided, but some states are still at risk of large premium increases and adverse selection problems. In order for the markets to operate smoothly, each state needs to enroll a large enough risk pool with a substantial number of healthy members. Otherwise, insurance companies may have to charge abnormally high premiums to cover the costs of submitted claims, raising costs on sick enrollees and compelling the healthy to go uninsured.

The chart below shows four states with large differences in the ages of exchange enrollees and the potentially eligible population. In all of these states, young adult enrollment is far less than may be expected from the demographics of the eligible population. And enrollees over the age of 45 consistently account for over 50 percent of exchange enrollees, in contrast to roughly 30 percent of the eligible population. In this context, age is an imperfect estimation of the health status of the enrolled and eligible population, implying that the exchange enrollees may be older and less healthy than the eligible adults. And if insurance companies offering plans in the exchange are surprised by an unhealthier than anticipated insured population, premiums will rise to compensate.

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