



The Elusive Uninsured: Assessing the ACA Exchange in Texas

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After six months of open enrollment on the ObamaCare exchange, fewer than 734,000 Texans bothered to enroll. Where are the uninsured, and why did so few sign up?

Key Points

- The ACA exchange in Texas has failed to attract a significant portion of the state's uninsured.
- The high cost of exchange premiums has likely discouraged many uninsured Texans from seeking coverage through the ACA.
- A majority of exchange enrollees in Texas and nationwide are those who were previously insured.
- The Obama administration has thus far failed to provide data that would enable an accurate assessment of exchange enrollment.

Introduction

On April 17, the Obama administration announced that 8 million people had signed up for coverage on the Health Insurance Marketplace (exchanges) established by the Patient Protection and Affordable Care Act (ACA), exceeding the administration's goal by a wide margin and prompting the White House to claim that the law is working and that the "debate is and should be over."¹

The Department of Health and Human Services (HHS) released exchange enrollment data on May 1 for the entire six-month enrollment period, which ended March 31.² The data showed a significant surge in enrollment in March, with nearly 3.8 million people selecting a plan that month.³

The Congressional Budget Office (CBO) originally predicted that 7 million Americans would gain coverage through the exchanges in 2014, but later revised the figure to 6 million after widespread problems with the website immediately following its launch on October 1, 2013.⁴ The CBO estimates were not meant to be precise, but to serve as an indicator of whether people were signing up in sufficient numbers to keep ACA cost estimates accurate. Although enrollment lagged behind CBO projections throughout much of the enrollment period, it picked up sharply in March, as some observers expected it would, surpassing the original CBO estimate.⁵

Some health insurance industry insiders have speculated that the number of Americans with health insurance has measurably increased because of the ACA, while others have conflated the enrollment figures with a reduction in the number of uninsured.⁶ However, a number of recent surveys indicate that the vast majority of exchange enrollees were previously insured and that far fewer uninsured Americans gained private coverage through the exchanges than the 8 million enrollment figure would suggest.

Indeed, the effect of the exchanges on the uninsured rate remains unclear—as does the effect of the exchanges on the individual market as a whole—despite the administration's claim that it has expanded coverage. The vast majority of exchange enrollees, both in Texas and nationwide, appear to be previously insured individuals whose policies were cancelled because of ACA regulations or who were able to get a better deal on the exchange because of premium subsidies. Indeed, after six months of open enrollment there is a significant disparity between the tens of millions of uninsured Americans estimated to be eligible for subsidized exchange coverage—including 2.2 million Texans—and the total number of enrollees. *continued*

A close analysis of exchange enrollment data for Texas therefore provokes an important question: why have so few people signed up? This in turn brings up a related question, which is crucial to evaluating the success of the ACA: where are the uninsured?

The Exchange in Texas

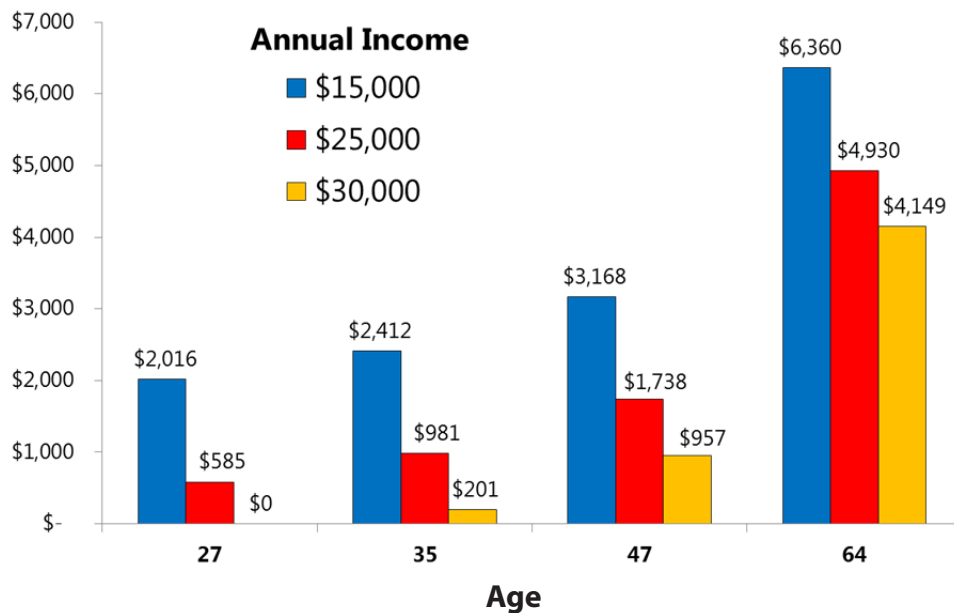
As of the March 31 deadline, the federally-facilitated exchange in Texas had enrolled 733,757 individuals,⁷ the third-highest enrollment total in the nation behind California and Florida. Total enrollment in Texas exceeded the target of 629,000 set by the Centers for Medicare and Medicaid Services in September 2013,⁸ prompting many ACA supporters in the state to hail the exchange as a success.⁹

Yet a close look at the data reveals a more complicated picture. Total exchange enrollment was only 23 percent of the estimated number of potential enrollees—733,757 out of more than 3.1 million. Of the more than 1.3 million Texans who actually completed an application, only 53 percent went on to select a plan and complete enrollment.

That is, more than 637,000 Texans completed an application but chose not to enroll in coverage. That total includes 101,762 people who qualified for a premium subsidy but still did not complete enrollment.¹⁰ Why?

The most likely reason is cost. Premiums on the exchange are significantly higher than average pre-ACA premiums on the individual market in Texas.¹¹ Although subsidies offset these premium costs for some Texans, those earning about 250 percent of the federal poverty limit (FPL), or \$29,175 per year, cannot expect their subsidy to significantly reduce premiums (see Figure 1).

Figure 1: Maximum Individual Subsidies, Texas Statewide Average¹²



For example, a 35-year-old non-smoker in Houston whose annual income is \$30,000 (or 261 percent FPL) will pay a maximum of 8.37 percent of their income toward their exchange premium. The remaining cost is covered by a federal subsidy, or tax credit. The second lowest-cost silver plan available through the exchange in Houston is \$2,942.

Thus, the premium subsidy will be \$431, leaving \$2,511 in annual out-of-pocket premium costs for the exchange enrollee—a significant cost for someone with an annual income of \$30,000. As the data shows, hundreds of thousands of Texans chose not to incur those costs by signing up for coverage on the exchange.

For those with lower incomes, however, the exchange scheme offers a much better deal. A Houston resident whose annual income is \$15,000 (or 131 percent FPL) will pay a maximum out-of-pocket cost of 2 percent of their income toward the cost of the premium, or \$300. Therefore, the premium subsidy for the lowest-cost silver plan would be substantially greater—\$2,642.

As a result of this subsidy structure, coverage on the exchange is most attractive to low-income earners and becomes progressively more expensive as one earns more. At about 250 percent FPL, exchange coverage becomes prohibitively expensive. In the examples above, the higher-income earner will pay \$2,211 more than the lower-income earner for the same insurance plan.

This subsidy disparity could help explain why nearly half those who completed an application on the exchange failed to select a plan and enroll in coverage. Another factor could be the higher cost of coverage on the exchange relative to policies available on the individual market prior to the ACA. This is especially true of policies for younger Texans, some of whom face premium increases of up to 158 percent for the lowest cost catastrophic plans available on the exchange.¹³ Other comparisons of pre- and post-ACA rates show average premium increases of 100 percent for 27-year-old Texans, more than 91 percent for Texans age 50, and nearly 30 percent for a family of four.¹⁴

The Exchange and the Uninsured

Because the ACA was passed partly on the premise that it would lower the uninsured rate, it's important to analyze enrollment in the context of the total number of uninsured in Texas, which has the highest uninsured rate in the nation at 24.6 percent.¹⁵

Total exchange enrollment accounts for less than 13 percent of the state's more than 5.7 million¹⁶ uninsured. However, because not every exchange enrollee was previously uninsured, the effect of enrollment on the uninsured rate is likely much smaller. By some estimates, the number of previously uninsured Texans that enrolled for coverage through the exchange accounts for just 3 percent of the state's total uninsured population (*see Table 1*).

Table 1: Uninsured Texans and the ACA Exchange

Populations in Texas	Number	As a percentage of the uninsured
Total estimated uninsured in Texas ¹⁷	5,762,358	-
Estimated Number of Potential Enrollees ¹⁸	3,143,000	54.5%
Estimated uninsured who qualify for a subsidized exchange plan ¹⁹	2,049,000	35.5%
Total eligible to enroll in an exchange plan ²⁰	1,371,157*	23.8%
Total eligible for a subsidized exchange plan ²¹	835,519	14.5%
Total number who enrolled in an exchange plan ²²	733,757	12.7%
Estimated number of previously uninsured who enrolled in an exchange plan ²³	178,000	3.0%

* This is the total number of individuals who completed an application during the enrollment period and were determined to be eligible to enroll in a plan, whether or not they qualified for a subsidy.

The results of these surveys suggest that the vast majority of those who gained coverage through the exchanges were not previously uninsured; they either lost existing coverage because their policies did not comply with ACA regulations ... or they dropped coverage because they were able to get a better deal on the exchanges thanks to federal subsidies.

Because the exchanges were designed to be a way for those without an offer of health insurance through an employer to purchase coverage, and for the low-income uninsured to gain affordable coverage, the number of previously uninsured enrollees is arguably the only significant metric by which to judge the success of the exchanges. The Congressional Budget Office originally estimated that the vast majority—80 to 90 percent²⁴—of those enrolling in exchange coverage would be previously uninsured,²⁵ but a number of recent surveys suggest the share of previously insured on the exchange is much smaller:

- A RAND Corporation survey released in April found that although the total number of uninsured decreased nationwide between 2013 and 2014, only about a third of those who gained coverage through the exchange were previously uninsured, or 1.4 million exchange enrollees. The vast majority of the newly insured (7.2 million) gained covered through employer-sponsored insurance, not the exchanges, while 3.6 million gained new coverage through Medicaid expansion.²⁶
- Consulting firm McKinsey & Company report that about 27 percent of those who gained coverage during the six-month enrollment period were previously uninsured.²⁷ However, the firm's survey includes the purchase of all individual coverage, either on or off the exchange. Hence, the report states that, "the numbers in our survey cannot be directly compared to the publicly reported exchange enrollment numbers."
- The Health Reform Monitoring Survey (HRMS) for Texas reported that by mid-March, 30.2 percent of survey respondents who gained coverage through the exchange reported they were previously uninsured (178,000 of 746,000).²⁸

The results of these surveys suggest that the vast majority of those who gained coverage through the exchanges were not previously uninsured; they either lost existing coverage because their policies did not comply with ACA regulations (just as the Obama administration said would happen in 2010) or they dropped coverage because they were able to get a better deal on the exchanges thanks to federal subsidies. In December 2013, the Associated Press estimated nearly 5 million Americans had lost coverage in late 2013 because their plans were noncompliant with ACA rules that took effect in January 2014.²⁹

It should be noted that the individual health insurance market is more volatile than the employer-sponsored market. One recent study published in *Health Affairs* estimates 6.2 million people leave the individual market annually and that only 42 percent of those with individual coverage retained such coverage after a year.³⁰ Because of this market's volatility, some have suggested the wave of cancellations of non-compliant policies under the ACA in late 2013 is unremarkable—a feature of the individual market and not a direct result of the ACA.

Yet there is evidence that ACA regulations are responsible for at least some of the cancellations in the individual market. Recent results from the HRMS show that out of an estimated* 14 million people on the individual market, 2.6 million reported their plans were cancelled because of noncompliance with the ACA.³¹ While exchange coverage

*The exact number of policyholders in the individual market is difficult to determine, with estimates ranging from 9.55 million in the Medical Expenditure Panel Survey to 25.3 million in the American Community Survey. The figure used here, 14 million covered in the individual market at any one time, comes from the National Health Interview Survey (NHIS), which the authors cited below used because it corresponds with estimates based on recent National Association of Insurance Commissioners (NAIC) enrollment data reported in the Supplemental Health Care Exhibit (SHCE).

is available to many people whose plans were cancelled, those who do not qualify for federal subsidies will find plans offered through the exchanges to be far more expensive. In the *Health Affairs* study cited above, 35 percent of those surveyed had incomes above 400 percent FPL, meaning they will not qualify for a subsidy on the exchanges. As mentioned previously, even some of those whose incomes are below 400 percent FPL will not qualify for a large enough subsidy to significantly offset the cost of the premium (see *Figure 1*).

Because there is no definitive data on the number of cancellations notices sent out in late 2013—HHS has declined to gather this information or require insurers operating on the exchanges to provide it—the debate about how many exchange enrollees were previously insured has suffered for lack of evidence. It is therefore difficult to say how much exchange enrollment has reduced the uninsured rate compared to the period before October 1, 2013, when open enrollment began.

Nationwide, the uninsured rate appears to be falling. According to an April Gallup poll, the uninsured rate dropped to 13.4 percent from 15.0 percent in March—the lowest reported monthly rate since Gallup began tracking it in January 2008.³² The surveys cited above, however, suggest that far more exchange enrollees were previously insured than uninsured, and that widespread news reports of policy cancellations late last year are not without merit. The RAND survey in particular suggests that the ACA's employer mandate—which will not be enforced until 2015, although reporting is based on 2014 data—has done more to increase coverage than enrollment on the exchanges.

Conclusion

The HHS data clearly indicate that the number of Texans who signed up for exchange coverage after six months of open enrollment is paltry compared to the total number of uninsured in Texas. Given the state's high uninsured rate, the most remarkable thing about ACA enrollment data is not how many people signed up, but how few.

Even more notable is the evidence that most of those signing up were previously insured. Survey data from the HRMS, which accurately estimated the number of Texans who would enroll (746,000 projected compared to 733,757 actually enrolled), indicate the number of previously uninsured who gained coverage through the exchange is extraordinarily low—just 3 percent of the state's total estimated uninsured population.

The ACA was passed partly on the premise that there was considerable demand for health insurance, especially in states like Texas that have high numbers of uninsured. So far, the data does not support this assumption. Perhaps there is demand for some kind of health insurance, but the enrollment numbers suggest there is relatively little demand for the highly-regulated, unevenly subsidized plans offered on the ACA exchanges.

Perhaps if the uninsured are forced to pay penalties next year, exchange enrollment will rise. On the other hand, many of those who enrolled might drop coverage or stop paying premiums in the course of the year, especially if the plans they purchased on the exchange do not include access to provider networks typical of employer-sponsored coverage. Whatever the case, the success of the ACA exchange in Texas remains unclear. Despite what the law's supporters claim, the debate over the exchanges and the ACA is not and should not be over. ★

Endnotes

- ¹ Kyle Cheney and Jennifer Haberkorn, "Obama: 8 million enrolled under ACA," *Politico* (17 Apr. 2014).
- ² The HHS data includes the additional supplemental enrollment period (SEP) reported through April 19.
- ³ *Health Insurance Marketplace: Summary Enrollment Report for the Initial Annual Enrollment Period*, Department of Health and Human Services (1 May 2014) 1.
- ⁴ *Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act*, Congressional Budget Office (Apr. 2014).
- ⁵ Jonathan Cohn of *The New Republic* cited the experience of Massachusetts' health insurance reform of 2007 as an indication that early ACA enrollment would be slow but would pick up as the deadline drew near. "Of the 36,167 people who eventually enrolled in premium-charging plans from Commonwealth Care, 123 signed up in the first month," wrote Cohn. "That's right—123, or about 0.3 percent. Over the first two months, the number was a bit larger—2,289. But that's still just 6.3 percent."
- ⁶ Kyle Cheney, "Insurers: Millions More Have Coverage Now," *Politico* (29 Apr. 2014).
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- ⁸ *Projected Monthly Enrollment Targets for Health Insurance Marketplaces in 2014*, Centers for Medicare and Medicaid Services (5 Sept. 2013).
- ⁹ Enrique Rangel, "Rangel: Obamacare will be an issue in Texas," *Amarillo Globe-News* (4 May 2014).
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- ¹¹ John Davidson, "The High Cost of ObamaCare Mandates in Texas' Individual Health Insurance Market," Texas Public Policy Foundation (Oct. 2013).
- ¹² *Ibid.*
- ¹³ *Ibid.*
- ¹⁴ Drew Gonshoroski, "How Will you Fare in the Obamacare exchanges?" The Heritage Foundation (16 Oct. 2013).
- ¹⁵ Carmen DeNavas-Walt, Bernadette D. Proctor, Jessica C. Smith, *Income, Poverty, and Health Insurance Coverage in the United States: 2012*, U.S. Census Bureau (Sept. 2013).
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- ¹⁹ *Ibid.*
- ²⁰ *Health Insurance Marketplace: Summary Enrollment Report for the Initial Annual Enrollment Period*, Department of Health and Human Services (1 May 2014) 40.
- ²¹ *Ibid.*
- ²² *Ibid.*
- ²³ Vivian Ho, Elena Marks, Patricia Gail Bray, "Issue Brief #3: Early Effects of the Affordable Care Act on Health Insurance Coverage in Texas for 2014," Health Reform Monitoring Survey – Texas, James A. Baker II Institute for Public Policy, The Episcopal Health Foundation (14 Apr. 2014).
- ²⁴ Avik Roy, "RAND Comes Clean: Obamacare's Exchanges Enrolled Only 1.4 Million Previously Uninsured Individuals," *Forbes* (9 Apr. 2014).
- ²⁵ *Updated Estimates of the Insurance Coverage Provisions of the Affordable Care Act*, Congressional Budget Office (Feb. 2014) table B-2.
- ²⁶ Katherine Carman, Christine Eibner, "Changes in Health Insurance Enrollment Since 2013: Evidence from the RAND Health Reform Opinion Study," RAND Corporation (Apr. 2014).
- ²⁷ Amit Bhardwaj, Erica Coe, Jenny Cordina, and Mahi Rayasam, "Individual market enrollment: Updated view," McKinsey & Company (Mar. 2014).
- ²⁸ Vivian Ho, Elena Marks, Patricia Gail Bray, "Issue Brief #3: Early Effects of the Affordable Care Act on Health Insurance Coverage in Texas for 2014," Health Reform Monitoring Survey – Texas, James A. Baker II Institute for Public Policy, The Episcopal Health Foundation (14 Apr. 2014).
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- ³⁰ Benjamin D. Sommers, "Insurance Cancellations in Context: Stability of Coverage in the Nongroup Market Prior to Health Reform," *Health Affairs* (May 2014).
- ³¹ Lisa Clemens-Cope and Nathaniel Anderson, "How Many Nongroup Policies Were Canceled? Estimates From December 2013," *Health Affairs Blog* (3 March, 2014).
- ³² Jenna Levy, "U.S. Uninsured Rate Drops to 13.4%," *Gallup* (4 May 2014).

About the Author



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Davidson began his career in journalism, and has worked as a print and online reporter, managing and executive editor, and freelance writer for a wide variety of publications. He was Executive Editor for Issue Media Group, where he oversaw 19 weekly publications in the U.S. and Canada covering the creative economy, business innovation, and urban growth and design.

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