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How Do People Make Choices among Marketplace Plans?

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Introduction

The incentives in the Affordable Care Act (ACA) Marketplaces are structured to encourage robust competition that will keep premium costs low and affordable for both beneficiaries and the federal government. Premium tax credits are tied to the benchmark, the second-lowest silver premium plan. Marketplace bronze plans are offered at the 60 percent actuarial value level (AV), silver plans at 70 percent AV, and gold plans at 80 percent AV.[1,2] Individuals eligible for tax credits face the full difference in cost between a higher-priced plan and the benchmark silver plan. Most likely, this will result in less market share for higher-priced insurers. If people choose plans based on price, insurers will face strong incentives to limit networks, reduce provider payment rates, manage utilization, and develop other strategies for keeping premiums low and affordable. However, if individuals choose plans based on other factors such as insurer reputation or breadth of network, the price competition incentives may not work as well. There could also be bifurcated markets where most insurers compete on price, but others compete on insurer reputation and breadth of network.

In a 2016 analysis, we found that consumers' choice was highly driven by price, but many consumers relied on other factors to choose plans (Holahan, Blumberg, and Wengle 2016). Since that analysis, several changes have occurred throughout the Marketplace, including the introduction of "silver loading." In 2017, the federal government decided against funding the cost-sharing reduction (CSR) subsidies that insurers were previously required to provide.[3] State insurance departments instructed insurers to load the costs of removing these subsidies into Marketplace premiums, in most cases at the silver tier, resulting in a large increase in silver Marketplace premiums.[4] One effect of silver loading was an increase in the difference between silver and bronze premiums, making it possible for individuals to choose among more bronze plans with little or no out-of-pocket premiums (i.e., $0 bronze plans) after

the premium tax credits are considered. Individuals choosing a bronze plan would give up the cost-sharing subsidies for lower premiums, but for some—particularly those above 200 percent of the federal poverty level (FPL)—this could be a reasonable trade-off. At the same time, the move towards silver loading resulted in silver premiums approaching or surpassing the cost of premiums in the more generous gold tier. Thus, the marginal cost of choosing the gold plan for individuals receiving premium tax credits was reduced, in some cases, to $0. Silver loading therefore provides access to a more generous benefit package for those with incomes above 250 percent FPL.

Prior studies suggest that individuals largely choose Marketplace plans based on price, but some exceptions exist. For example, a survey that asked Marketplace enrollees in one plan offered in two states found that 54 percent of respondents only considered plans that included a specific doctor or hospital, and 38 percent said premium was the most important consideration (Hero et al. 2019). Other factors can play a role in consumer choice of Marketplace plans, including plan option complexity, health insurance literacy, risk preferences, switching costs, and consumer inattention or passive decision making (Handel and Kolstad 2015a, 2015b; Handel, Hendel, and Whinston 2017; Loewenstein et al. 2013).

In this paper, we update previous work and produce new evidence on choice of plans considering recent changes that occurred in the Marketplace, including the introduction of silver loading and the enhancement in premium subsidies through the Inflation Reduction Act. We first examine enrollment by metal tier overall and by income. We then examine the change in choice of plan across metal tiers between 2016 and 2023, as individuals adjusted to the new pricing following silver loading. Finally, we use data from California and New York to examine in more detail enrollment by metal tier, as both make more detailed enrollment data available than other states. Knowing how consumers currently choose plans nationally and across insurers informs policymakers on how competition in federal- and state-based Marketplaces is working to help improve consumer plan selection processes (Barnes et al. 2021).[5] We do not analyze some of the possibly negative consequences of these choices, including whether networks are too narrow, if high deductibles deter needed care, etc.

About US Health Reform—Monitoring and Impact

With support from the Robert Wood Johnson Foundation, the Urban Institute has undertaken US Health Reform—Monitoring and Impact, a comprehensive monitoring and tracking project examining the implementation and effects of health reforms. Since May 2011, Urban Institute researchers have documented changes to the implementation of national health reforms to help states, researchers, and policymakers learn from the process as it unfolds. The publications developed as part of this ongoing project can be found on both the Robert Wood Johnson Foundation's and Urban Institute Health Policy Center's websites.

Data and Methods

We obtained data from the 2023 Marketplace open enrollment period public use files and insurer, premium, and enrollment data from Covered California and New York State of Health. We use the open enrollment public use files to analyze metal tier level data stratified by income level. We then analyze metal tier choice by income level and examine changes in trends over time. Finally, we present insurer, premium, and enrollment data for select markets in California and New York to analyze plan choice at the plan level since we have granular enrollment details. In California and New York, we show plan choice by type of insurer, such as Medicaid, Provider Sponsored Insurers, etc. Medicaid insurers are those that, prior to the creation of the Marketplaces, participated in the Medicaid market but now offer private insurance. Provider-sponsored insurers are those with a direct relationship with a provider or hospital system.

There are several limitations to our study given the imperfect data available. We cannot track individual enrollees over time, so we cannot demonstrate causality. This analysis is descriptive and not causal; we do not control for other factors that can drive enrollment decisions (like other plan characteristics, individual characteristics, market characteristics, changes in the economy, health status and risk, etc.)

We do not show platinum and catastrophic tier data for 2023 because enrollment, which has always been low, has fallen, and the data is no longer publicly available through the Marketplace Public Use Files.

Results

Choice of Metal Tier by Income

Table 1 shows the distribution of the Marketplace population by bronze, silver, or gold metal tier in 2023. Overall, 26.3 percent of individuals chose bronze plans, 57.9 percent chose silver, and 15.8 percent chose gold. But the choice of bronze, silver, and gold varied considerably by income.

For the lowest income population, those between 100 percent of FPL and 150 percent of FPL, over 4.9 million Americans, or 81.4 percent, chose silver plans. The tax credit largely covers the premiums for most people in this group, and cost-sharing subsidies are available for this population to substantially reduce their out-of-pocket costs. Because of the enhanced subsidies in the Inflation Reduction Act, for tax credit eligibles in this income band, the subsidy covers the entire premium if they select either the benchmark or the lowest-cost silver plan.[6] This suggests that those in this income group are largely choosing based on price and affordability, although some could be choosing silver plans with higher premiums than the benchmark. Another 15 percent of this low-income group uses their premium subsidy on a bronze plan that likely has little or no low premium after premium tax credits and forego the cost-sharing subsidies that are available only with silver plans. Only 3.5 percent choose more expensive gold plans in which they may pay more than the value of their premium tax credits. It is

possible for gold plans to be less expensive than the benchmark because of silver loading, however, CSRs are not available for gold plans, so they face higher out-of-pocket costs.

Most in the 150 to 250 percent income range, 61.3 percent, choose silver plans. It is not clear how many purchasing silver plans are choosing more expensive plans than the benchmark. Many of those in this income range (25.3 percent) select a bronze plan at a lower premium post-tax credit without CSR subsidies. In this income band, 13.4 percent chose gold plans, indicating a small percentage are willing to spend more to purchase more generous benefits. For those with incomes between 150 and 200 percent of FPL, the gold premium may be cheaper because of silver loading, but they would face higher out-of-pocket costs because of the lower AV relative to the 87 percent CSR plan. However, for those with incomes between 200 and 250 of FPL, the gold plan would be more generous because the CSR benefit is low.

The percentage choosing silver plans drops to 21.4 percent among those with incomes between 250 and 400 percent of FPL. Many of these higher-income individuals (38 percent) used premium tax credits to purchase lower-cost bronze plans. Unlike those with incomes below 250 percent of FPL, this income group is not giving up cost-sharing subsidies when they choose bronze plans because they are only eligible for premium tax credits not cost-sharing subsidies. Silver premiums can be significant with silver loading so consumers may choose lower-priced plans. About 41 percent chose gold plans and are willing to pay more to buy more generous coverage unless, of course, the gold premiums are lower than the benchmark silver premium.

Among those with incomes above 400 percent of FPL, only 11.3 percent choose silver plans. In 2023, this income group received financial assistance because of the American Rescue Plan and subsequently the Inflation Reduction Act.[7] In this income band, 67.0 percent choose bronze plans. There are minimal premium tax credits and no CSRs for this income group that would have led them to favor silver plans; thus, they choose plans with lower premiums. Some in this income group (21.7 percent) choose to purchase gold plans and are willing to spend more to purchase plans with more generous benefits and greater asset protection.

TABLE 1

Health Coverage Enrollment across Metal Tiers by Income Level, All States, 2023

	Bronze		Silver		Gold		Total	
FPL	Number	Percent of FPL band enrollment	Number	Percent of FPL band enrollment	Number	Percent of FPL band enrollment	Number	Percent
100–150	909,567	15.0%	4,927,141	81.4%	213,112	3.5%	6,049,820	100.0%
150–250	1,128,274	25.3%	2,728,095	61.3%	595,632	13.4%	4,452,001	100.0%
250–400	1,240,380	38.0%	697,804	21.4%	1,323,503	40.6%	3,261,687	100.0%
> 400	558,487	67.0%	94,639	11.3%	180,935	21.7%	834,061	100.0%
Total	3,836,708	26.3%	8,447,679	57.9%	2,313,182	15.8%	14,597,569	100.0%

Source: 2023 Marketplace open enrollment period public use files.

Notes: FPL = federal poverty level. This includes data from all states. We did not include catastrophic or platinum plans because the data was not included in the public use files.

Change in Choice of Metal Tier, 2016–2023

In table 2, we look at how the choice of bronze, silver, and gold has changed. In 2016, 71.6 percent of Marketplace enrollees chose silver plans and 20.7 percent chose bronze. The data shown in table 1 indicates that many choosing bronze could be high-income people who benefit less from cost-sharing subsidies in silver plans. As explained above, in 2017, the federal government stopped paying for CSRs and insurers responded by loading the extra costs into premiums, in most cases into silver premiums. Increases in silver premiums made bronze and gold plans relatively less expensive. In 2018, we saw the impact (Wengle and Blumberg 2020); there was a reduction in the number choosing silver plans (from 71.6 percent to 64.3 percent) and an increase in bronze (from 20.75 percent to 28.4 percent). Many individuals were taking advantage of the fact that their premium tax credits could be used to purchase bronze plans at a lower cost.

From 2018 to 2023, enrollment in silver plans fell to 56.0 percent. There continues to be an increase in bronze plans (to 33.4 percent) as individuals take their premium tax credits and purchase low-cost bronze-tier products. But since gold plans have also become relatively less expensive than in 2016, more people chose to use their tax credits to purchase gold plans or simply bought more expensive plans if they were not eligible for subsidies.[8] In 2023, 10.6 percent of Healthcare.gov enrollees chose gold plans, up from 6.5 percent in 2018.

The data shown in table 2 also implies that Marketplace enrollees largely chose plans based on price. Most individuals bought silver plans, but some also chose bronze plans with premiums that can be extremely low because of the elevated premium tax credits from silver loading. Silver loading also made the purchase of more generous gold plans more attractive and the number choosing these plans has increased.

TABLE 2

Health Coverage Enrollment across States Using the Healthcare.gov Enrollment Platform, by Metal Tier, 2016, 2018, and 2023

	2016		2018		2023			
Metal Tier	Enrolled	Share enrolled in each tier	Enrolled	Share enrolled in each tier	Enrolled	Share enrolled in each tier	Percentage point change in enrollment share from 2016 to 2018	Change from 2018 to 2023
Catastrophic	80,725	0.8%	49,635	0.6%	NR	NR	-0.3%	N/A
Bronze	2,042,567	20.7%	2,523,094	28.4%	4,059,921	33.4%	7.7%	5.1%
Silver	7,069,352	71.6%	5,722,426	64.3%	6,795,674	56.0%	-7.2%	-8.4%
Gold	609,755	6.2%	581,032	6.5%	1,290,210	10.6%	0.4%	4.1%
Platinum	72,292	0.7%	16,905	0.2%	NR	NR	-0.5%	N/A
National total* enrollment	9,874,691	100.0%	8,893,092	100.0%	12,145,805	100.0%		

Source: 2023 Marketplace open enrollment period public use files.

Notes: NR = not reported. * = Does not include state-based Marketplaces. We did not include catastrophic or platinum plans because the data was not included in the public use files.

Choice of Plan by Metal Tier and Insurer in California

California provides data by insurer by metal tier in each rating region. Table 3 provides data for East Los Angeles; results for West Los Angeles (data not shown) are similar. Overall, in 2023, 63.6 percent of enrollees in East Los Angeles chose silver plans, 21.8 percent chose bronze plans, and the remaining 14.6 percent chose gold plans. Silver tier premiums vary considerably across plans, varying from $317 per month for a plan offered by LA Care Health Plan, a Medicaid insurer, to $516 for a plan offered by Blue Shield of California. In addition to offering the most expensive plan, Blue Shield of California also offered a lower-cost silver plan at $369 per month. Presumably, the premium disparity between these plans is driven by differences in the breadth of provider networks or in provider reimbursement rates within the network. Among silver-tier enrollees, the two lowest-cost plans had the majority of enrollment: 28.0 percent of silver-tier enrollees chose LA Care and 31.2 percent chose Anthem. Blue Cross Blue Shield's higher-priced plan captured 9.8 percent of silver enrollment, while Kaiser Permanente's plan, also considerably more expensive than LA Care, had about 15.5 percent of silver-tier enrollees.

Among bronze plans, the three lowest-cost plans account for over 80 percent of enrollment: LA Care has 41.7 percent of enrollment, Health Net—another Medicaid insurer—has 12.4 percent, and Kaiser has 29.4 percent of enrollment. Surprisingly, the more expensive bronze plan, offered by Blue Shield of California, had 9.5 percent of bronze plan enrollment, even though premiums for its bronze plan are higher than premiums for many insurers' silver plan options. This suggests that for many people, other factors (loyalty to the Blue Shield of California brand, better provider network, inertia, plan complexity, risk aversion, etc.) outweigh the higher premiums.

Of the 14.6 percent who chose gold plans, almost half (48.8 percent) chose the lowest-cost option offered by LA Care ($332). Gold plan offerings by other insurers are considerably more expensive and have considerable enrollment. Despite having premiums higher than other gold plan options, Kaiser ($443) had 19.8 percent of gold plan enrollment, and Blue Shield of California's more expensive plan ($615) had 10.5 percent of gold tier enrollment.

TABLE 3

Net Enrollment and Monthly Premium Cost in East Los Angeles, California, 2023

Metal	Type of Insurer	Carrier	Premium	Net enrollees in OEP	Share of enrollees in rating area and metal level	Share of enrollees in rating area
Bronze	Medicaid	L.A. Care Health Plan	$260	2,620	41.7%	9.1%
Bronze	Medicaid	Health Net	$304	780	12.4%	2.7%
Bronze	Provider	Kaiser Permanente	$316	1,850	29.4%	6.4%
Bronze	Blue Cross Blue Shield	Anthem Blue Cross of California	$319	410	6.5%	1.4%
Bronze	Regional	Oscar Health Plan of California	$371	20	0.3%	0.1%
Bronze	Medicaid	Molina Healthcare	$380	10	0.2%	0.0%
Bronze	Blue Cross Blue Shield	Blue Shield of California	$413	600	9.5%	2.1%
Bronze Total				**6,290**	**100.0%**	**21.8%**
Silver	Medicaid	L.A. Care Health Plan	$317	5,130	28.0%	17.8%
Silver	*Blue Cross Blue Shield*	*Anthem Blue Cross of California*	*$335*	*5,710*	*31.2%*	*19.8%*
Silver	Medicaid	Health Net	$359	730	4.0%	2.5%
Silver	Blue Cross Blue Shield	Blue Shield of California	$369	1,470	8.0%	5.1%
Silver	Provider	Kaiser Permanente	$386	2,830	15.5%	9.8%
Silver	Medicaid	Molina Healthcare	$387	20	0.1%	0.1%
Silver	Medicaid	Health Net	$432	550	3.0%	1.9%
Silver	Regional	Oscar Health Plan of California	$454	60	0.3%	0.2%
Silver	Blue Cross Blue Shield	Blue Shield of California	$516	1,800	9.8%	6.3%
Silver Total				**18,300**	**100.0%**	**63.6%**
Gold	Medicaid	L.A. Care Health Plan	$332	2,050	48.8%	7.1%
Gold	Blue Cross Blue Shield	Blue Shield of California	$401	460	11.0%	1.6%
Gold	Medicaid	Health Net	$427	80	1.9%	0.3%
Gold	Medicaid	Molina Healthcare	$427	10	0.2%	0.0%
Gold	Provider	Kaiser Permanente	$443	830	19.8%	2.9%
Gold	Blue Cross Blue Shield	Anthem Blue Cross of California	$443	210	5.0%	0.7%
Gold	Regional	Oscar Health Plan of California	$502	20	0.5%	0.1%
Gold	Medicaid	Health Net	$514	100	2.4%	0.3%
Gold	Blue Cross Blue Shield	Blue Shield of California	$615	440	10.5%	1.5%
Gold Total				**4,200**	**100.0%**	**14.6%**

Source: Covered California individual product prices data and open enrollment net plan selection data, available at https://hbex.coveredca.com/data-research/.

Notes: OEP = open enrollment period. The premium price is the monthly premium price for a 40-year-old nonsmoker. The benchmark plan is italicized.

A similar picture emerges in San Francisco. The exception is that there is no Medicaid insurer participating in San Francisco, and premiums are considerably higher than in Los Angeles. Overall, 56.6 percent of Marketplace enrollees in San Francisco chose silver plans, another 29.0 percent chose bronze, and 14.4 percent chose gold (table 4). These percentages are fairly similar to those seen in Los Angeles. Among the silver plan offerings in San Francisco, the lowest cost is offered by Anthem Blue Cross ($542) and 26.6 percent of those in silver selected this plan. The next two lowest-cost plans had slightly higher premiums and sizeable enrollment levels: 12.1 percent chose Blue Shield of California ($556) and 43.5 percent chose Kaiser ($562). Somewhat surprisingly, 14.9 percent of those choosing silver purchased the most expensive Blue Shield plan ($733); we do not have any additional information on plan characteristics, such as breadth of network, that can explain why enrollees made this choice.

Of the 29 percent enrolled in bronze plans in San Francisco, 61.4 percent chose the lowest-cost plan offered by Kaiser ($460), while 20.5 percent paid a considerably higher premium ($587) to enroll in Blue Shield of California. Among those who chose gold plans, 19.0 percent enrolled in the lowest premium choice offered by Blue Shield of California ($604), while 23.8 percent chose the more expensive Blue Cross Blue Shield of California plan ($875). Another 42.9 percent of gold-tier enrollees enrolled in the second-lowest-cost gold plan offered by Kaiser Permanente ($644).

TABLE 4

Net Enrollment and Premium Cost in San Francisco, California, 2023

Metal	Type of Insurer	Carrier	Premium	Net enrollees in OEP	Share of enrollees in rating area and metal level	Share of enrollees in rating area
Bronze	Provider	Kaiser Permanente	$460	780	61.4%	17.8%
Bronze	Provider	Chinese Community Health Plan	$471	150	11.8%	3.4%
Bronze	Blue Cross Blue Shield	Anthem Blue Cross of California	$515	70	5.5%	1.6%
Bronze	Blue Cross Blue Shield	Blue Shield of California	$587	260	20.5%	5.9%
Bronze	Regional	Oscar Health Plan of California	$588	10	0.8%	0.2%
Bronze Total				**1270**	**100.0%**	**29.0%**
Silver	Blue Cross Blue Shield	Anthem Blue Cross of California	$542	660	26.6%	15.1%
Silver	*Blue Cross Blue Shield*	*Blue Shield of California*	*$556*	*300*	*12.1%*	*6.8%*
Silver	Provider	Kaiser Permanente	$562	1080	43.5%	24.7%
Silver	Provider	Chinese Community Health Plan	$631	60	2.4%	1.4%
Silver	Regional	Oscar Health Plan of California	$721	10	0.4%	0.2%
Silver	Blue Cross Blue Shield	Blue Shield of California	$733	370	14.9%	8.4%
Silver Total				**2480**	**100.0%**	**56.6%**
Gold	Blue Cross Blue Shield	Blue Shield of California	$604	120	19.0%	2.7%
Gold	Provider	Kaiser Permanente	$644	270	42.9%	6.2%
Gold	Blue Cross Blue Shield	Anthem Blue Cross of California	$679	70	11.1%	1.6%
Gold	Provider	Chinese Community Health Plan	$714	10	1.6%	0.2%
Gold	Regional	Oscar Health Plan of California	$798	10	1.6%	0.2%
Gold	Blue Cross Blue Shield	Blue Shield of California	$875	150	23.8%	3.4%
Gold Total				**630**	**100.0%**	**14.4%**

Source: Covered California individual product prices data and open enrollment net plan selection data, available at https://hbex.coveredca.com/data-research/.

Notes: OEP = open enrollment period. The premium price is the monthly premium price for a 40-year-old nonsmoker. The benchmark plan is italicized.

The California data show that enrollees largely chose lower-cost plans, but a surprisingly large number paid more for more expensive plans, perhaps for more generous benefits or a preferred insurer. LA Care had the lowest premiums in Los Angeles and the largest market share. But many enrollees at all metal tiers chose higher-price products, predominantly those offered by Kaiser Permanente and Blue Shield of California. In San Francisco, there is also considerable evidence of choosing the lowest-priced offerings but also considerable evidence of willingness to pay significantly more to enroll in a plan that covers a preferred provider, a brand name, or highly reputable plans such as Blue Shield of California or Kaiser Permanente.

Choice of Plan by Insurer in New York

New York enrollment data are somewhat limited and only broken down by insurer, not by metal tier. Tables 5 and 6 show the lowest bronze, silver, and gold premiums. Enrollment data by insurer and metal tier is unavailable, so we show enrollment by insurer across all metal tiers in New York City and Long Island, respectively. In New York City, enrollees predominantly chose the lower-priced silver and gold plans. Healthfirst and Fidelis Care, both Medicaid insurers, offered the lowest silver premium plans. Fidelis Care also offered the lowest bronze premium plan. These two insurers accounted for 63.2 percent of all enrollment. MetroPlus Health, another Medicaid plan, offered the third-lowest silver and lowest-cost gold plans, accounting for another 9.2 percent of enrollment. However, there is also evidence of individual willingness to pay considerably more to enroll in the plans offered by Empire Blue Cross Blue Shield, Emblem Health, and UnitedHealthcare; about 20 percent of enrollees chose one of these more expensive plans. The data do not show whether higher-income Marketplace enrollees chose broader network offerings.

TABLE 5

Net Enrollment and Bronze and Silver Premium Cost in New York City, 2021

Carrier	Type of insurer	Lowest bronze premium	Lowest silver premium	Lowest gold premium	Enrollees	Share of enrollees
Healthfirst	Medicaid	N/A	$611	887	25,231	26.1%
Fidelis Care	*Medicaid*	*$457*	*$644*	*939*	*35,872*	*37.1%*
MetroPlusHealth	Medicaid	$491	$649	848	8,873	9.2%
Oscar	Regional	N/A	$694	1097	6,173	6.4%
Empire Blue Cross Blue Shield (Anthem)	Blue Cross Blue Shield	$653	$883	1095	8,085	8.4%
EmblemHealth	Regional	N/A	$934	1122	7,355	7.6%
UnitedHealthcare	National	$782	$940	1459	5,220	5.4%

Source: New York State of Health and HIX Compare.

Notes: Enrollment is in any plan with this carrier, regardless of metal level. MVP Health (another insurer) data is excluded because it is only offered in some counties. The insurer offering the benchmark plan is in italics.

Table 6 provides the same data for Long Island. Plans offered by Fidelis Care and Healthfirst again have by far the lowest silver premiums. Fidelis also has the lowest-cost bronze plan. Premiums for plans offered by Empire Blue Cross Blue Shield, UnitedHealthcare, and EmblemHealth are considerably

higher. Fidelis Care had 59.1 percent of the Long Island enrollees, followed by Healthfirst with 15.2 percent, which offered the lowest-cost gold plan. But again, about 20 percent of individuals enrolled in the more expensive commercial plans.

TABLE 6

Net Enrollment and Bronze and Silver Premium Cost in Long Island, New York, 2021

Carrier	Type of insurer	Lowest bronze premium	Lowest silver premium	Lowest gold premium	Enrollees	Share of enrollees
Fidelis Care	Medicaid	$425	$599	856	26,335	59.1%
Healthfirst	*Medicaid*	*N/A*	*$611*	*843*	*6,751*	*15.2%*
Oscar	Regional	N/A	$678	975	1,921	4.3%
Empire Blue Cross Blue Shield (Anthem)	Blue Cross Blue Shield	$575	$777	1004	5,635	12.6%
UnitedHealthcare	National	$782	$940	1460	2,265	5.1%
EmblemHealth	Regional	N/A	$1,062	1277	1,649	3.7%

Source: New York State of Health and HIX Compare.
Notes: Enrollment is in any plan with this carrier, regardless of metal level. The insurer offering the benchmark plan is in italics.

Thus, New York, like California, provides evidence of large numbers of individuals choosing the lowest-cost options, but at the same time, a smaller but considerable share of the population choosing more expensive options either because of insurer reputation or breadth of networks.

Discussion

This paper provides evidence that many Marketplace enrollees choose plans based on price. Most people, and especially low-income people, chose silver plans to take advantage of low premiums, after-tax credits, and CSR subsidies. However, even higher-income people are choosing bronze plans in large numbers because of low premiums despite the higher deductibles. There is still a substantial share of enrollees who choose gold plans.

The California and New York data shows that many people choose the lowest-cost plans, particularly Medicaid plans. But about 10 percent of enrollees in Los Angeles and more than 20 percent in San Francisco, New York City, and Long Island chose plans with premiums well above the benchmark. Presumably, they are making these choices because of other factors, such as the availability of preferred providers, insurer reputation, or breadth of networks.

The incentives in the structure of the ACA seem to be working, as there is evidence that consumers are making plan choices based on price. This results in insurers offering lower-priced products through how they structure their networks, pay providers, or manage care. We have shown elsewhere that premium increases have been consistently low between 2019 and 2023 (Holahan, Wengle, and O'Brien 2023). At the same time, the incentive structure allows people to pay more to obtain more expensive, potentially higher-quality, insurance products if they prefer.

We do not analyze possible consequences of the choices people are making. Narrow networks may result in access problems, such as delays in getting appointments, particularly with specialists such as mental health professionals. Low premiums do come with high deductibles. These high deductibles can also deter needed care. Deductibles now average $4,890 without CSRs for silver plans and $7,481 for bronze.[9] How these cost-sharing burdens affect access should be concerning and should be the focus of future research. The ACA incentives seem to be succeeding in containing costs, but they may also lead to some negative outcomes.

Notes

[1] Actuarial value is the percentage of total costs on average that the plan will cover in a given year. For example, a silver plan with an AV of 70 will pay for, on average, 70 percent of covered benefits, and the enrollee will be responsible for 30 percent out of pocket.

[2] Deductibles, particularly those in bronze and silver plans, tend to be quite large in 2023. Average deductibles for 2023 now average $4,890 without cost-sharing reductions for silver plans and $7,481 for bronze.

[3] Attorney General Jefferson B. Sessions to Don Wright and Steven Mnuchin, October 11, 2017, Office of the Attorney General, "Payments to Issuers for Cost-Sharing Reductions (CSRs)."

[4] Sabrina Corlette, Kevin Lucia, and Maanasa Kona, "States Step Up to Protect Consumers in Wake of Cuts to ACA Cost-Sharing Reduction Payments," *Controlling Health Care Costs* (blog), New York: The Commonwealth Fund, October 27, 2017, https://www.commonwealthfund.org/blog/2017/states-step-protect-consumers-wake-cuts-aca-cost-sharing-reduction-payments.

[5] David M. Anderson and Patrick O'Mahen. "How to Improve Consumer Plan Selection In ACA Marketplaces—Part 2." *Health Affairs Forefront* (blog). June 4, 2021. https://www.healthaffairs.org/content/forefront/improve-consumer-plan-selection-aca-marketplaces-part-2.

[6] US Congress, House, American Rescue Plan Act of 2021, HR 1319, 177th Cong., introduced in House February 24, 2021, https://www.congress.gov/bill/117th-congress/house-bill/1319.

[7] US Congress, House, American Rescue Plan Act of 2021.

[8] This is a relatively small group however since the IRA made premium tax credits available to those above 400 percent of FPL.

[9] "Cost-Sharing for Plans Offered in the Federal Marketplace, 2014–2023," accessed July 28, 2023, https://www.kff.org/slideshow/cost-sharing-for-plans-offered-in-the-federal-marketplace/.

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John Holahan is an Urban Institute fellow in the Health Policy Center, where he previously served as center director for over 30 years. His recent work focuses on health reform, the uninsured, and health expenditure growth, and on developing proposals for health system reform, most recently in Massachusetts. He examines the coverage, costs, and economic impact of the Affordable Care Act (ACA), including the costs of Medicaid expansion and the macroeconomic effects of the law. He has also analyzed the health status of Medicaid and exchange enrollees and the implications for costs and exchange premiums. Holahan has written on competition in insurer and provider markets and implications for premiums and government subsidy costs as well as on the cost-containment provisions of the ACA. Holahan has conducted significant work on Medicaid and Medicare reform, including analyses of the recent growth in Medicaid expenditures, the implications of block grants and swap proposals on states and the federal government, and the effects of state decisions to expand Medicaid in the ACA on federal and state spending. His recent work on Medicare includes a paper on reforms that could both reduce budgetary impacts and improve the structure of the program. His work on the uninsured explores reasons for the growth in the number of uninsured over time and the effects of proposals to expand health insurance coverage and their cost to federal and state governments.

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