



McKinsey Center for U.S. Health System Reform



Individual market enrollment: Updated view

In February 2014 we conducted another round of our national survey of consumers eligible to purchase individual coverage during the open enrollment period (either on or off the exchanges). Our goal was to refresh our insights into the emerging 2014 individual market. Because we now have conducted our online survey four times since November, we have longitudinal data about consumers' product selection trends and demographic characteristics, which indicate how enrollment is progressing. Each round has included consumers who enrolled in healthcare coverage for 2014 (either on or off exchange), those who have shopped but not yet enrolled, and those who have not yet shopped.

Three important points help clarify how the survey findings should be interpreted. First, some of the respondents purchased coverage through *channels other than the exchanges*; as a result, the numbers in our survey cannot be directly compared to the publicly reported exchange enrollment numbers. Second, respondents' *previous insurance coverage (uninsured or insured)* was defined by their self-reported answers to the question: "Which of the following best describes your primary insurance coverage in 2013? For most of the year I was covered by" Respondents were categorized as previously uninsured if the answer they selected was: "I did not have health insurance, I was uninsured." Third, respondents categorized as having *renewed their 2013 policy* include both those who were automatically renewed by their 2013 insurer or elected to renew their pre-ACA policy. Respondents categorized as having *selected a new 2014 product* include *insured who switched* (those insured who switched from one carrier to another, or who switched policies but stayed with the same carrier) and *previously uninsured* (those self-reported uninsured who enrolled). In all cases, the products could have been selected on or off the exchanges.

All of the findings in this Intelligence Brief represent a view of the rapidly evolving individual insurance marketplace through February 13th. As such, enrollment trends may differ materially on March 31, 2014, the end of the open enrollment period.

Six key observations emerged from our February survey findings:

- Previously uninsured respondents accounted for 27 percent of February respondents who reported having selected a new 2014 product (i.e., insured who switched and previously uninsured who enrolled), up from 11 percent in earlier surveys.
- In total, 10 percent of all previously uninsured February respondents said that they had enrolled in a product, up from 3 percent in January.
- More than three-quarters of those who reported having obtained coverage also said they had paid their premium (out of the 48 percent of all February respondents who said they

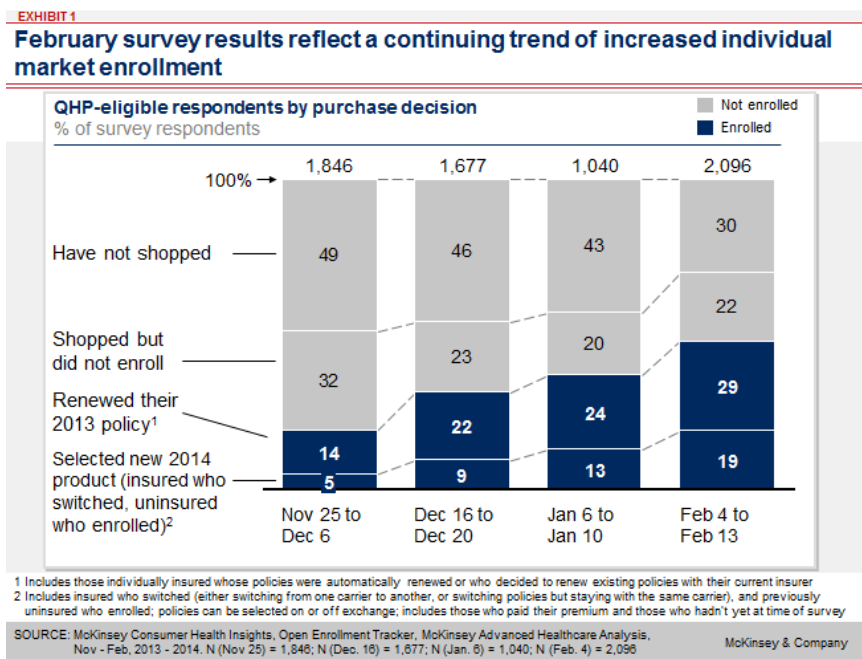
Individual market enrollment: Updated view

had enrolled). The payment rate was higher among the previously insured (86 percent) than among the previously uninsured (53 percent).

- A smaller proportion of the respondents who had not yet enrolled reported that they are likely to enroll, compared to prior surveyed months. However, most (65 percent) of those who said that they intend to enroll continue to be the previously uninsured.
- The most common reason for not enrolling cited by both previously insured and previously uninsured respondents continues to be perceived affordability challenges (this was cited by ~50 percent of the respondents who had not yet enrolled).
- Over 80 percent of the respondents who cited affordability as the reason for not enrolling are eligible for subsidies; 66 percent of these consumers were not aware of their subsidy eligibility status or subsidy amount.

Reported enrollment has continued to increase, particularly among the previously uninsured

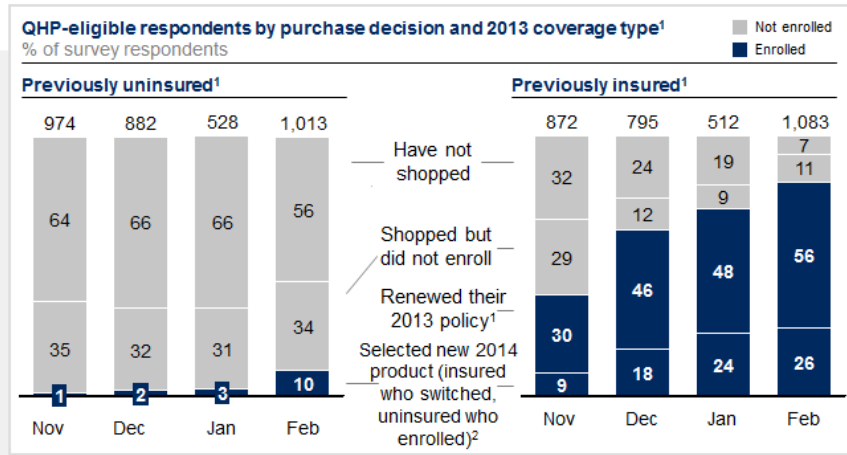
Across the four surveys conducted since November, reported enrollment has continued to increase. Of the 2,096 QHP-eligible respondents in February’s survey, 48 percent said that they enrolled in a 2014 individual product, up from 37 percent in January, 31 percent in December, and 19 percent in November (*Exhibit 1*).



The uninsured represented the biggest percentage of enrollment growth over the past month. In February, 10 percent of respondents reported having enrolled, up from 3 percent in January (*Exhibit 2*). Enrollment among the previously insured also increased to 82 percent in February, up from 72 percent in January.

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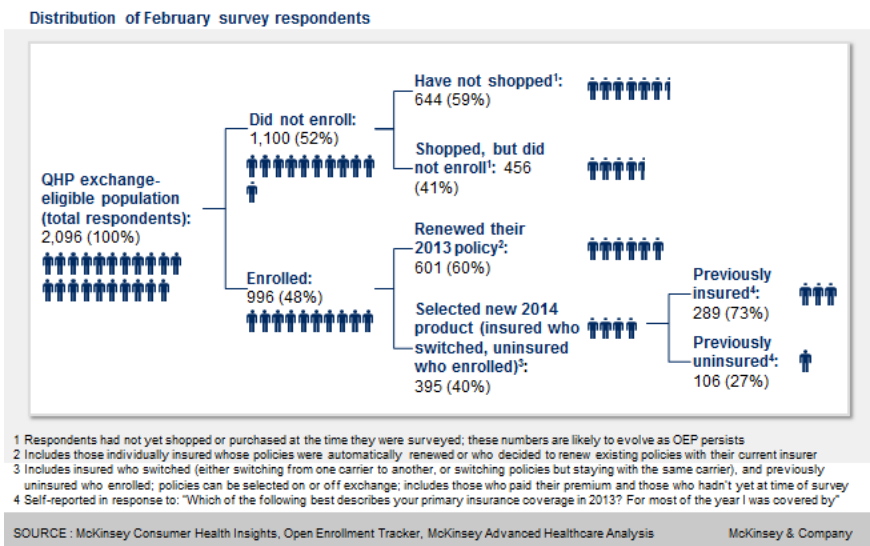
EXHIBIT 2
A higher percentage of both previously uninsured and individually insured Feb respondents obtained coverage for 2014 compared to earlier months



¹ Self-reported in response to: "Which of the following best describes your primary insurance coverage in 2013? For most of the year I was covered by"
² Includes those individually insured whose policies were automatically renewed or who decided to renew existing policies with their current insurer
³ Includes insured who switched (either switching from one carrier to another, or switching policies but staying with the same carrier), and previously uninsured who enrolled; policies can be selected on or off exchange; includes those who paid their premium and those who hadn't yet at time of survey
 SOURCE: McKinsey Consumer Health Insights, Open Enrollment Tracker, McKinsey Advanced Healthcare Analysis, November 2013 through February 2014
 McKinsey & Company

Because the percentage growth in enrollment reported in February was greater among the previously uninsured than previously insured, the coverage mix of those enrolled has shifted. Of all February respondents who reported they selected a new 2014 product (insured who switched, previously uninsured who enrolled), 27 percent were previously uninsured, compared with 11 percent in the earlier surveys (*Exhibit 3*).

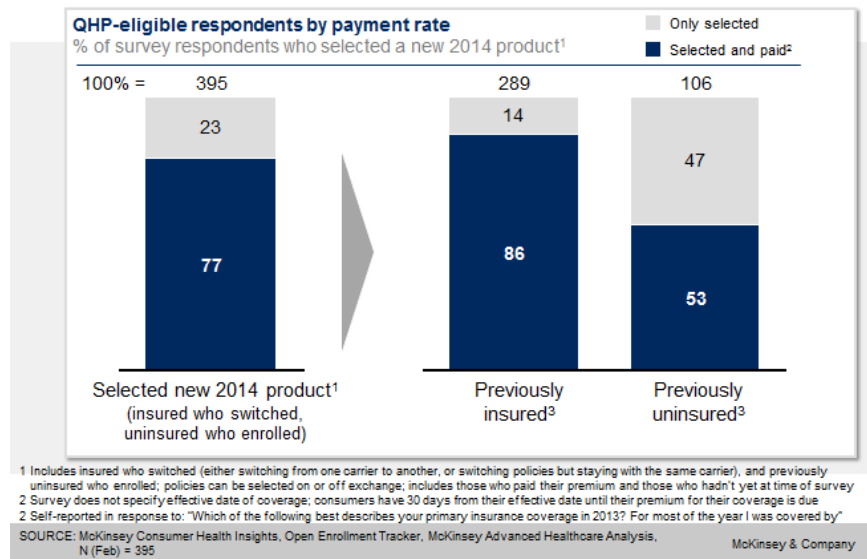
EXHIBIT 3
Of all selecting a new product, 27 percent of Feb respondents reported to be previously uninsured, up from 11 percent in the period from Nov to Jan



Payment rates varied by previous insurance coverage type, with rates being higher among the previously insured

Of all February respondents who had selected a new 2014 product (insured who switched and previously uninsured who enrolled), 77 percent reported having paid their premium (*Exhibit 4*). Payment rates varied by previous coverage type: 86 percent of the previously insured said that they had paid their premium, compared with 53 percent of the previously uninsured. Note, however, that these numbers do not distinguish among consumers with different effective dates for 2014 coverage. Consumers have 30 days from their effective date until their premium for coverage is due, and some respondents may not have reached their payment due date. Thus, those who reported having paid a premium may have included individuals who paid by their due date as well as individuals who had pre-paid for a product effective February 1st or later.

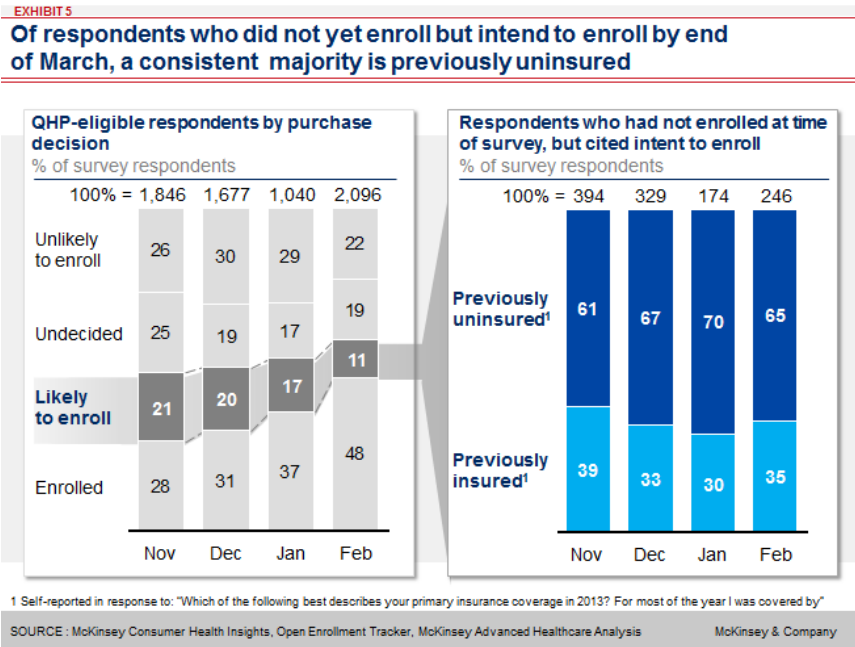
EXHIBIT 4
More than three-quarters of all respondents selecting a new product reported paying their premium, with a higher rate among previously insured



Most respondents who say they are likely to enroll continue to be the previously uninsured

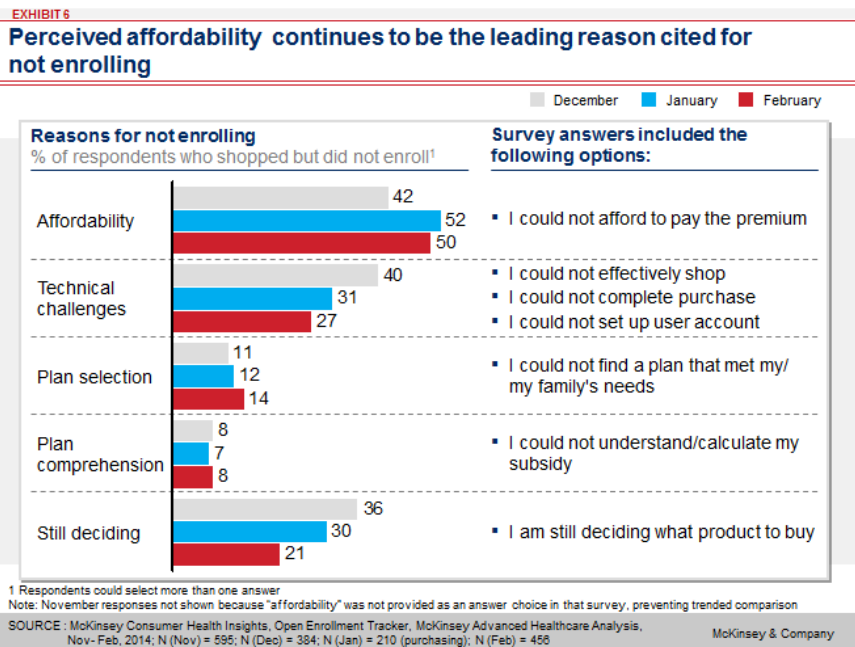
Overall, 52 percent of February respondents reported that they had not yet enrolled in an individual product. Of these not yet enrolled consumers, 22 percent said that they intended to enroll (11 percent of all February respondents). As we have approached the end of the open enrollment period, the proportion of not yet enrolled respondents who reported the intention to enroll has been decreasing. Nevertheless, most of the respondents who said that they were likely to enroll continue to be the previously uninsured (*Exhibit 5*).

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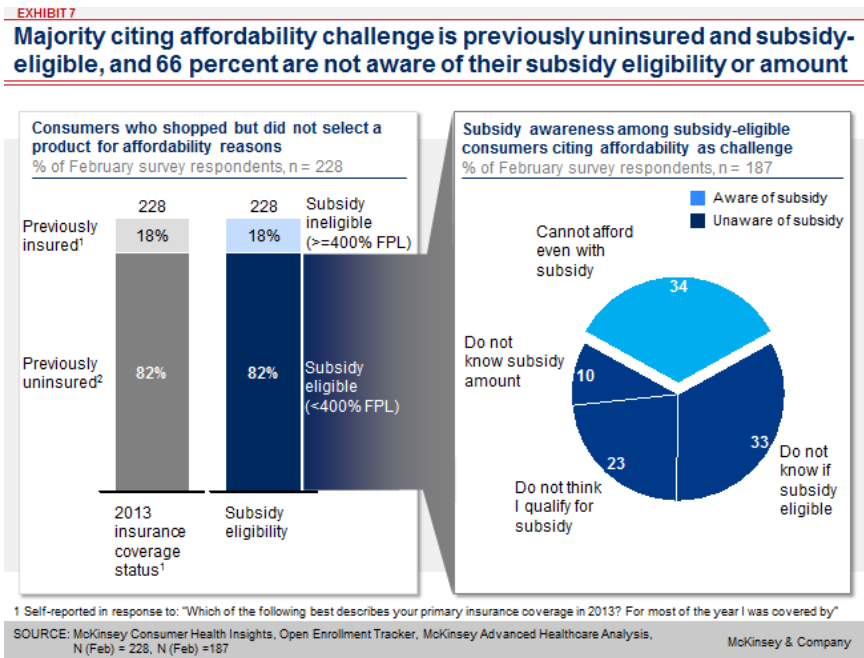
Most common reason for not enrolling continues to be perceived affordability

The percentage of February respondents who reported not having enrolled was highest among the previously uninsured; 56 percent of them said they had not yet shopped for a product, and 34 percent said they had shopped but not enrolled. For the previously insured, the corresponding rates were 7 percent and 11 percent, respectively (see Exhibit 2). In both cases, most of those who reported not having enrolled are subsidy-eligible (previously uninsured, 83 percent; previously insured, 63 percent). Perceived affordability remains the most oft cited reason for not enrolling, cited by 50 percent of all February respondents who reported that they had shopped but did not enroll (Exhibit 6).



Individual market enrollment: Updated view

Of the February respondents who said that they had shopped but did not enroll and then cited affordability as a reason, 82 percent were previously uninsured. A similar percentage of these respondents was eligible for subsidies. Most (66 percent) of the subsidy-eligible respondents were not aware of their subsidy eligibility or subsidy amount (*Exhibit 7*).



□ □ □

The preliminary findings presented in this Intelligence Brief provide an early perspective of the emerging individual market through February 13th. These findings are directional indicators only, based on publicly reported enrollment data and our own national online consumer survey.

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Appendix

Survey overview

Through a collaboration of McKinsey Advanced Healthcare Analytics (MAHA) and the McKinsey Center for U.S. Health System Reform, we are regularly surveying a national sample of QHP-eligible uninsured, individually insured, or previously group-insured consumers throughout the individual market's open enrollment period. The objective is to understand the shopping and purchasing behavior of consumers who are eligible to purchase individual coverage on the ACA exchanges or elsewhere. These surveys therefore provide snapshots of enrollment over time.

To date, we have completed three rounds of surveys:

- Nov. 25 to Dec. 6, 2013: sample size of 1,846
- Dec. 16 to Dec. 20, 2013: sample size of 1,677
- Jan. 6 to Jan. 10, 2014: sample size of 1,040
- Feb. 4 to Feb. 13, 2014: sample size of 2,096

Methodology

Each round of the survey was designed and analyzed by McKinsey teams. The surveys were administered online in English by a third-party vendor.

We used the following characteristics to focus on the consumer segments eligible to purchase individual coverage on the ACA exchanges or elsewhere:

- Ages 18 to 64
- Non-Medicaid eligible (income above 100 percent FPL in states with no Medicaid expansion and above 138 percent FPL in states with expansion)
- Primary 2013 coverage (by self-report) was no insurance, individual insurance, or group insurance that did not continue into 2014 (whether by participant's choice or employer discontinuation)

Weighting: Each response was weighted separately (using 2012 population data) for the uninsured, individually insured, and group-insured segments, using the following factors:

- Age
- Gender
- Geography
- Household size
- Income

Summary of survey questions

Current actions and channel usage: Which of the following describe your actions relating to healthcare coverage since October 1, 2013 (this open enrollment period)?

- I have not shopped for 2014 health insurance anywhere (e.g., online, with an agent, calling someone)
- I shopped but have not selected / paid for health insurance for 2014
- My 2013 existing health insurance policy was automatically renewed by my health insurer for 2014 (I will not be receiving government subsidy)
- I shopped for health insurance, but decided to renew my 2013 existing health insurance policy with my health insurer for 2014 (I will not be receiving government subsidy)
- I shopped and selected a new health insurance product for 2014 (either with the same insurance company or with a different company), but have not paid for the new health insurance (8 options provided to describe actions respondents took)
- I shopped and selected and paid for new health insurance for 2014 (either with the same insurance company or with a different company) (8 options provided to describe actions respondents took)

Reasons for not completing selection / purchase: I shopped but have not selected or paid for any health insurance, because (11 options provided to describe reasons, including perceived lack of affordability and other reasons).

Intended action: Which of the following describes your intended actions between now and March 31, 2014 (the end of open enrollment period)? (unlikely, undecided, likely)

Glossary

Shop for health coverage: Includes activities such as gathering information about insurance products, comparing different products, and getting quotes.

Renew 2013 policy: Previously insured respondents whose policies were automatically renewed or who decided to renew existing policies with their current insurer.

Select new 2014 product: Either previously insured respondents who switched (either switching from one carrier to another, or switching policies but staying with the same carrier), or previously uninsured who enrolled; policies can be selected on or off exchange; includes those who paid their premium and those who hadn't yet at time of survey.

Enroll in health coverage: Having health coverage for 2014, either through renewal or purchase of a new health product.

Previous insurance: Based on self-reported response to this question: "Which of the following best describes your 2013 primary insurance coverage? For most of the year, I was covered by:"

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- “I did not have health insurance, I was uninsured” (respondents categorized as uninsured)
- “Insurance purchased by me or my spouse / partner (i.e., not through employer)”, or “My employer, my spouse / partner's employer, my parents, or my school, however, I will NOT continue this in 2014” (respondents categorized as previously insured)

Subsidy-eligible: Based on self-reported household size and total annual household income. Using each of these factors, we calculated each respondent's federal poverty level (FPL). For respondents in non-Medicaid expansion states, they were identified as subsidy-eligible if their income falls between 100-400 percent of the federal poverty level (FPL). For respondents in Medicaid expansion states, they were identified as subsidy-eligible if their income falls between 138-400 percent FPL.

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Previous Intelligence Briefs on exchange dynamics can be obtained online at:
www.mckinsey.com/client_service/healthcare_systems_and_services/latest_thinking

- “Exchange product benefit design: Consumer responsibility and value consciousness” (February 2014)
- “Individual market enrollment: Early assessments and observations” (January 2014)
- “Hospital networks: Configurations on the exchanges and their impact on premiums” (December 2013)
- “Exchanges go live: Early trends in exchange dynamics” (October 2013)
- “Emerging exchange dynamics: Temporary turbulence or sustainable market disruption?” (September 2013)

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