

## Lack of competition could hike costs in health insurance exchanges

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(Medical Xpress) -- A new study from Washington University in St. Louis suggests that health insurance exchanges, a key provision of the Affordable Care Act passed in 2010, may need to be monitored to make sure there is sufficient competition between private insurance plans.

Exchanges are designed in the [health reform](#) law to increase access to affordable [private health insurance](#) for 50 million uninsured persons by offering [competition](#) among a broad array of private [health insurance](#) plans.

In the study, published in [Health Affairs](#), Timothy McBride, PhD, professor and associate dean for public health at the Brown School at Washington University in St. Louis, and co-authors examined the insurance premiums, availability of plans and enrollment levels under the Federal Employees Health Benefits Program (FEHBP).

“From its inception, the health reform legislation used the structure of the FEHBP to guide the design of these exchanges,” McBride says.

The study concludes that to make certain that coverage sold through exchanges is affordable, policymakers may need to pay attention to areas where there is little plan competition.

“While the federal plans were widely available across the U.S. — especially with several national plans available everywhere — enrollment was concentrated in plans offered by a few organizations, especially Blue

Cross/Blue Shield plans,” he says.

McBride found that 76 percent of current federal workers were in national plans, and 64 percent were in BC/BS plans nationwide. In addition, enrollment was more concentrated in rural areas, with 91 percent of federal workers in national plans and 78 percent in the Blue Cross/Blue Shield plans.

“Average bi-weekly premiums for an individual were lowest (\$58.48) in counties where competition between insurance providers was extremely high, compared with areas of low competition (\$65.13),” he says.

“This raises concerns about whether the competition will work in the exchanges as intended, everywhere in the country,” McBride says.

A possible solution to this, the study concludes, is to take steps through risk-adjustment policies or other measures to narrow differences in premiums and out-of-pocket expenses for consumers.

McBride and study co-authors Abigail R. Barker, Lisa M. Pollack and Leah Kemper, analysts from WUSTL, and Keith J. Mueller, PhD, professor of health management and policy at the University of Iowa, used data from the U.S. Office of Personnel Management for this study, produced through the Rural Policy Research Center for [Health](#) Policy Analysis.

**More information:** To view the complete study visit:  
[content.healthaffairs.org/content/36/18-9641-f0529074b547](http://content.healthaffairs.org/content/36/18-9641-f0529074b547)

Provided by Washington University in St. Louis

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