Preparing the Health Insurance Marketplaces for the COVID-19 Recession

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Researchers at the Urban Institute recently estimated that 25 to 43 million people in the US will lose their employer-sponsored insurance as a result of the coronavirus disease 2019 (COVID-19) pandemic.1 These coverage losses have created an urgent need to transition those who have newly lost insurance to other forms of health insurance, lest they avoid seeking medical care or incur catastrophic medical debt for doing so. The Health Insurance Marketplaces created by the Affordable Care Act will play a large role in providing nonelderly Americans with health insurance during the COVID-19 recession. The same Urban Institute study estimated that 6 to 10 million Americans will regain health insurance coverage through the Marketplaces.1

Continuous insurance coverage increases the probability of continuity of care for patients. These transitions have placed incredible demands on state policymakers. Twelve of the 13 states managing their own state-based Marketplaces opened special enrollment periods, enabling people with eligibility to sign up for marketplace coverage outside of the normal open enrollment periods in the fall. From mid-March through May 19, 2020, the state-based Marketplaces increased enrollment by more than 168,000 individuals, primarily through COVID-19–associated special enrollment periods.2 The federally facilitated Marketplace, healthcare.gov, did not open a special enrollment period. However, it did simplify enrollment by allowing applicants to attest to rather than document their loss of employment-based insurance, which qualifies applicants to enroll outside of the open enrollment period. We view this policy change as necessary but insufficient to address the needs of individuals who have newly lost insurance.

State policymakers in all states can take several additional steps to maximize the number of US residents who have newly lost insurance who regain health insurance coverage through the Marketplaces. Many of these steps can be taken with executive action.

First, policymakers can minimize the administrative burden of Marketplace enrollment. All Marketplaces, state and federal, can continue to require only attestation instead of documentation for special enrollment periods, as an immediate, pragmatic step to reduce administrative burden. States can also take immediate action to ease enrollment by ordering state workers handling unemployment, Medicaid, and Supplemental Nutrition Assistance Program benefits to direct persons who are potentially eligible toward the Marketplaces. Several state-based Marketplaces have begun to implement such programs.2 For states using the federally facilitated Marketplace, this would involve directing applicants to healthcare.gov and enrollment resources if they are ineligible for Medicaid; Kentucky has recently implemented such an approach. State-based Marketplaces can go further by directly transitioning persons who are eligible to their Marketplaces. State-based Marketplaces should also redesign their front pages to clarify that, unlike Marketplace insurance, persons who are eligible can enroll in Medicaid throughout the year, because enrollment is always open. An innovative approach to be implemented later this year in Maryland will automatically enroll individuals who file taxes, do not have insurance, and are eligible into a low-cost Marketplace plan if they check a box on their state tax returns.2 These types of policies deserve consideration in other states.

States can also minimize the complexity of selecting a health plan for this fall’s open enrollment period. Instead of displaying scores of health plan options, some of which are clearly inferior to others, individuals who may enroll could be presented with a more limited set of attractive health plan choices. Some states have already taken steps in this direction by standardizing deductibles,
coinsurance, and copays. Marketplaces could also incorporate artificial intelligence to support
decision-making, as some Medicare Advantage markets have.3

Second, states can fund advertising campaigns to inform those who have newly lost insurance
coverage that they are eligible for subsidized, comprehensive health insurance. Shafer et al4 have
reported that advertising and outreach has a large association with Marketplace enrollment. States
should replace reduced federal Marketplace advertising and supplement it with frequent public
pronouncements of support by nonpartisan community leaders and medical professionals. Maryland
has already redirected its yearly marketing budget to respond to the pandemic, and California has
launched a new outreach campaign.2 These strategies are particularly important now because many
of those who have lost insurance have little or no experience with the Marketplaces.

Third, state insurance commissioners should use their regulatory power to negotiate health plan
premiums to maximize the affordability of Marketplace coverage. This does not simply involve
minimizing premium levels, which only matter to the small number of those enrolling via the
Marketplace who do not receive premium tax credits. For nearly all individuals enrolling via the
Marketplace, who do receive premium tax credits, the affordability of Marketplace coverage is
determined not by how low premiums are but by the difference in premiums between the silver
benchmark plan with the second-lowest cost and other plans’ premiums.5 The premium tax credit
structure caps the postsubsidy premium of the benchmark plan at a sliding-scale percentage of
household income. Sufficiently large differences between the benchmark premium and plans priced
at values less than the benchmark plan can and often do result in marketplace plans being free after
applying subsidies.6 It is therefore desirable to maximize this difference to improve affordability for
those enrolling via the Marketplace with premium tax credits and, at the same time, minimize overall
premium levels for those enrolling without premium tax credits.

The most effective way that state insurance commissioners can maximize affordability for all
enrollees is by instructing Marketplace insurers to silver switch their premiums. Silver switching is the
most effective way states can respond to the Trump administration’s decision to cut cost-sharing
reduction subsidy payments to Marketplace insurers in October 2017. Silver switching increases
premium tax credits for enrollees who qualify by increasing the difference between the benchmark
plan and other plans; it does not increase premiums for enrollees who do not qualify. Silver switching
also has no effect on state budgets, because premium tax credits are paid by the federal government.
Despite these clear advantages, only 30 states have implemented silver switching.7 All remaining
states should follow suit.

For the marketplaces to function at their highest level, state policymakers will need to simplify
the experience of shopping for coverage, make individuals who may enroll aware of the benefits they
stand to gain through the Marketplaces, and use rate setting to make Marketplace coverage as
affordable as possible. The health and financial security of millions of people will depend on whether
such steps are taken in the coming months.

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