

Merging rural and urban ACA rating areas improved health insurance choice and premiums for rural consumers in Texas

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For people living in rural areas, accessing quality health care services can sometimes be difficult. A large portion of this difficulty can be boiled

down to supply and demand. Rural residents tend to be older and less healthy, increasing health care demand, while a shortage of providers and limited choices in health insurance coverage affect supply.

Texas recently revamped the way it divides the state into different [rating](#) areas for plans sold on the Affordable Care Act (ACA) Marketplace. Each individual plan's premium can only vary based on a consumer's age and smoking status within a given rating area but can vary freely across rating areas.

Specifically, Texas decided to combine urban and [rural areas](#) with the goal to increase competition, expand choice, and better align premiums and costs. A new [study](#) in the journal *Health Affairs* researched how these rating changes affected insurance carrier and plan availability and premiums.

A Texas A&M University School of Public Health research team led by Simon Haeder, Ph.D., associate professor in the Department of Health Policy and Management, analyzed county-level data from the Centers for Medicare & Medicaid Services on ACA health insurance plans for 2022 and 2023. Their analysis looked at plan availability and premiums for different categories of ACA plans. They also noted which counties shifted between the old and new rating systems.

Prior to the change in ACA ratings, Texas used an approach that set rating areas for [large cities](#) and surrounding areas and a single extra category for rural counties farther away from cities. The new approach Texas implemented in 2023 set up 27 geographical rating areas that included both urban and rural counties.

The aims of this shift were to align [insurance premiums](#) more closely with claims costs, reduce differences in claims costs between rating areas, increase competition among insurers, and expand health insurance

coverage and choice in rural areas. The old approach disadvantaged rural Texans as it combined rural counties, which tend to have older and sicker populations, into a single rating area. The new approach combines lower-risk and higher-risk counties, possibly improving the overall level of risk in each rating area.

The analysis by Haeder's team found that both urban and rural consumers had more insurance carrier options after the rating change, but urban consumers still had more choices than [rural residents](#) in both 2022 and 2023. The researchers also found that rural counties gained an average of three plans overall after the switch, while urban counties lost almost nine plans.

However, some rural counties in the Hill Country and the Panhandle regions did not see increased plan choices. Further analysis shows that the changes in plan choices were likely driven by reductions in silver and bronze level plans, with urban and rural areas seeing more gold-level choices in 2023. Plans in the different metal tiers offer the same benefits but differ in the amount of out-of-pocket costs for consumers, with more precious metals offering lower costs.

The researchers also found that median premiums decreased for both rural and urban counties after the rating change. Additionally, premium decreases were notably larger for rural consumers.

"The changes all but eliminate overall premium differences between rural and urban counties, though premiums for silver and bronze plans still have small differences," Haeder said. "Further analysis at the county level showed similar premium reductions in most rural counties and increases in urban areas."

The findings of this study show that rural premiums and overall carrier and plan choice improved after the rating changes.

"The reductions in premiums are especially notable as they contrast a long-standing trend in rising premiums for rural consumers," Haeder said.

More research will be beneficial, especially studies looking into how improving rural health care access affects urban areas. However, these findings point to adjusting ACA rating areas as a way to help overcome some of the barriers to quality [health](#) care that some rural communities face.

More information: Simon F. Haeder et al, Merging Rural And Urban ACA Rating Areas Improved Choice, Premiums In Rural Texas, *Health Affairs* (2023). [DOI: 10.1377/hlthaff.2023.00444](https://doi.org/10.1377/hlthaff.2023.00444)

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