

ACA Implementation—Monitoring and Tracking

**Six State Experiences with  
Marketplace Renewals:**  
A Look Back and a Glimpse Forward

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With support from the Robert Wood Johnson Foundation (RWJF), the Urban Institute is undertaking a comprehensive monitoring and tracking project to examine the implementation and effects of the Patient Protection and Affordable Care Act of 2010 (ACA). The project began in May 2011 and will take place over several years. The Urban Institute has been documenting changes to the implementation of national health reform to help states, researchers and policymakers learn from the process as it unfolds. Reports that have been prepared as part of this ongoing project can be found at [www.rwjf.org](http://www.rwjf.org) and [www.healthpolicycenter.org](http://www.healthpolicycenter.org). The qualitative component of the project is producing analyses of the effects of the ACA on enrollment (including Medicaid expansion), insurance regulation and marketplace competition.

## INTRODUCTION

Marketplace strategies for renewing existing enrollees are critical to the marketplaces' survival. Most state-based marketplaces (SBMs) rely entirely or almost entirely on a premium assessment to fund their operations, and their budgets are set based on projected enrollment; lower-than-expected enrollment could threaten the long-term financial sustainability of a marketplace. Though marketplaces will seek to grow enrollment by targeting the remaining uninsured, they must pay as much or more attention to retaining the enrollees they already have. This means choosing a renewal process that is easy for consumers while ensuring consumers will want to keep their coverage because it provides the right mix of benefits at the right price.

Studies of other health insurance contexts, such as the Federal Employees Health Benefits Program, the Medicare Part D drug benefit, and the Massachusetts Health Connector (the model for the Affordable Care Act's marketplaces), find that most enrollees do not switch health plans when automatic renewal is an option, even when cheaper coverage is available.<sup>1</sup> The challenge for marketplaces is that though an automatic renewal option guarantees continuous coverage for consumers, consumer receiving tax credits may be better off looking for new coverage. Changes in income, household size, and premium prices could significantly affect their premium tax credit (PTC) and the price they ultimately pay for a plan. Consequently, many enrollees may be better off revisiting the marketplace and shopping for a new, more affordable plan rather than remaining in the same plan through automatic renewal.

However, the experience of other health insurance programs offers evidence that few enrollees will make the effort to change plans if automatic renewal is an option, even if it is in their financial interest to do so.

From a competitive standpoint, insurers may have less incentive to enter the marketplace or offer new health plans on it if there is a small likelihood of gaining market share because consumers are automatically renewed into existing coverage.<sup>2</sup> Existing insurers may also have less incentive to be aggressive with pricing without competition. On the other hand, existing insurers may want to retain existing enrollees and attract new consumers by keeping prices low and competitive.

To understand how SBMs experienced the first year of renewals and how their approaches affected overall enrollment and the consumer experience, we revisit six states whose approaches to marketplace renewals we studied in a previous brief.<sup>3</sup> These states are California, Colorado, Kentucky, Maryland, Rhode Island and Washington. California, Colorado, Kentucky and Washington offered passive renewals and hoped to maximize retention, ensure continuous coverage, and reduce strain on marketplace information technology (IT) and consumer support capacity. Maryland and Rhode Island required active renewals, meaning enrollees had to return to the marketplace to maintain their coverage or financial assistance. Maryland used an active renewal process because it switched to a new IT system that could not transfer enrollee data. Rhode Island had two reasons for requiring active renewal: (1) the SBM did not get consent from enrollees to verify income for

a redetermination, and (2) there were dramatic changes in plans and prices and the marketplace wanted consumers to shop for the best deal.<sup>4</sup>

This case study includes analysis of data on 2015 enrollment and interviews with marketplace officials, health insurer representatives, and consumer assisters. We conducted

21 interviews from March to May 2015. In this brief we (1) draw observations between renewal approaches and their effect on re-enrollment, (2) attempt to understand what factors influenced enrollees' renewal decisions, (3) discuss lessons the marketplaces and stakeholders learned in 2015, and (4) present stakeholder thoughts on an optimal renewal process for the 2016 coverage year.

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## RE-ENROLLMENT AND REDETERMINATION: MARKETPLACE APPROACHES FOR 2015

For 2015 coverage renewals, the federally facilitated marketplace (FFM) and our six SBM study states took different approaches. The FFM chose to passively renew eligible enrollees who took no action to re-enroll and did not conduct a redetermination of such people's eligibility for PTCs. The FFM process assured enrollees of continuous coverage in 2015, assuming their health plan or a comparable plan was available. However, the FFM process did not assure enrollees that any financial assistance they received would carry the same value as it had in 2014, particularly if insurers changed their premiums for the 2015 plan year. The FFM carried forward the same dollar amount of PTCs from 2014 for passively renewed enrollees, even if the price of those enrollees' plans changed because of a price change in the 2015 second-lowest-cost silver plan (known as the benchmark plan).<sup>5</sup>

Because the amount of PTC an individual receives is based on the price of the benchmark plan, any changes to the benchmark affect the net premium for subsidized enrollees. For example, if the benchmark plan price decreased, a consumer's PTC would also decrease. If the FFM automatically renewed the consumer, however, he or she would receive the exact same PTC from 2014 in 2015. Thus, the consumer would owe money at tax reconciliation time unless he or she returned to the FFM to update his or her information and receive a redetermination

that used 2015 plan information. Alternatively, if the price of the benchmark plan increased in 2015, a consumer's PTC would also increase. If automatically renewed in the FFM, the consumer would still receive the exact same PTC from 2014 for 2015 coverage, though he or she would be eligible for more. The consumer would eventually receive the difference when reconciling PTC at tax return time. By contrast, four of the study SBMs, California, Colorado, Kentucky and Washington, provided a redetermination with updated 2015 information regardless of whether eligible enrollees elected to passively or actively renew, as long as those enrollees provided consent for the SBM to verify their eligibility. The SBM notices provided the premiums and tax credits based on 2015 plan information. These states also chose to auto-renew eligible enrollees who took no action as long as their health plans or similar plans were available; the updated PTC was applied to the renewals. Though these SBMs used an automatic renewal process, enrollees also had the option to shop for better options. Because of technical issues (discussed later), Washington state was unable to provide all eligible enrollees with a redetermination unless they came back to the marketplace. In our two other study states, Maryland and Rhode Island, enrollees were required to actively renew their plans. In Maryland, failure to actively renew led to a loss of subsidies but not of coverage. In Rhode Island, enrollees who failed to return to the marketplace lost both their subsidies and their coverage.

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## OBSERVATIONS FROM THE STATES: THE FIRST-YEAR RENEWAL EXPERIENCE

### High retention of those eligible for re-enrollment

Overall, the state-based marketplaces were successful in retaining a substantial majority of their eligible first-year enrollees. This was a key test for the renewal process. Using available information for five states, the SBMs in our study states retained at least two-thirds of their 2014

enrollees (Table 1).<sup>6</sup> The retention rates, however, are not completely comparable because of different definitions and timing for state estimates and whether these states account for natural "churn"—those who chose not to re-enroll because they became eligible for other types of health insurance coverage (e.g., Medicaid, Medicare, or

## Table 1. Retention of Eligible Enrollees in the Study State-Based Marketplaces

|  | CA  | CO               | KY               | MD  | RI  | WA               |
|--|-----|------------------|------------------|-----|-----|------------------|
| Share of eligible enrollees that renewed | 92% | 67% <sup>a</sup> | 97% <sup>b</sup> | n/a | 82% | 80% <sup>c</sup> |

Sources: Lee PV. "Executive Director's Report." Covered California Board Meeting, March 5, 2015, [http://board.coveredca.com/meetings/2015/3-15/PPT%20-%20Executive%20Director's%20Report\\_March%205,%202015.pdf](http://board.coveredca.com/meetings/2015/3-15/PPT%20-%20Executive%20Director's%20Report_March%205,%202015.pdf); authors' interviews with Colorado and Kentucky stakeholders; "HealthSource RI Releases Enrollment Demographic and Volume Data Through February 23, 2015," HealthSource RI press release, Thursday, February 26, 2015, <http://www.healthsourceri.com/press-releases/healthsource-ri-releases-enrollment-demographic-and-volume-data-through-february-23-2015/>; Washington Health Benefit Exchange. *Health Coverage Enrollment Report*. Olympia, WA: Washington Health Plan Finder, 2015, [https://wabhexchange.org/files/9914/2740/7310/2015\\_Enrollment\\_Report\\_2\\_032615.pdf](https://wabhexchange.org/files/9914/2740/7310/2015_Enrollment_Report_2_032615.pdf).

Notes: n/a = not available.

<sup>a</sup> Estimates based on authors' interviews and is lower because it uses only those renewals that were effectuated (first month's premiums were paid).

<sup>b</sup> Estimate based on authors' interviews.

<sup>c</sup> Washington's 80 percent is calculated as total renewals (91,341) out of all renewals and non-renewals (114,198).

employer-sponsored insurance). California and Kentucky reported the highest retention rates with more than 90 percent of their enrollees renewed. Both states relied on automatic renewals. Washington retained 80 percent of its first-year enrollees, a rate that may have been lower than it otherwise would have been because of technical problems before and during open enrollment. Colorado, which also used automatic renewals, reported an even lower rate (67 percent), but this rate is for effectuated enrollment (i.e., enrollees that paid the initial premium). Rhode Island, which also reported effectuated enrollment, experienced a retention rate of 82 percent. Rhode Island required active renewal. Data on the percentage of enrollees renewing coverage in Maryland is unavailable because the SBM changed to a new IT platform for 2015.

### Varying experience with total enrollment growth among SBMs

Re-enrollments in our study states represent between 60 percent and 75 percent of the total overall enrollment for 2015 (Table 2).<sup>7</sup> This share is significantly higher than the 47 percent share of total 2015 enrollment in the FFM. The lower share in the FFM may reflect a lower rate of success in retaining existing enrollees, but it more likely reflects a higher rate of new enrollees because of low enrollment rates during the first year.

Overall enrollment in the SBMs we studied grew more slowly than in the FFM, according to numbers reported by the Department of Health and Human Services (HHS; Table 2).<sup>8</sup> Both active renewal states, Maryland and Rhode

## Table 2. Share of Eligible Enrollees that Renewed and Changes in Total Enrollment in the Study State-Based Marketplaces

|   | FFM  | CA   | CO   | KY   | MD   | RI   | WA   |
|---|------|------|------|------|------|------|------|
| Re-enrollments as share of total enrollment                       | 47%  | 65%  | 72%  | 73%  | n/a  | 68%  | 63%  |
| Change in total enrollment from April 2014 to February 2015       | +61% | +1%  | +12% | +29% | +77% | +10% | -2%  |
| Change in effectuated enrollment from December 2014 to March 2015 | +75% | +24% | +11% | +24% | +83% | +17% | +29% |

Sources: Office of the Assistant Secretary for Planning and Evaluation. *Health Insurance Marketplaces 2015 Open Enrollment Report Period: March Enrollment Report*. Washington: Office of the Assistant Secretary for Planning and Evaluation, 2015, [http://aspe.hhs.gov/health/reports/2015/MarketPlaceEnrollment/Mar2015/ib\\_2015mar\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2015/MarketPlaceEnrollment/Mar2015/ib_2015mar_enrollment.pdf). Note these totals denote plan selections except for Washington which reports effectuated enrollment. Office of the Assistant Secretary for Planning and Evaluation. *Health Insurance Marketplace Summary Enrollment Report for the Initial Annual Open Enrollment*. Washington: Office of the Assistant Secretary for Planning and Evaluation, 2014, [http://aspe.hhs.gov/health/reports/2014/marketplaceenrollment/apr2014/ib\\_2014apr\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2014/marketplaceenrollment/apr2014/ib_2014apr_enrollment.pdf). Centers for Medicare and Medicaid Services. *March 31, 2015 Effectuated Enrollment*, Baltimore: Centers for Medicare and Medicaid Services, 2015, <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheets-items/2015-06-02.html>.

Note: FFM = federally facilitated marketplace. n/a = not available.

Island, increased their overall enrollment. Like the FFM, Maryland also experienced lower first-year enrollment, likely explaining its overall enrollment growth of 77 percent. States' experiences with total enrollment growth varied, including both retention of first-year enrollees and new enrollees. Among the states with automatic renewal, Kentucky had the greatest enrollment growth with an increase of 29 percent. As in all the study states except Maryland, re-enrollments composed the majority of their overall enrollment. By contrast, California's marketplace enrollment grew only 1 percent and Washington lost enrollees, declining 2 percent. But California experienced high enrollment numbers in its first year, leaving a smaller margin for overall growth. Also, using changes in effectuated enrollment (meaning that enrollees have paid their initial premiums) from December 2014 to March 2015, California and Washington show growth rates that are similar to several of the other study states.<sup>9</sup> In both California and Washington, retaining existing enrollees was important to maintaining overall enrollment numbers. Washington is proposing raising new revenue and developing budget-cutting strategies whereas California is considering budget-cutting strategies to make up for the revenue shortfalls in projected enrollment.<sup>10</sup>

Growth in total enrollment (61 percent) was considerably higher in FFM states than in any of the study states except

Maryland, which increased total enrollment 77 percent. Other SBMs with serious technology issues in the first year (Massachusetts, Nevada and Oregon) also experienced larger enrollment growth in 2015. The SBMs that saw high first-year enrollment numbers, such as California, had less room for improvement.<sup>11</sup> The SBMs states studied, however, have a lot of room to grow before reaching full implementation targets.

### Higher rate of shopping among re-enrollees

One of the biggest takeaways from the first year of marketplace renewals is that even with the automatic renewal option, enrollees engaged in a much higher rate of plan or insurer switching compared to other health insurance contexts. For example, available data for plan switching shows that 29 percent of enrollees eligible for automatic renewal switched plans in the FFM; that amount doubled in Rhode Island, which had 62 percent of enrollees changing plans (Table 3).<sup>12</sup> These switching rates include consumers who selected a plan from a different insurer and those changing to a different plan (such as from gold to silver) from the same insurer (39 percent of Rhode Island enrollees switched insurers). Rhode Island's active renewal process likely encouraged more switching. In contrast, the Federal Employee Health Benefits Program and the Massachusetts Health Connector, both of which offer

**Table 3. Switching and Shopping by Eligible Enrollees**

|  | FFM | CA               | CO                             | KY               | MD  | RI  | WA  |
|--|-----|------------------|--------------------------------|------------------|-----|-----|-----|
| Percentage of reenrollees that switched plans or insurers          | 29% | 6%<br>[insurers] | 18% <sup>a</sup><br>[insurers] | n/a              | n/a | 62% | n/a |
| Percentage point decrease in market share for largest 2014 insurer | n/a | 2%               | 12% <sup>a</sup>               | 10% <sup>a</sup> | 15% | 49% | 4%  |
| Active re-enrollees as share of all re-enrollees                   | 53% | 57%              | 47%                            | 53%              | n/a | n/a | n/a |

Sources: Office of the Assistant Secretary for Planning and Evaluation. *Health Insurance Marketplaces 2015 Open Enrollment Report Period: March Enrollment Report*. Washington: Office of the Assistant Secretary for Planning and Evaluation, 2015, [http://aspe.hhs.gov/health/reports/2015/MarketPlaceEnrollment/Mar2015/ib\\_2015mar\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2015/MarketPlaceEnrollment/Mar2015/ib_2015mar_enrollment.pdf); Office of the Assistant Secretary for Planning and Evaluation. *Health Insurance Marketplace Summary Enrollment Report for the Initial Annual Open Enrollment*. Washington: Office of the Assistant Secretary for Planning and Evaluation, 2014, [http://aspe.hhs.gov/health/reports/2014/marketplaceenrollment/apr2014/ib\\_2014apr\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2014/marketplaceenrollment/apr2014/ib_2014apr_enrollment.pdf); Lee PV. "Executive Director's Report." Covered California Board Meeting, March 5, 2015, [http://board.coveredca.com/meetings/2015/3-15/PPT%20-%20Executive%20Director's%20Report\\_March%205%202015.pdf](http://board.coveredca.com/meetings/2015/3-15/PPT%20-%20Executive%20Director's%20Report_March%205%202015.pdf); Maryland Health Benefit Exchange. *2015 Open Enrollment*. Baltimore: Maryland Health Benefit Exchange, 2015, <http://marylandhbe.com/wp-content/uploads/2015/02/CEBriefing-02242015.pdf>; "HealthSource RI Releases Enrollment Demographic and Volume Data Through February 23, 2015." HealthSource RI press release, Thursday, February 26, 2015, <http://www.healthsource-ri.com/press-releases/healthsource-ri-releases-enrollment-demographic-and-volume-data-through-february-23-2015/>; Washington Health Benefit Exchange. *Health Coverage Enrollment Report*. Olympia, WA: Washington Health Plan Finder, 2015, [https://wahbexchange.org/files/9914/2740/7310/2015\\_Enrollment\\_Report\\_2\\_032615.pdf](https://wahbexchange.org/files/9914/2740/7310/2015_Enrollment_Report_2_032615.pdf).

Note: FFM = federally facilitated marketplace. n/a = not available.

<sup>a</sup> Percentages for Colorado and Kentucky are estimates based on authors' interviews and available news articles. See McCrimmon K, "HealthOp Edges Out Kaiser, Scores Nearly 40 Percent of Exchange Business." Colorado Health News, Wednesday, March 4, 2015, <http://www.healthnewscolorado.org/2015/03/04/healthop-edges-out-kaiser-scores-nearly-40-percent-of-exchange-business/>.

automatic renewal, have had relatively low rates of plan switching at 13 percent and 7 percent, respectively.<sup>13</sup>

Two SBMs states in our study, Colorado and California, had lower rates of switching than the FFM, although these states only counted switching between insurers; switching between two plans offered by the same insurer was not counted in these states.<sup>14</sup> Colorado's data show insurer switching occurred at an estimated 18 percent.<sup>15</sup> California had the lowest rate of insurer switching at 6 percent.<sup>16</sup> Both of these states allowed automatic renewals, which may have discouraged switching. In California, average premiums remained relatively stable from 2014 to 2015, increasing 4 percent statewide. In Colorado, the price of the benchmark plan decreased in almost every region of the state, which may account for the rate of switching among insurers.<sup>17</sup>

High rates of plan switching drove dramatic swings in insurance company market share between 2014 and 2015, taking into account both insurer changes by renewing consumers and insurer choices by new enrollees (Table 3). In Rhode Island, which required active renewal, the dominant insurer (Blue Cross & Blue Shield of Rhode Island) lost significant market share, dropping from 97 percent to 48 percent of marketplace enrollees. Most of the enrollment gain went to Neighborhood Health Plan of

Rhode Island, which offered lower premiums than it did in 2014.<sup>18</sup> Maryland's dominant insurer (CareFirst Blue Cross Blue Shield) also lost market share (though at a lesser rate), falling from 94 percent to 79 percent. States allowing passive renewals also saw large shifts. Kaiser Permanente, Colorado's largest insurer in the exchange, lost 11 percentage points in market share (from 46 percent to 35 percent); Colorado HealthOP increased its market share from 12 percent to 39 percent.<sup>19</sup> Respondents indicated that Kentucky's largest plan lost an estimated 10 percentage points in market share. By contrast, the largest plans in California and Washington stayed nearly steady in market share, losing only 4 percentage points in Washington and 2 percentage points in California.<sup>20</sup>

There is also evidence that many enrollees eligible for automatic renewal chose to return to the marketplace to update their income and household information and compare their options, even if they ultimately did not change plans. In the FFM, more than half of those re-enrolling (53 percent) came to the marketplace and selected a plan. This high rate may be caused by the FFM policy of not updating the amount of an enrollee's PTC for 2015. But even in states that updated PTC amounts, such as California, Colorado, and Kentucky, about half of those re-enrolling did so actively even though they could have re-enrolled automatically.<sup>21</sup>

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## FIRST YEAR OF RENEWALS: SUCCESSES, CHALLENGES, AND LESSONS LEARNED

Under both an active and passive renewal approach, the SBMs were fairly successful in retaining high shares of renewals and re-enrollments as a share of total enrollment. Overall, SBMs also had a smooth renewal process, although there were challenges for consumers, particularly in Colorado and Washington. Interviews with stakeholders on their first year renewal experience and available data shed light on existing factors influencing consumer behavior and insurer strategies. They also provide useful lessons that may help these start-up SBMs refine their renewal process for future years.

### Improved information technology, but glitches remain

Overall, most respondents remarked on a much smoother consumer-facing IT platform for open enrollment than existed last year. As one California assister noted, "the website was fantastic from the user-end...overall the

process was streamlined and made things intuitive for people." For the most part, SBMs improved the overall shopping experience. One Washington insurer remarked that the shopping site worked much better this year with "considerable improvements" that made the site "more user-friendly."

Technical glitches, however, "caused a lot of headaches" for some enrollees. For example, respondents reported that eligibility systems had difficulty verifying enrollee income in some cases, causing delays in PTC redeterminations. In Washington at the start of open enrollment, for example, an IT glitch with the eligibility service caused inaccurate PTC redeterminations and officials took the system down for a day to resolve the issue.<sup>22</sup> Another technical glitch caused approximately 6,000 enrollees to have their coverage cancelled.<sup>23</sup> Washington officials and insurers engaged in one-on-one casework with enrollees to resolve issues in these instances.

Washington experienced more technical glitches with its renewal process than the other study SBMs. One insurer observed that there was a story on “the front page of the paper almost every day about how broken the marketplace was.” Washington intended to use automatic renewal but was unable to make this option available to all its eligible enrollees because the Internal Revenue Service’s process to conduct redeterminations was available later than officials expected. Consequently, some enrollees who thought they would be automatically renewed had to come back to the marketplace to receive a redetermination and re-enroll. Officials noted that outreach to eligible enrollees who did not renew may have prompted some sticker shock among enrollees, many of whom came back and actively re-enrolled after January 1.

Similarly, Colorado also had enrollees who were unaware that the SBM had not automatically renewed their coverage until after January 1. In Colorado, however, the system functioned as designed on the underlying assumption that consumers who shopped would want to change plans. Consumers could not browse plans without the system “turning off” their ability to auto-renew. Some customers found the marketplace’s messaging about automatic renewal and shopping functions unclear. For example, a number of enrollees were not aware until late in January that because they browsed plans the system had failed to renew their coverage. According to a marketplace official, Colorado’s marketplace worked with affected enrollees to ensure they received their coverage retroactively effective January 1.

Insurers across the SBMs also noted that the marketplaces generally did not provide accurate enrollment and termination files to insurers in a timely manner, leaving many insurers unclear as to who had re-enrolled. In addition, timely data transfers between the marketplace and Medicaid were a consistent challenge, causing backlogs in California, Colorado and Washington. “By far and away,” stated an insurer, “the data transfer issues caused the biggest headaches since they led to the creation of duplicate accounts and discrepancies regarding effective dates and premium payments.” This uncertainty as to who actually had renewed prompted at least two insurers to implement a “believe me” policy that allowed enrollees who believed they had re-enrolled to receive coverage. “If you think you’re covered, we’re not going to question it and we’ll try to get you covered,” said one market official describing the policy. California officials reported that the state also attempted to mitigate some of these reconciliation issues this year by providing a “pay now” button on the marketplace website that allowed enrollees to pay their

first month’s premium as they re-enrolled, thereby receiving more rapid confirmation of coverage.

All respondents agreed that a functional IT system to carry out the renewal approach is essential to a positive consumer experience. As one assister noted, “making the auto-renewal process work as advertised would be extremely helpful.” The perception of both the IT system and the renewal process for many enrollees in Colorado and Washington is arguably negative. As one respondent stated, “In Colorado, there’s a perception that the system got worse. Right now, trust and confidence of consumers isn’t there and it’s going to be hard to get that back.” However, Maryland overcame its disastrous first year; Maryland consumers returned to the marketplace to enroll in or renew their coverage, marking a successful open enrollment season for 2015.

### **Notices and inconsistent messaging caused confusion among enrollees**

Many respondents reported that language in renewal notices from insurers and marketplaces confused consumers. Insurers indicated that the required federal templates for renewal notices are not consumer-friendly, largely because of regulatory requirements. “Requiring us [insurers] to send out really inaccessible boilerplate notices does not help enrollees. And it does not increase the chances of actual renewal,” said an insurer. Another insurer recommended that regulators hold them accountable for sending accurate renewal notices, but allow them to have the flexibility to make the language more consumer-friendly.

Marketplace officials in all SBMs reported they are continuing to work with insurers to simplify the notice language and coordinate timing and messaging. Colorado and Kentucky respondents noted that notices in those states were less a source of confusion, perhaps because of the marketplaces’ decision to cobrand their notices with insurers. Rhode Island respondents also noted that the content of their notices was clear with expectations and deadlines.

According to insurers, notices’ timing also added confusion. State laws require insurers to send notices before open enrollment, and they went out before the marketplace or insurers knew the price of the 2015 benchmark plan.<sup>24</sup> Consequently, notices did not include the consumer’s 2015 PTC amount adjusted to reflect the new price of the benchmark plan. Insurers noted that they could not provide subsidized consumers with an accurate sense of a net plan cost, leading to anger and confusion when January premium invoices were sent. Insurer respondents

recommended that renewal notices with accurate PTC amounts and premiums would be more effective and helpful to enrollees, although they recognize that this means the next year's plan pricing, including the price of the benchmark plan, must be available earlier. State officials concurred, noting that in 2016 they are hoping to expedite their analysis of rate changes so that they can use big price changes to encourage enrollees to shop.

Respondent reviews about the marketplaces' consumer outreach efforts varied. A top complaint was the lack of consistent messaging about automatic renewal and the benefits of checking out new plan options. In both Colorado and Washington, some respondents reported that the marketplace message did not sufficiently encourage enrollees to shop around rather, it promoted the ability to be automatically renewed. In Colorado, the lack of clear messaging about the system's automatic renewal and shopping left many consumers unaware that the consequence of shopping was not being automatically renewed. As one Colorado consumer assister noted, this made any automatic renewal messaging inaccurate for some enrollees who had shopped but not picked new plans.

Marketplace officials in Colorado and Washington further noted that it was not until mid-fall that they became aware of the dramatic price changes for the 2015 benchmark plan in some of their markets; such changes led to significant premium increases for some subsidized enrollees who did not switch to the benchmark plan. Officials in Washington also noted that they learned relatively late that their system would be unable to perform redeterminations for all eligible enrollees. Although both SBMs attempted to adjust their messaging to encourage these enrollees to actively shop for a new plan, they lacked the time and resources to execute as effective a communications effort as they would have liked.

In contrast, Kentucky officials messaged strongly about shopping at the start of the open enrollment period, primarily because two new insurers were offering plans in the SBM. Similarly, Maryland and Rhode Island invested heavily in a marketing campaign that focused on the importance of actively re-enrolling before open enrollment. Because both SBMs were requiring enrollees to come back to the SBM to re-enroll, receive a redetermination, or both, their messaging was more straightforward.

### **Price sensitivity and value of PTC were major motivating factors for consumer behavior**

Unsurprisingly, price sensitivity was a major factor driving plan switching because the vast majority of marketplace

enrollees receive financial assistance to pay for premiums. Respondents almost universally observed that price is "the most important factor" influencing consumers' decisions. In Colorado, Rhode Island and Washington, premiums for the lowest-cost silver plan decreased at least 10 percent on average.<sup>25</sup> This led to a change in the benchmark plan from 2014 to 2015 and led to consumers gravitating toward the benchmark or other lower-cost options.<sup>26</sup> Other respondents noted, however, that such plan switches sometimes led to benefit design or network changes that caused disruptions in care.

SBMs also took steps to address sticker shock after January 1 once some enrollees had received their bill for January coverage, particularly those that had been auto-enrolled or those who had failed to pay attention to earlier notices. According to several respondents, enrollee plan switching "surged" after January. The ability to come back to the marketplace and select a plan after January 1 was critical for this population of enrollees.<sup>27</sup>

Some respondents also reported that more consumers switched to silver plans, noting the opportunity to maximize the value of PTCs and to receive cost-sharing reductions as the influencing factor. One Kentucky official noted an approximately 10 percent increase into silver plans this year and attributed the switch to more awareness that cost-sharing reductions are only available with the purchase of a silver plan. Rhode Island data show a 2 percent increase to silver plans this year with enrollment in gold plans decreasing 3 percent.<sup>28</sup> In Colorado, however, the data indicate a slight shift from silver to bronze plan enrollment from last year. This could be because many enrollees saw the value of their PTC decline because of a reduction in the price of the benchmark plan. By shifting to a bronze plan, they could maintain or reduce the amount of premium they owe.<sup>29</sup>

Although price appears to be the primary driver of consumer decision-making, some are motivated by other factors. One respondent noted that "brand recognition or familiarity with the delivery system" may have led some enrollees to resist switching plans, even if switching was in their financial interest. Both brand recognition and a robust provider network seemed to encourage enrollee loyalty in Maryland. Although enrollees had to actively re-enroll to receive financial assistance, the dominant insurer from 2014 retained 79 percent of the market (down from 94 percent) despite premiums increases across its plans and the insurer no longer offering the benchmark plan. For some consumers, having well-known hospitals or systems in the network was an important factor. One consumer assister explained that for some people, they will first check to see



if their local hospital is in network and then decide whether the coverage is affordable.

### **Individualized interface with consumers remains important**

Many observers assume that renewing enrollees will need less assistance than those enrolling for the first time, particularly with an automatic renewal option. Respondents, however, universally emphasized the continued importance of individual “touch” and assistance with the redetermination and plan selection process. One assister noted that 75 percent of her organization’s appointments were with enrollees who needed help with renewing coverage. Because commercial insurance products can change significantly from year to year, respondents noted the need to explain changes to both the value of PTCs and plan benefits. An assister confirmed this view, remarking that enrollees “need help evaluating choices.” Respondents had concerns that one-on-one assistance may be underemphasized and underresourced going forward.

One-on-one assistance not only is helpful to consumers, but also can be used by the marketplace as a way to convey the value of health insurance. As one insurer noted, the “actual experience and access” to care depends on understanding how a plan works. Assisters reported that people re-enrolling in coverage wanted information about changes in rates and plan options as well as assistance switching plans because of changes to their income or because they had picked plans last year that they were unable to use. As the assister explained, these enrollees had purchased plans with high deductibles, leading to “extreme consequences with respect to seeing doctors and being able to afford prescriptions.” The assister remarked

that a lack of knowledge or assistance last year about how plans worked led to consumers purchasing plans that did not provide the value they expected, causing dissatisfaction and frustration.

Respondents noted that consumers who are happy with the value of their plan have more incentive to renew their coverage. As one insurer remarked, “this is not a terribly difficult thing, but it has to be ongoing and not an on-off thing,” adding that information and assistance should come from a trusted messenger such as the marketplace.

### **Different renewal approaches did not affect marketplace competition**

The first year of renewals revealed a competitive market with some insurers approaching open enrollment as a way to maintain or grow market share with competitive pricing. For example, nondominant insurers saw the active renewal requirement as an opportunity to pick up market share in Maryland and Rhode Island. In Colorado, the insurer offering the benchmark and the lowest-cost plans in 2015 gained 40 percent of the market, the largest share among the competing insurers and a significant increase over 2014.<sup>30</sup>

The automatic renewal process was not a deterrent to marketplace competition in the states offering it. In Colorado, Kentucky and Washington, new insurers entered the market.<sup>31</sup> Two insurers in Colorado and Kentucky approached the first year of renewals with an aggressive pricing strategy that maintained one as the dominant player and landed the other with the largest market share. In California, one of the major insurers with significant market share lowered its rates and was able to capture even more market share.

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## **A GLIMPSE FORWARD TO RENEWALS IN 2016**

Currently, SBMs are still discussing or finalizing renewal approaches for 2016. California, Colorado, Maryland, Rhode Island and Washington officials indicate they will likely offer an automatic renewal process (Table 4).

California officials found that this approach “was beneficial for our consumers [because] people who wanted to could shop and pick the best value.” Officials, however, noted that the automatic renewal process “respects that people are busy and have busy lives” and allows them to maintain coverage without doing anything. One California insurer also remarked that the “biggest factor in making renewals work was doing passive renewals.” In Colorado, officials explained that the automatic renewal process worked for

about half of its enrollees, and “especially well for those that are not price sensitive or their plan price [did not go] up that much.” However, the process got difficult when the marketplace had to conduct the redetermination process alongside plan renewals. According to officials, the SBM will work on fixing the consumer-facing system issues. Colorado officials noted that its system this year will not turn off the automatic renewal function if consumers want to shop or browse plans. They also intend to do an earlier analysis of 2016 rate changes and use it to be more strategic and targeted in messaging enrollees. Washington state officials assume they will be moving forward with a passive renewal process.

### 2016 Re-enrollment and Redetermination Process for Federally Facilitated Marketplace (FFM)

1. FFM will receive updated tax return information from the Internal Revenue Service for redetermination.
2. FFM will provide redetermination based on 2016 plan information so that PTCs are based on 2016 benchmark plan.
3. FFM automatically renews eligible enrollees with 2016 redetermination for PTC for coverage effective Jan 1.
4. Enrollees who failed to file a 2014 tax return and reconcile PTC will be re-enrolled, but without PTC or cost-sharing reductions.

**Table 4. Renewal Approaches, 2015 and 2016**

|  | 2015                   | 2016   |
|--|------------------------|--|
| Redetermination based on updated plan prices         | CA, CO, KY, MD, WA, RI | CA, CO, KY, MD, RI, WA, and FFM              |
| Passive re-enrollment (automatic renewal as default) | CA, CO, KY, WA and FFM | CA, CO, MD, KY <sup>a</sup> , RI, WA and FFM |
| Active re-enrollment                                 | MD, RI                 | KY <sup>a</sup>                              |

Sources: Authors' interviews.

<sup>a</sup> undecided at the time of this issue brief, but interviews indicated that officials were considering an active process unlike the previous year

Note: FFM = federally facilitated marketplace.

For Maryland and Rhode Island, an automatic renewal option will be a change from the 2015 process. Maryland officials hope to conduct an eligibility redetermination process for enrollees before October 1 so that the marketplace can send out a pre-eligibility notice to all enrollees with the projected PTC and an accurate 2016 premium for their plan. Eligible enrollees who take no action will be automatically renewed into the same or most similar plan. Rhode Island officials indicate an automatic renewal option is the expectation in other similar industries and that the “emphasis in the Affordable Care Act is on the ease of use for consumers.” A Rhode Island insurer, however, echoed support for a modified active approach to renewals, reasoning that the key role of PTCs in marketplace insurance, as well as their linkage to the price of a benchmark plan, makes that setting different from other health insurance contexts where automatic renewal may work better.

Kentucky officials are considering switching to an active renewal process instead of a passive one and requiring consumers to return to the marketplace; such changes

would better ensure that enrollees are not surprised by unexpected premium changes. As one official stated, enrollees “would have realized sooner and switched to a different plan” if there had been an active renewal process for 2015 coverage.

When asked about a proposal from federal regulators to renew eligible enrollees into the lowest-cost plan when their premium rose by at least 10 percent, most respondents noted the importance of consumer choice and preference for care, agreeing that having a renewal process without consumer choice was a bad idea.<sup>32</sup> As one insurer noted, the whole point of the marketplace is “to give people choices.” Other respondents noted the likelihood of operational and technical glitches with such an approach, with one insurer stating that he had “low confidence that this can be effectuated properly across the board...due to the complexity and transactions across multiple entities.” Others pointed out that automatic plan switching of this sort could lead to disruption of provider relationships when insurer networks vary considerably across plans.

# CONCLUSION

The second year of open enrollment posed multiple challenges for SBMs. Over a short open enrollment period that spanned the winter holiday season, they simultaneously reached new consumers and renewed eligible enrollees' coverage for the first time. Layered within this re-enrollment process was the requirement that marketplaces redetermine the eligibility for PTCs and cost-sharing reductions for the vast majority of their enrollees.<sup>33</sup> Marketplaces had limited time and resources to ensure that their information technology systems and their communications could meet these challenges.

The six SBMs in this study took varying approaches to renewals, but all had to confront similar challenges, including changes to premiums and benchmark plans in which tax credits are based, the entry of new insurers or health plans or both, capacity of information technology systems, and communication and outreach. Reports of IT glitches affected small to moderate shares of renewing enrollees, and insurers indicated continued challenges with receiving accurate and timely enrollment files from the SBMs. Respondents further reported that many consumers were confused by the notices they received about where, when and how to re-enroll. Though some insurers engaged in aggressive outreach strategies to retain enrollees, others did very little.

In general, the studied SBMs were successful in retaining a substantial proportion of their 2014 enrollees. Insurer switching and active re-enrollment were both higher than

expected in this first year of renewals. Premiums and PTC value maximization were apparently key factors in consumer decision-making. Price sensitivity was particularly important to markets in which the price of the benchmark plan was significantly higher or lower than it was in 2014. Some insurers took advantage of this price sensitivity with aggressive pricing to capture market share, fostering a competitive market in more than half of the studied SBMs, regardless of renewal approach.

Under the Affordable Care Act, the marketplaces, financial assistance, and the expansion of Medicaid in some states are shrinking the number of uninsured and fulfilling the promise of improved access to coverage. As the number of uninsured declines, marketplaces by necessity must shift their focus from enrolling new consumers to maintaining enrollment through a renewal process that balances enrollee convenience with enrollees' desire to maximize the value of available financial assistance. Marketplaces must also ensure consumers have enough information to know about the renewal process and consequences of either being automatically renewed or actively re-enrolling. As SBMs refine their renewal processes going forward, balancing these needs will help determine whether they can meet enrollment targets and be financially self-sustaining over the long term.

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