

ACA, Act II: Enroll!

Enrollments growing from the new health care law, but district states seeing different outcomes

By RONALD A. WIRTZ
Editor

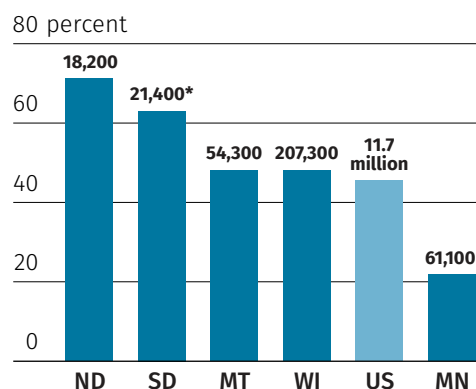
The Affordable Care Act has come under much scrutiny since its passage in 2010. The program recently concluded its second annual sign-up period, and while the ACA continues to see enrollments increase, there are a lot of nuances that make the rollout and impact of this law a bit different in every district state.

The most recent open enrollment period ended Feb. 15, and national enrollment surged by 45 percent (see Chart 1) over April 2014 levels, according to data from the U.S. Department of Health and Human Services (DHHS). Four district states saw their enrollments grow even faster, topped by North Dakota's 72 percent increase over this period. Minnesota saw more modest growth, with enrollments climbing a comparatively modest 22 percent. Minnesota also happens to be the only district state using its own state-run marketplace of insurance plans, rather than the federal marketplace, which 35 states currently use.

Minnesota's marketplace—known as MNsure—experienced significant obsta-

Percent change in marketplace enrollment

April 2014 to February 2015

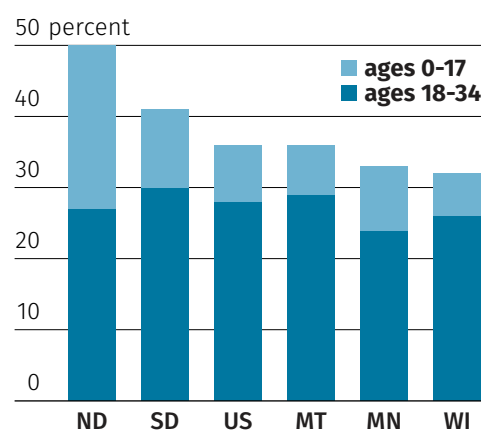


*Total enrollment in February 2015
Source: U.S. Department of Health and Human Services

cles in its initial rollout in 2013. A state auditor's report this past February noted that the program "implemented its enrollment website in 2013 with serious technical problems," did not adequately test the site and withheld information

Share of marketplace enrollees

Between ages 0 and 34 years old



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

from the MNsure board and other officials before the site was launched.

While the state met its own benchmark that first year, the auditor's report noted that "the target was seriously flawed," containing an error that "resulted in an unrealistically low estimate." Things didn't improve much in year two for Minnesota, at least by enrollment standards. By comparison, enrollment in Wisconsin—which is roughly of equal size and similar demographically to Minnesota—enrollment grew almost 50 percent during the second sign-up period. The increase in the Badger State was 207,000, or more than three times that of its westerly neighbor.

One of the early concerns about the program's long-term viability was its ability to convince younger (and statistically healthier) individuals to seek coverage, which would help keep all plans actuarially affordable for those buying health care insurance. The original hope was that 18-to-34-year-olds would make up 35 percent to 40 percent of all enrollees. After the first year, state and national rates settled between 24 percent and 30 percent. Those rates remained mostly unchanged in the last enrollment period, with only Montana and North Dakota seeing increases of at least one percentage point (see Chart 2).

Nonetheless, plans got cheaper on the whole this year, according to a February DHHS report on plan premiums. Premiums for two average households

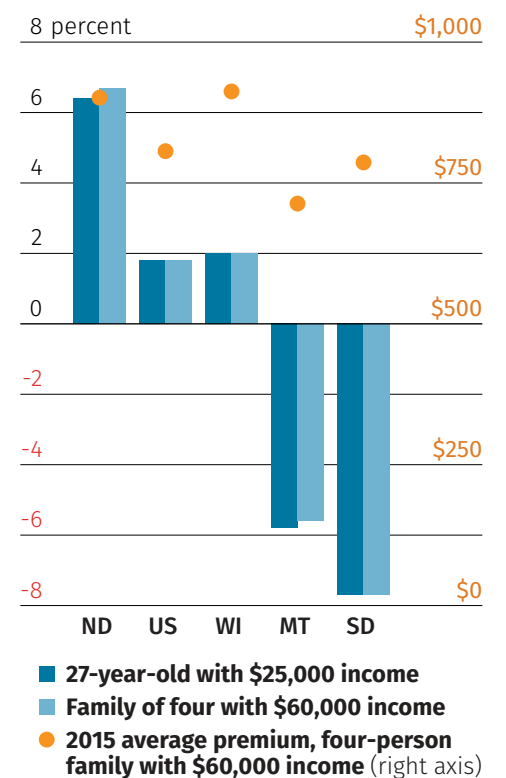
(a 27-year-old and a family of four) rose by less than 2 percent nationwide (see Chart 3). In the Ninth District, there was a similar increase in Wisconsin, while Montana and South Dakota saw sizable decreases in plan costs. Only North Dakota saw significant premium hikes (more than 6 percent), the possible result of strong population growth and rising cost of living as a result of the oil boom in the western part of the state. (Comparable data for Minnesota plans were not available, but MNsure officials said late last year that overall plan costs would rise by 4.5 percent.)

But in no area is the ACA more differentiated at the state level than its effect on Medicaid enrollment. One of the key pieces of the ACA—and its goal to cover more uninsured people—was the expansion of Medicaid, a federal-state health insurance program for the poor, and the Children's Health Insurance Program (CHIP).

Originally Medicaid/CHIP eligibility was to expand to cover nearly all adults with incomes below 139 percent of the

Percent change in average monthly premium

For second-lowest cost silver plans, 2014 to 2015, before tax credit and average premium



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

One of the early concerns about the program's long-term viability was its ability to convince younger (and statistically healthier) individuals to seek coverage, which would help keep all plans actuarially affordable for those buying health care insurance.

federal poverty level (FPL, about \$32,500 for a family of four in 2013). This expansion was to be administered by states, but fully financed by the federal government for the first three years, with states assuming a 10 percent cost share thereafter.

However, the U.S. Supreme Court ruled in 2012 that mandated expansion of state Medicaid was unconstitutional and allowed states to expand at their own discretion. The District of Columbia and 28 states, including Minnesota, North Dakota and Michigan (the Upper Peninsula lies within the Ninth District) have chosen to implement the expansion. At the same time, 22 states so far have opted out of the Medicaid expansion—including Montana, South Dakota and Wisconsin (though Montana has been reconsidering; more below).

The effect of this decision on Medicaid enrollments is significant. District

states choosing to expand Medicaid in conjunction with ACA saw enrollment growth of 17 percent to 23 percent. In contrast, South Dakota and Wisconsin saw much smaller growth in rolls, and Montana's Medicaid enrollment actually went down (see Chart 4).

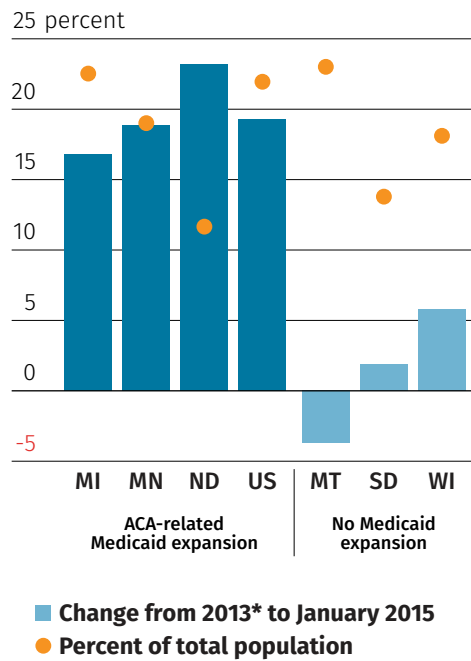
As a result, many low-income, uninsured adults in states that did not expand Medicaid will likely either not obtain health coverage or will do so at high cost. This is because of the so-called coverage gap—some households earn too much money to be eligible for Medicaid in their home state, but not enough to qualify for subsidized marketplace health insurance (which starts at 139 percent of FPL).

North Dakota saw the highest growth in Medicaid rolls since 2013, but enrollment represents just 13 percent of the state's population—the smallest share of any Ninth District state and

Medicaid rolls surging for some states

4

Medicaid and CHIP enrollment



* Average enrollment from July 2013 to September 2013
Source: U.S. Department of Health and Human Services

well below the national average of 22 percent. On the other hand, in Montana—the district state with the highest share of its population on Medicaid, at 23 percent—enrollment in the program fell over the same period.

Montana lawmakers have reconsidered the Medicaid decision—several times, in fact—but had rejected all proposals until this spring, when a Republican-sponsored bill authorizing an expansion of Medicaid, but including a small premium on participants (2 percent of income), was approved by the Legislature and signed by Gov. Steve Bullock. The move is expected to provide health insurance coverage for 70,000 additional people in the state.

To date, the ACA has markedly lowered the number of people without health insurance. State figures on the uninsured are unavailable for the current enrollment period, but DHHS has compared nationwide enrollment in the first quarter of 2015 with average enrollment in 2012 and 2013. Over that period, the share of uninsured fell by one-third, from 20 percent to 13 percent of the U.S. population.

In addition, the Congressional Budget Office projects that another 8 million uninsured people in the country will gain health coverage over the next two years, roughly halving the number of uninsured people in the country that would be expected without the new health care law. **f**

Professional services firms expect growth to continue



By JOE MAHON
Economic Analyst

“Economy is looking good, business has picked up,” commented a small South Dakota accounting firm. This comment reflects the sentiments of architects, engineers, graphic designers, market researchers, management consultants and other professional services firms that were surveyed by the Federal Reserve Bank of Minneapolis and the Minnesota Department of Employment and Economic Development. The overall results indicate that services firms grew over the past year and that those firms expect growth to continue for both their firms and their state economies.

Firms’ financial results were positive over the past year. More service firms reported growth in sales and profits over the last four quarters than those reporting a decline (see chart). Employment and productivity also expanded over the past year, but, as a small Wisconsin marketing company commented, “Good and qualified help is hard to find and retain.” Twenty-seven percent responded that labor was less available, while only 7 percent noted increased labor availability. However, wages increased by only 2.1 percent on average and benefits increased just 2.5 percent. Most reported that credit conditions were not much of a

factor in hiring or capital expenditure decisions.

Going forward, services companies predict another good year. More respondents than not anticipate increased sales revenue and profits over the next four quarters. Productivity

Going forward, services companies predict another good year. More respondents than not anticipate increased sales revenue and profits over the next four quarters.

and employment are also expected to increase. About a third plan to increase their selling prices, while only 5 percent expect to decrease prices. In addition, 47 percent expect increased input costs, while only 1 percent foresee reduced costs. Wages are expected to rise by an average of 2.3 percent, and benefits are expected to rise by 1.7 percent over the next four quarters.

Looking outside their businesses, more professional services firms expect total employment and consumer spending in their states to increase than to decrease over the next four quarters. Corporate profits are expected to increase across the district. Finally, about half of respondents also expect higher inflation, with only 1 percent believing that inflation will decrease. **f**

Professional services firms expect to expand

(Above 50 indicates expansion; below 50 indicates contraction.)*



* Percent of respondents indicating increase plus half indicating no change
Sources: Federal Reserve Bank of Minneapolis; Minnesota Department of Employment and Economic Development