

Market concentration has differing impacts on ACA marketplace premiums

May 3 2016



A new study published by the journal *Health Affairs* and coauthored by NYU Wagner dean Sherry Glied looks at the growth in health insurance premiums from 2014 to 2015 in two state-based Affordable Care Act Marketplaces: NY State of Health, and Covered California.

Under the Affordable Care Act, Marketplaces can either accept all insurers who seek to participate or select a limited number of insurers to sell coverage. New York chose the first course, permitting all willing insurers to join the Marketplace; California chose the second, selecting just 12 insurers to participate (based on rates, for the most part) and

rejecting the other 20 insurers who had shown interest in offering coverage.

In both states, areas with less hospital competition experienced larger premium increases between 2014 and 2015. But the effect of insurer competition differed dramatically across the states.

In New York, premiums grew faster in the areas with less insurer competition. In California, by contrast, areas with less insurer competition saw slower premium growth than areas with more insurer competition. The California Marketplace's ability to exclude insurers seemed to give it the leverage to force insurers in concentrated markets to pass on to consumers the savings they obtained from their strong bargaining positions with providers.

The research is slated for the May issue of *Health Affairs*, and was conducted at the University of California, Berkeley School of Public Health, in collaboration with the New York University Robert F. Wagner Graduate School of Public Service.

"Our study demonstrates the potential of allowing third parties to use their purchasing power to ensure that negotiating better health care prices benefits consumers, not insurers," said Glied, dean and professor of public service at NYU Wagner. "The choice between regulation and competition is a false one. To best manage our [health care](#) system, we will need both."

"Health care consolidation is taking place at an accelerated pace" said Brent Fulton, assistant adjunct professor of health economics and policy at UC Berkeley. "Going forward, policy makers must ensure health insurers aren't able to exercise their increased market power on consumers. Structuring other ACA Marketplaces like Covered California may be a step in the right direction."

"Covered California is one of the few ACA Marketplaces that directly negotiates premiums with insurers," said Richard Scheffler, lead author and distinguished professor of [health](#) economics and public policy at UC Berkeley. "Our study suggests that these negotiations successfully constrained premiums during the early years of the Marketplaces."

"This is important research that underscores the direct impact on premiums of hospital market concentration and the potentially critical role marketplaces can play for consumers," said Peter V. Lee, executive director of Covered California. "Covered California strives to get the best value for consumers. Our ability to negotiate rates, networks, and product quality with insurers is important for enabling us to accomplish this goal."

The authors say that given the importance of the ACA Marketplaces for providing individual [health insurance](#) coverage, it is critical to further evaluate the current effectiveness of the Marketplaces, and to find ways in which the Marketplaces could be improved.

More information: R. M. Scheffler et al. Differing Impacts Of Market Concentration On Affordable Care Act Marketplace Premiums, *Health Affairs* (2016). [DOI: 10.1377/hlthaff.2015.1229](https://doi.org/10.1377/hlthaff.2015.1229)

Provided by New York University

Citation: Market concentration has differing impacts on ACA marketplace premiums (2016, May 3) retrieved 6 May 2024 from <https://medicalxpress.com/news/2016-05-differing-impacts-aca-marketplace-premiums.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.