



Why Premiums Will Not Skyrocket If Arkansas Ditches the Private Option Model

Hayden Dublois, *Research Analyst*

Nic Horton, *Research Director*

Overview

In 2014, Arkansas expanded ObamaCare to able-bodied adults.¹ In states that chose to adopt this expansion, budgets have been busted, enrollment projections have been shattered, and the truly needy have been forced to wait for care as able-bodied adults are prioritized.²⁻³ The results in Arkansas have been no different, except that they have been worse.

Arkansas attempted a so-called “conservative” approach to ObamaCare expansion where expansion enrollees are given insurance through the ObamaCare exchange with Medicaid dollars, as opposed to conventional Medicaid coverage.

But the empty promises of lower costs and improved quality have failed to materialize.⁴⁻⁶

More specifically, advocates of what they called the “private option” promised that it would dramatically lower premiums through increased “competition” and other conservative buzzwords. Despite the fact that these promises failed to ever come to fruition, the few remaining defenders of this ObamaCare model are instilling fear in Arkansas policymakers that premiums will “skyrocket” if they let the private option expire at the end of this year.⁷

But the truth is that Arkansas health insurance premiums have consistently climbed since the private option began and there is no evidence they will skyrocket any further simply because the private option goes away. In fact, based on the experience of other states, premiums could actually decline.

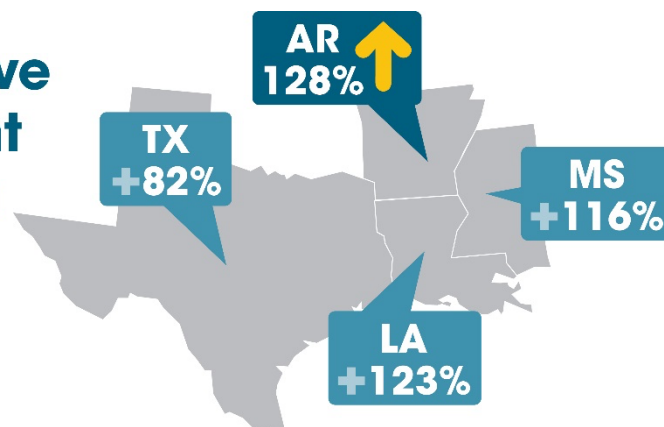
Premiums in Arkansas Have More Than Doubled Since the Private Option Began

In 2013—the year prior to the implementation of ObamaCare Medicaid expansion—Arkansas had the third-lowest health insurance premiums in the nation.⁸ Since that time, and despite the assurances of private option proponents, Arkansas’s premiums have more than doubled, increasing by 22 percent quicker than the national average and above many surrounding states.⁹⁻¹⁰

Arkansas's Premiums Have Increased by 128 Percent Under the Private Option

PREMIUM INCREASES FOR ARKANSAS AND SELECTED SURROUNDING STATES, 2013 - 2017

Source: U.S. Department of Health and Human Services



These premium increases are directly attributable to Arkansas's private option. Data obtained from Arkansas Blue Cross Blue Shield (which carries 80 percent of all private option enrollees) suggests these enrollees are more costly to cover than other individuals on private insurance, leading to increased premiums.¹¹

Similar data suggests the private option has raised the individual market's risk score, further perturbing the health insurance market. Private option enrollees have a 13 percent higher risk score compared to other exchange and off-exchange enrollees, causing the risk score in Arkansas to rise to the *highest in the nation*.¹²

Making matters worse, Arkansas has also seen a decrease in competition in the health care marketplace with insurance carriers dropping out—leaving the state with just two insurers.¹³ This has only further insulated the market from the forces of competition that could have otherwise mitigated increases in premiums.

The data clearly demonstrates that Arkansas's private option program has failed to control costs and has exacerbated increases in premiums despite the empty promises of its proponents.

Eliminating the Private Option Will Not Cause Premiums to Explode—In Fact, It Could Slow Their Growth

Arkansas's implementation of the private option has raised premiums at a faster rate than they otherwise would have increased. From stifling competition to increasing risk scores and more, the private option has only managed to make health care more expensive for Arkansans.

For these reasons, an elimination of the private option—and a transition of the existing expansion population into conventional Medicaid—would not raise premiums further and could actually slow their growth.

First, a ditching of the private option could entice previously scared-off insurers into reentering the market, prompting competition that could lead to more modestly priced insurance for all Arkansans in the private market.

Second, following the logic of Arkansas Blue Cross Blue Shield's own analysis, the removal of expansion enrollees from the ObamaCare exchange could reverse the adverse risk score and cost-per-enrollee trends that have contributed to premium increases.

Finally, and perhaps most compellingly, other states that have ditched the private option saw a decrease in the rate of growth of premiums. Indeed, some have experienced *reduced* premiums after they eliminated the private option in favor of conventional expansion.

For example, the average marketplace benchmark premiums increased by 64 percent in New Hampshire while the private option was in place.¹⁴ However, in the first full year of conventional expansion after New Hampshire ditched the private option, premiums declined by 15 percent.¹⁵

In total, **since New Hampshire eliminated the private option in 2018, benchmark premiums have decreased by roughly 25 percent.**¹⁶ Over that same period, the average benchmark premium in Arkansas has continued to increase, as have premiums across all plan types.¹⁷⁻¹⁸

Eliminating the Private Option Has Reduced Premiums in Other States

Percent Change in Lowest-Cost Plan Premiums by Metal Tier Since 2018

Metal Tier	Bronze		Silver		Gold	
State	Arkansas	New Hampshire	Arkansas	New Hampshire	Arkansas	New Hampshire
Percent Change Since 2018	+8.78%	-36.83%	+13.72%	-28.88%	+22.00%	-30.73%

Source: Kaiser Family Foundation

Put simply, while premiums increased in New Hampshire while it had the private option in effect, premiums have actually *declined* since it transitioned its expansion population to conventional Medicaid. Meanwhile, premiums have continued to rise while the private option has remained in effect in Arkansas.

This evidence suggests that, not only could ditching the private option slow the growth in Arkansas premium increases—it could actually reverse the damage the private option has done and potentially cause premiums to decline.

Bottom Line: It's Time for Arkansas to Abandon the Private Option Model

The private option has clearly been a disaster for Arkansas. From out-of-control taxpayer spending to rising premiums, the rosy promises of proponents have never materialized. In fact, the opposite has occurred.

However, Arkansas legislators have an opportunity to reverse course and set the state on a positive trajectory by simply allowing the private option waiver to expire this year. Doing so could undo the damage to Arkansans that has materialized in the form of ever-rising premiums. It could even lead to lower premiums across the board.

Arkansas legislators should recognize reality and take this step toward affordable health care by allowing the private option to expire.¹⁹

- ¹ Jonathan Ingram, "The Empty Promises of Arkansas' Medicaid Private Option," Foundation for Government Accountability (2014), <http://thefga.org/wp-content/uploads/2020/10/The-Empty-Promises-of-Arkansas-Medicaid-Private-Option.pdf>.
- ² Jonathan Ingram and Nic Horton, "A Budget Crisis in Three Parts: How ObamaCare is Bankrupting Taxpayers," Foundation for Government Accountability (2018), <https://thefga.org/wp-content/uploads/2018/02/A-Budget-Crisis-In-Three-Parts-2-6-18.pdf>.
- ³ Nic Horton, "Waiting for Help: The Medicaid Waiting List Crisis," Foundation for Government Accountability (2018), <https://thefga.org/research/medicaid-waiting-list/>.
- ⁴ Jonathan Ingram, "The Empty Promises of Arkansas' Medicaid Private Option," Foundation for Government Accountability (2014), <http://thefga.org/wp-content/uploads/2020/10/The-Empty-Promises-of-Arkansas-Medicaid-Private-Option.pdf>.
- ⁵ Jonathan Ingram, "Arkansas's So-Called Conservative Approach to ObamaCare Expansion Has Failed," Foundation for Government Accountability (2020), <https://thefga.org/research/arkansas-conservative-obamacare-expansion-has-failed/>.
- ⁶ Nic Horton, "Eight Empty Promises of the Arkansas Private Option," Foundation for Government Accountability (2014), <https://thefga.org/research/eight-empty-promises-of-the-arkansas-private-option/>.
- ⁷ Nic Horton, "Connecting the Dots: Why Arkansas's Medicaid Expansion Will Not Expire If The Legislature Does Not Act This Session," Foundation for Government Accountability (2021), <https://thefga.org/research/arkansas-medicaid-expansion-expire/>.
- ⁸ Ibid.
- ⁹ Ibid.
- ¹⁰ Office of the Assistant Secretary for Planning and Evaluation, "Individual market premium changes: 2013-2017," U.S. Department of Health and Human Services (2017), <https://aspe.hhs.gov/system/files/pdf/256751/IndividualMarketPremiumChanges.pdf>
- ¹¹ Jonathan Ingram, "Arkansas's So-Called Conservative Approach to ObamaCare Expansion Has Failed," Foundation for Government Accountability (2020), <https://thefga.org/research/arkansas-conservative-obamacare-expansion-has-failed/>.
- ¹² Ibid.
- ¹³ Ibid.
- ¹⁴ Authors' calculations based on the percent change in marketplace average benchmark premiums over time. See, e.g., Kaiser Family Foundation, "Marketplace Average Benchmark Premiums," KFF (2021), <https://www.kff.org/health-reform/state-indicator/marketplace-average-benchmark-premiums/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.
- ¹⁵ Ibid.
- ¹⁶ Ibid.
- ¹⁷ Ibid.
- ¹⁸ Authors' calculations based on the percent change in average premiums disaggregated by metal tiers. See, e.g., Kaiser Family Foundation, "Average Marketplace Premiums by Metal Tier, 2018 – 2021," KFF (2021), <https://www.kff.org/health-reform/state-indicator/average-marketplace-premiums-by-metal-tier/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.
- ¹⁹ Nic Horton, "Connecting the Dots: Why Arkansas's Medicaid Expansion Will Not Expire If The Legislature Does Not Act This Session," Foundation for Government Accountability (2021), <https://thefga.org/research/arkansas-medicaid-expansion-expire/>.