

What Characterizes the Marketplaces with One or Two Insurers? An Update

John Holahan, Erik Wengle, and Linda J. Blumberg

Timely Analysis of Immediate Health Policy Issues

MARCH 2019

Introduction

In a 2017 analysis, we found strong inverse associations between the number of marketplace health insurers and premium levels and premium growth; rating regions with few insurers had higher premiums and higher premium growth.¹ We also found that rating regions with little or no insurer competition were heavily concentrated in the south and sparsely populated areas. Given changes to marketplace regulations and competition since 2017, we have updated this work in order to assess whether those patterns have changed, and if so how.

The previous study found that, in 2017, 271 out of 498 rating regions had either one or two marketplace insurers, and 69 had five or more insurers. The rating regions with one or two insurers tended to have much smaller populations than those with five or more insurers, because rating regions with fewer potential enrollees generally cannot support enough insurers to make markets competitive. Premiums in the rating regions with one or two insurers were, on average, significantly higher than in regions with five or more insurers. In this paper, we update this work using 2018 and 2019 data.

The main findings are as follows:

- The number of markets with one insurer increased from 146 in 2017 to 165 in 2019, and the number with two insurers increased from 125 to 157. That is, an increasing number of rating regions are becoming less

competitive than they were two years' prior. However, fewer regions have only one marketplace insurer in 2019 than did in 2018, a year when noncompetitive markets increased to 202 rating regions.

- At the other extreme, 69 rating regions had five or more insurers in 2017; this fell to 39 rating regions by 2019.
- In 2019, 12.1 percent of the U.S. population lives in a rating region with one insurer, and another 25.4 percent lives in a rating region with two insurers. Thus, 37.5 percent of the population now lives in rating regions with one or two insurers, up from 33.8 percent in 2017. However, the situation in 2019 represents an improvement over 2018, when 45.1 percent of the population lived in rating areas with little to no marketplace insurer competition.
- Residents of the South are far less likely to live in areas with competitive marketplaces than residents of other regions. In the South in 2019, 52.9 percent of the population lives in rating regions with only one or two marketplace insurers. Only 4.0 percent of the South's population lives in rating regions with five or more marketplace insurers.
- Marketplace competition in the Northeast is opposite that of the South. In 2019, no rating region in the Northeast has only one marketplace insurer. On the other hand, 40.7 percent of the population in the Northeast lives in rating regions with five or more marketplace insurers. The West is also reasonably competitive. The Midwest is somewhat less

competitive, but still a majority of population lives in rating regions with at least three marketplace insurers.

- Typically, premiums are substantially higher in marketplaces with one insurer than in markets with five or more insurers. In 2019, the median benchmark premium in rating regions with one insurer is \$592 per month. In marketplaces with five more insurers, the median premium is \$376 per month.
- The difference in median benchmark premiums between rating regions with one insurer and those with five or more insurers has increased over time. The median benchmark premium in marketplaces with one insurer increased by 31.3 percent between 2017 and 2019. The median benchmark premiums in marketplaces with five or more insurers increased by 24.9 percent over the same period.
- A Blue Cross Blue Shield–affiliated insurer is the single insurer in 146 of the 165 markets with only one insurer in 2019. Medicaid plans – those that did not operate in the private market prior to the Affordable Care Act (ACA) but did business as Medicaid managed care organizations prior to 2014 - were the single insurer in another 14 markets.

Data and Methods

In this brief, we analyze premium and insurer participation data taken from Healthcare.gov public use files and relevant state-based marketplace websites from 2017 to 2019. Our premium analyses focus on the benchmark (second-lowest-cost silver) premium for a 40-year-old nonsmoker in each premium rating region in the United States. The number of rating regions varies modestly with plan year because states redrew several regions over the study period. Insurers can charge different premiums in different rating regions but cannot vary premiums within a rating region. To summarize premium data across rating regions but within an insurer category (described below), we use the median monthly benchmark premium within the category and the percent change in the median.

We categorize states into geographic regions using the U.S. Census Bureau

definitions.² We sort insurers into the following categories: insurers that provided coverage through Medicaid programs before the ACA but did not sell private coverage before 2014 (hereafter called Medicaid insurers); national insurers; regional or local insurers; provider-sponsored insurers (including Kaiser Permanente); and Blue Cross Blue Shield–affiliated insurers (including Anthem and Blue Cross Blue Shield subsidiaries). Population data come from the U.S. Census Bureau’s county-level population estimates for 2017.³

The Number of Insurers in a Rating Region

Table 1 shows that, of the 502 premium rating regions in the United States in 2019,⁴ 165 (almost one-third) have only one insurer offering marketplace nongroup coverage, and another 157 have only two insurers. However, the rating areas with little or no marketplace insurer competition tend to be those with smaller populations. Thus, in 2019, 12.1 percent of the U.S.

population lives in a region with only one marketplace insurer, and 25.4 percent lives in a rating region with exactly two insurers. Compared with 2017, 2019 has more rating regions without any marketplace insurer competition (165 versus 146). However, this is an improvement from 2018, when 202 rating regions had only one insurer and almost 20 percent of the U.S. population lived in rating regions with only one marketplace insurer.

At the other extreme, between 2017 and 2019, the number of highly competitive rating regions (i.e., with five or more marketplace insurers) dropped. In 2017, 69 rating regions had five or more insurers; this fell to 39 rating regions by 2019. However, as noted, 2019 reflects some competitive improvement since 2018. We found that 32 percent of the U.S. population lived in a highly competitive marketplace region in 2017; this fell to 18.6 percent in 2018 and then climbed slightly to 20.1 percent in 2019. The number of rating regions with four or

Table 1. Number of Marketplace Insurers Participating in a Rating Region by Population, 2017–19

Number of insurers	Number of rating regions	Share of U.S. population	Median rating region population	Average rating region population
2019				
One	165	12.1%	152,000	240,000
Two	157	25.4%	308,000	530,000
Three	89	24.7%	424,000	910,000
Four	52	17.7%	634,000	1,118,000
Five or more	39	20.1%	1,077,000	1,692,000
Total	502	100%	311,000	654,000
2018				
One	202	19.7%	162,000	320,000
Two	146	25.4%	317,000	570,000
Three	67	19.6%	513,000	961,000
Four	47	15.3%	539,000	1,069,000
Five or more	36	18.6%	1,077,000	1,693,000
Total	498	100%	311,000	654,000
2017				
One	146	12.6%	148,000	274,000
Two	125	21.2%	258,000	539,000
Three	90	20.1%	356,000	709,000
Four	68	13.9%	380,000	648,000
Five or more	69	32.0%	953,000	1,512,000
Total	498	100%	311,000	654,000

Sources: Insurer participation data are from Healthcare.gov public use files and relevant state-based marketplace websites. The share of population is derived from population estimates from the 2017 American Community Survey.

more insurers fell from 137 in 2017 to 83 in 2018 and edged back up to 91 in 2019.

The typical rating region population varies considerably with the number of marketplace insurers. Rating regions with more marketplace insurers tend to have larger populations, and this is consistent across the 2017–19 period. In 2019, the average rating region with one insurer has a population of approximately 240,000, and rating regions with two marketplace insurers have an average population of about 530,000. Rating regions with five or more insurers have much larger populations, an average of 1.69 million.

The association between population size and number of insurers has seemed to strengthen over time, particularly in the two-to-four-insurers range. In 2017, the difference in average population size between rating regions with two and four insurers was 109,000 (648,000 minus 539,000), whereas in 2019, that difference is 588,000 (1,118,000 minus 530,000).

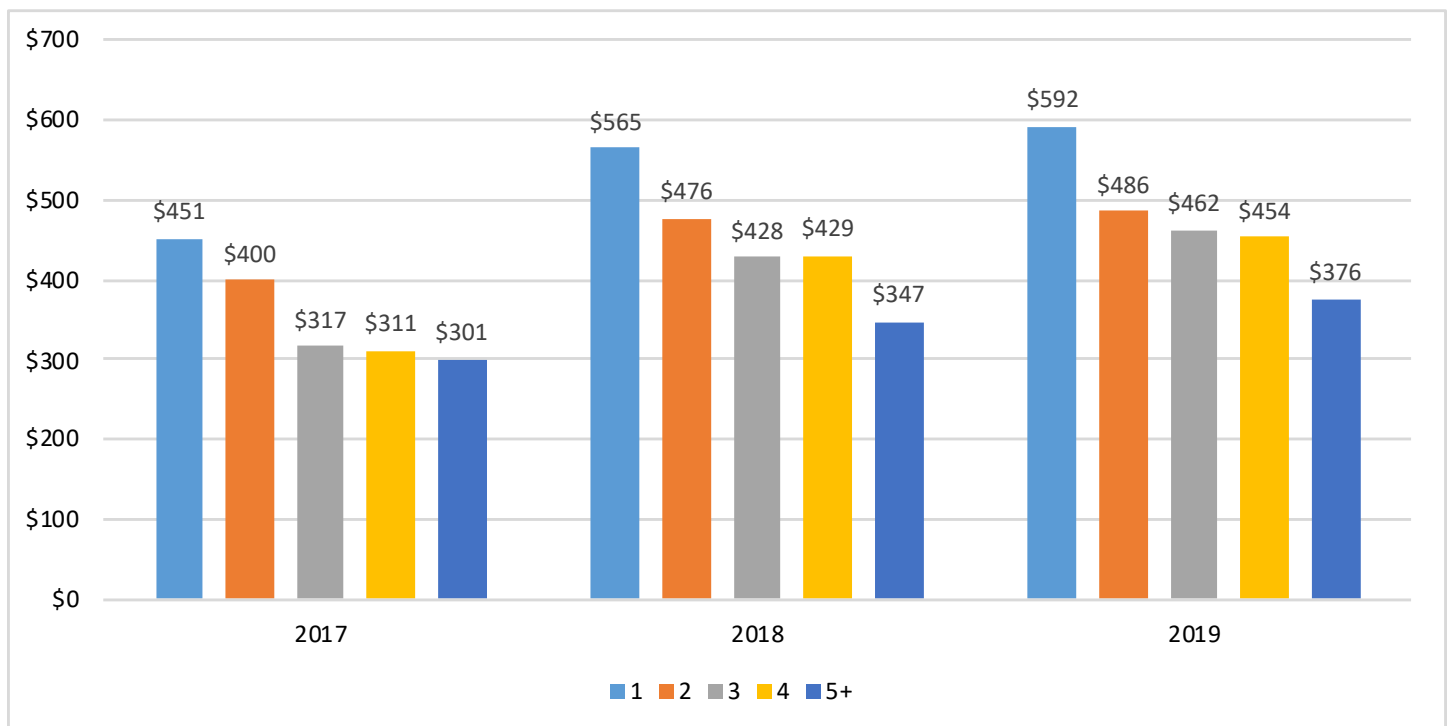
Marketplace Insurer Participation and Benchmark Premiums

Figure 1 shows 2017–19 median monthly benchmark premium (second-lowest silver) premium levels and how they relate to the number of insurers participating in a

rating region's marketplace.⁵ In 2017, the median monthly benchmark premium for a 40-year-old was \$451 in rating regions with a single participating insurer and \$400 per month in rating regions with two marketplace insurers. The median benchmark premium dropped quickly when the number of marketplace insurers increased to three or more. With five or more marketplace insurers, the median benchmark premium was \$301 per month.

In 2018, there was a very large increase in premiums due to a variety of factors including the administration's decision to stop direct reimbursement to insurers

Figure 1. 2017–19 Median Marketplace Monthly Benchmark Premium by Number of Participating Insurers
Premiums are for a 40-year-old non-smoker



Source: Insurer participation data are from Healthcare.gov public use files and relevant state-based marketplace websites.

for cost-sharing subsidies for low-income enrollees, shorter open enrollment periods and reduced funding for outreach and enrollment assistance, lack of clarity over the enforcement of the individual mandate, and consumer confusion over the political debate surrounding the potential ACA repeal. Despite this uncertainty, the median benchmark premiums in markets with five or more insurers increased by only 15.1 percent,

compared with a 25.2 percent increase among rating regions with a single marketplace insurer, as shown in table 2. Median benchmark premiums increased even faster in 2018 for rating regions with three or four insurers, however, climbing by roughly 35 percent that year.

Premium growth rates slowed dramatically between 2018 and 2019, when median benchmark premiums in regions with

only one insurer increased by about 5 percent and by 8 percent in regions with five or more insurers.

From 2017 to 2019, median benchmark premiums in rating regions with a single insurer grew by 31.2 percent, compared with 24.7 percent in rating regions with five or more insurers. However, median benchmark premiums grew the most (45.8 percent) in rating regions with three or four insurers.

Table 2. Annual Change in Median Marketplace Benchmark Premium by Rating Region Insurer Participation, 2017-19

Number of participating insurers	2017–18	2018–19	2017–19
One	25.3%	4.8%	31.3%
Two	19.0%	2.1%	21.5%
Three	35.0%	7.9%	45.7%
Four	37.9%	5.8%	46.0%
Five or more	15.3%	8.4%	24.9%

Source: Authors' calculations based on premium and insurer participation data from Healthcare.gov public use files and relevant state marketplace websites.

Insurer Participation by Census Region

Table 3 shows the number of marketplace insurers in rating regions by national census region (South, Northeast, West, and Midwest). By far, residents of the South are the most likely to live in rating regions with only one or two marketplace insurers. In 2019, 24.6 percent of the population in the South lives in a rating region with one insurer, and another

28.3 percent lives in a rating region with two insurers. This is greater than the share living in regions with one or two insurers in 2017 but somewhat smaller than in 2018. Residents of the South are also far less likely than residents of other areas of the country to live in rating regions with many insurers. In 2019, only 12.3 percent of the population in the south lived in a rating region with

four insurers and only 4.0 percent lived in a region with five or more. The share of the southern population living in rating regions with four or more insurers declined considerably since 2017, when 30 percent of the population lived in a rating region with four or more insurers.

Table 3. Share of Geographic Region's Population by Number of Insurers Participating in Rating Region, 2019

Number of insurers participating in rating region	South	Northeast	West	Midwest	U.S. total
One	24.6%	0.0%	4.3%	8.4%	12.1%
Two	28.3%	22.4%	15.1%	31.1%	25.4%
Three	30.7%	27.7%	17.0%	20.8%	24.7%
Four	12.3%	9.3%	36.8%	14.2%	17.7%
Five or more	4.0%	40.7%	26.8%	25.5%	20.1%
Number of rating regions	255	40	79	128	502

Sources: States are coded by U.S. Census Bureau geographic regions. Insurer data are from Healthcare.gov public use files and relevant state-based marketplace websites.

The share of population is derived from population estimates from the 2017 American Community Survey.

The competitive experience in the northeast is quite different. As of 2019, no northeast rating region has only one marketplace insurer. At the other extreme, 40.7 percent of the population in the northeast lives in a rating region with five or more insurers, and another 9.3 percent live in rating regions with four insurers.

There is also considerable marketplace insurer competition in the western US. In 2019, 36.8 percent of the western population lives in a rating region with four insurers, and another 26.8 percent live in a rating region with five or more insurers. Only 4.3 percent of the population in the west lives in a rating region with only one insurer in 2019.

The midwestern population is more likely to live in competitive marketplaces regions than the southern population but less likely than residents of the Northeast and West. In 2019, 25.5 percent of the population in the Midwest lives in a rating region with five or more insurers.

In sum, residents of the South are far more likely to live in less competitive insurance markets than are other U.S. residents. Residents of the Northeast and West have the most competitive markets (four or more insurers) and are the least likely to live in markets with little or no competition.

Who Provided Coverage in Less Competitive Markets?

Table 4 provides data on the insurers that offer marketplace plans in less competitive rating regions. In an overwhelming share of rating regions with only one insurer, a Blue Cross Blue Shield–affiliated insurer is the single insurer in 2019, a situation that has not changed markedly from 2017. A Blue Cross Blue Shield insurer is the sole participant in 146 of the 165 rating regions

with one insurer in 2019. Likewise, Blue Cross Blue Shield affiliates are the most common insurer type in rating regions with only two insurers. In the 157 rating regions with two insurers in 2019, a Blue Cross Blue Shield–affiliated insurer is one of those two in 121 rating regions. Blue Cross Blue Shield insurers have traditionally served the nongroup market even before the ACA, and they typically offer broad network products and have relatively high premiums, because of both their monopoly status and broader networks.

Medicaid insurers, such as Centene and Molina Healthcare, were the sole insurers in two rating regions in 2017, 16 rating regions in 2018, and 14 in 2019. In rating regions with two insurers, Medicaid insurers were one of those two

insurers in 25 rating regions in 2017, 61 rating regions in 2018, and 68 rating regions in 2019. These plans typically have lower-than-average premiums and offer narrower provider networks. Regional insurers are also important in markets with two insurers, being at least one of the insurers in 58 out of 157 such markets in 2019, 52 out of 146 in 2018, and 29 out of 125 in 2017. Neither national nor provider-sponsored insurers are the sole insurer in any rating region in 2019, though they operate in some rating regions with two insurers.

Table 4. Marketplace Insurer Types in Rating Regions with Only One or Two Insurers, 2017–19

	2019		2018		2017	
	One insurer	Two insurers	One insurer	Two insurers	One insurer	Two insurers
Number of rating regions	165	157	202	146	146	125
Insurer type						
Blue Cross Blue Shield	146	121	165	103	143	104
Medicaid	14	68	16	61	2	25
National	0	8	1	11	1	22
Provider-sponsored	0	33	8	40	0	33
Regional	5	58	12	52	0	29

Source: Insurer participation data are from Healthcare.gov public use files and relevant state-based marketplace websites.

Conclusion

This brief provides new information on the number of marketplace-participating insurers and premiums in ACA rating regions throughout the United States. The number of markets with only one or two insurers increased by 19 percent (51 rating regions) between 2017 and 2019, but that increase disguises a larger jump of 28 percent in 2018, followed by a 7 percent decline in 2019. The number of rating regions with five or more insurers also fell by over 40 percent between 2017 and 2019, but again, that change occurred between 2017 and 2018, with competitive rating regions increasing

slightly in number in 2019. In 2019, about 38 percent of the population lives in rating regions with either one or two marketplace insurers.

The decrease in highly competitive markets is concerning because marketplace premiums tend to be substantially higher in rating regions with one insurer than in more competitive marketplaces. In 2019, the median marketplace benchmark premium for a 40-year-old in rating regions with one insurer is \$592 per month, compared with \$376 per month in rating regions with five or more insurers. Differences in median benchmark premiums between

noncompetitive and highly competitive markets have also increased (table 2).

With more than one-third of the population now living in rating regions with either one or two marketplace insurers, lack of competition is increasing both federal spending (because of higher benchmark premiums and associated tax credits) and household spending for enrollees ineligible for premium tax credits. Increasing the number of insurers participating in marketplaces in these rating regions is difficult, because many regions have sufficiently small populations that they dissuade new insurers. And it is difficult

for new insurers to negotiate favorable provider payment rates when they do not already have market share in an area. Increased enrollment through better outreach efforts, improved financial assistance, and easier access to marketplace subsidies would be helpful but probably not adequate.

In these markets, policymakers could cap the provider payment rates that private ACA-compliant nongroup insurers pay (e.g., at Medicare levels plus some

percentage). Alternatively, or in addition, introducing a publicly administered insurance plan could increase competition among existing insurers, with premiums set based on regulated provider payment rates. Capping the provider payment rates for all insurers in the ACA-compliant nongroup markets would allow more insurers to compete and address monopoly provider pricing problems. A new public insurance plan paying the same provider rates would have a similar effect on federal spending

and household affordability but would involve creating and maintaining a new governmental entity, and it would face stronger insurer opposition.

Marketplaces with greater populations and more insurer competition generally continue to succeed, but a large and increasing number of marketplaces are falling short. This problem can be addressed, however, and doing so would allow the nongroup markets to succeed in the long term.

NOTES

- 1 Holahan J, Blumberg LJ, Wengle E. What Characterizes the Marketplaces with One or Two Insurers? Washington: Urban Institute; 2017. <https://www.urban.org/research/publication/what-characterizes-marketplaces-one-or-two-insurers>. Accessed February 26, 2019.
- 2 U.S. Census Bureau. Census Regions and Divisions of the United States. Suitland, MD: U.S. Census Bureau. https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf.
- 3 U.S. Census Bureau. Annual Estimates of Resident population. Suitland, MD: U.S. Census Bureau. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2018_PEPANNRES&src=pt
- 4 Washington added four rating regions for the 2019 plan year, increasing the number of rating regions from 498 to 502.
- 5 We also calculated the same results excluding New York and Vermont because both states have pure community rating and, as such, have higher premiums for a 40-year-old than they otherwise would. When excluding these two states, the premiums in regions with three or more insurers have lower premiums, increasing the difference between those with one insurer and those with three or more insurers.

The views expressed are those of the authors and should not be attributed to the Robert Wood Johnson Foundation or the Urban Institute, its trustees, or its funders.

ABOUT THE AUTHORS & ACKNOWLEDGMENTS

John Holahan is an Institute Fellow, Erik Wengle is a Research Analyst, and Linda Blumberg is an Institute fellow in the Urban Institute's Health Policy Center.

ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is dedicated to elevating the debate on social and economic policy. For nearly five decades, Urban scholars have conducted research and offered evidence-based solutions that improve lives and strengthen communities across a rapidly urbanizing world. Their objective research helps expand opportunities for all, reduce hardship among the most vulnerable, and strengthen the effectiveness of the public sector. For more information specific to the Urban Institute's Health Policy Center, its staff, and its recent research, visit <http://www.urban.org/policy-centers/health-policy-center>.

ABOUT THE ROBERT WOOD JOHNSON FOUNDATION

For more than 45 years the Robert Wood Johnson Foundation has worked to improve health and health care. We are working alongside others to build a national Culture of Health that provides everyone in America a fair and just opportunity for health and well-being. For more information, visit www.rwjf.org. Follow the Foundation on Twitter at www.rwjf.org/twitter or on Facebook at www.rwjf.org/facebook.