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Private health insurance in Georgia

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HEALTH CARE LANDSCAPE

November 2018

PRIVATE HEALTH INSURANCE IN GEORGIA

Introduction

The U.S. health care system has long been financed through a combination of public and private funding streams. Although an increasing number of individuals in Georgia and nationwide gain access to care through public programs, primarily Medicare, Medicaid, and the Children's Health Insurance Program, private insurance covers the majority of nonelderly adults. Most of those covered through private insurance obtain their coverage through employer-sponsored plans. Nonetheless, individually purchased coverage plays an important role for many Georgians.

This brief provides background on private insurance, describes coverage and how it varies over time and by demographic factors in both the group and individual markets, and provides data about the cost of insurance. Unless otherwise noted, all statistics reported are from U.S. Census Bureau data.

About 6.3 million Georgians overall and about 5.7 million nonelderly Georgians rely on private insurance for access to health care services. A smaller percentage of Georgians under age 65 years have private insurance compared to the nation as a whole (64% versus 70%). Much of that difference is due to lower rates of individual coverage (8% versus 12%). In addition, fewer nonelderly Georgians have Medicaid (18% versus 22%). The result is that a higher share of Georgia's nonelderly population is uninsured (14% versus 10%).

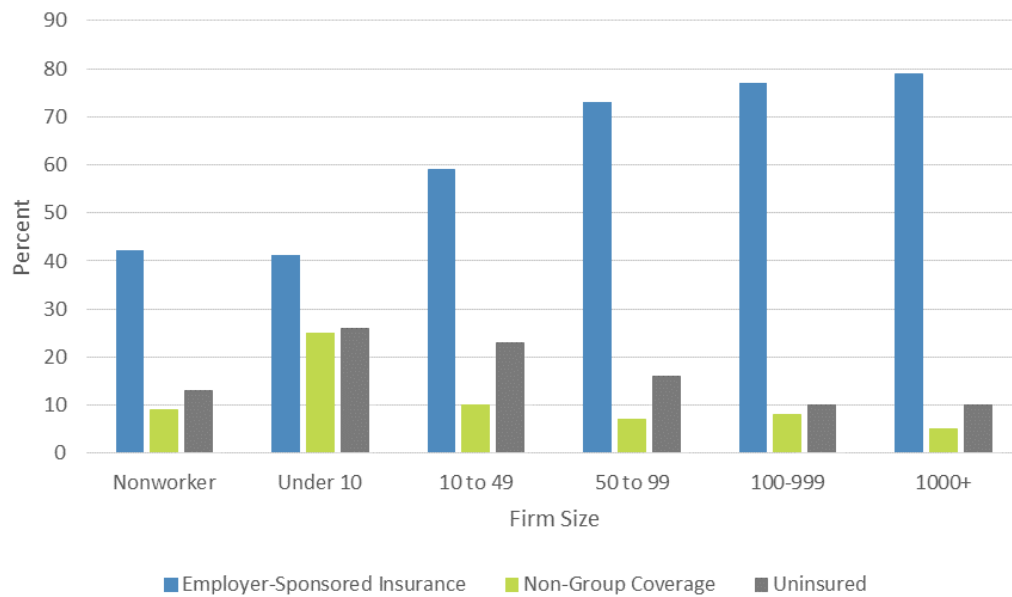
Employer-Sponsored Insurance

Among those with private insurance in Georgia, most obtain that coverage through an employer-sponsored plan. However, the share of the nonelderly in the United States with coverage through an employer has been declining over time, especially in Georgia. During the last decade, Georgia's rate of employer-sponsored insurance was consistently above the national average, but during the most recent decade the decline in group health coverage has been significant, to where just over half of privately insured Georgians are currently covered through their employer.¹

The likelihood that an individual has employer-sponsored insurance depends upon whether or not their employer offers coverage to workers, whether that employee or their dependents are eligible to participate in coverage, and whether or not the employee chooses to purchase the insurance. One of the key determinants of whether or not a firm offers insurance is size, as measured by number of workers. Only about half of small firms offer insurance, while almost all very large firms offer benefits to at least some workers. As firm size increases, the likelihood that an individual has employer-sponsored insurance also increases and the likelihood of being uninsured declines. In fact, individuals whose family head works at a very small firm are more likely to be uninsured than those in a family headed by a nonworking adult, as shown in Figure 1.

¹US Census Bureau. (2018, September). 2018 Annual Social and Economic Supplement of the Current Population Survey. Washington, DC.

Figure 1: Coverage by Firm Size of Family Head in Georgia, 2016-2017



Private Insurance in Rural Versus Urban Locations

Approximately 2 million nonelderly Georgians live in a county that is not part of a metropolitan statistical area and is thus categorized as rural. This is about 23% of the nonelderly population. Coverage patterns in these areas are different than those found in urban and suburban communities because firm size, wages, provider markets, and risk pools are all very different in rural versus more populous areas. As seen in the table below, individuals living in rural Georgia counties are 20 percentage points less likely to be privately insured than their urban or suburban counterparts (49% versus 69%). They are only half as likely to have individual private coverage (5% versus 11%) and are more likely to be publicly insured or have no insurance.

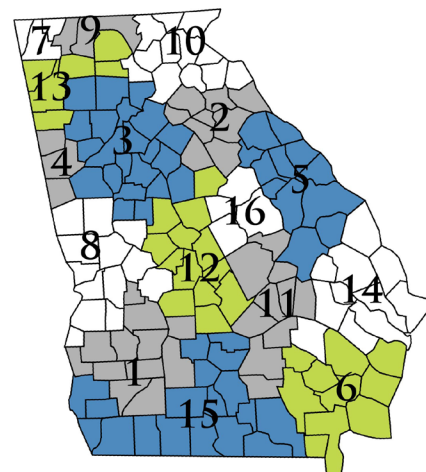
Table 1: 2016-2017 Average Share by Coverage Category¹

| | Urban/Suburban | Rural |
|-------------------------|----------------|-------|
| Total Privately Insured | 69% | 49% |
| Employer-Sponsored | 59% | 45% |
| Individual Private | 11% | 5% |
| Total Public | 24% | 39% |
| Medicaid | 16% | 27% |
| Uninsured | 13% | 18% |

Individual Private Coverage — Marketplace Plans

Since 2014, Georgians have had the option of enrolling in federally facilitated Marketplace plans that are accessed through the Healthcare.gov website. These qualified health plans meet federal guidelines, but premiums and benefits are regulated by the state. Depending upon the plan costs, enrollment may be subsidized for individuals with family incomes above poverty but at or below 400% of the federal poverty level. The plans must offer the essential health benefits and must be priced so as to adjust only for the enrollee’s age, geographic location, and whether or not the enrollee smokes. These plans are marketed to 16 different geographic regions in Georgia that were determined by the Office of the Insurance Commission in consultation with various Georgia stakeholders.

Figure 2: Individual Health Insurance Markets²



²Office of the Insurance Safety and Fire Commissioner. (March 29, 2013). Bulletin 13-EX-1. Retrieved from <https://www.oci.ga.gov/ExternalResources/Announcements/Bulletin-3292013-1528.pdf>

Individual Health Insurance Markets in Georgia

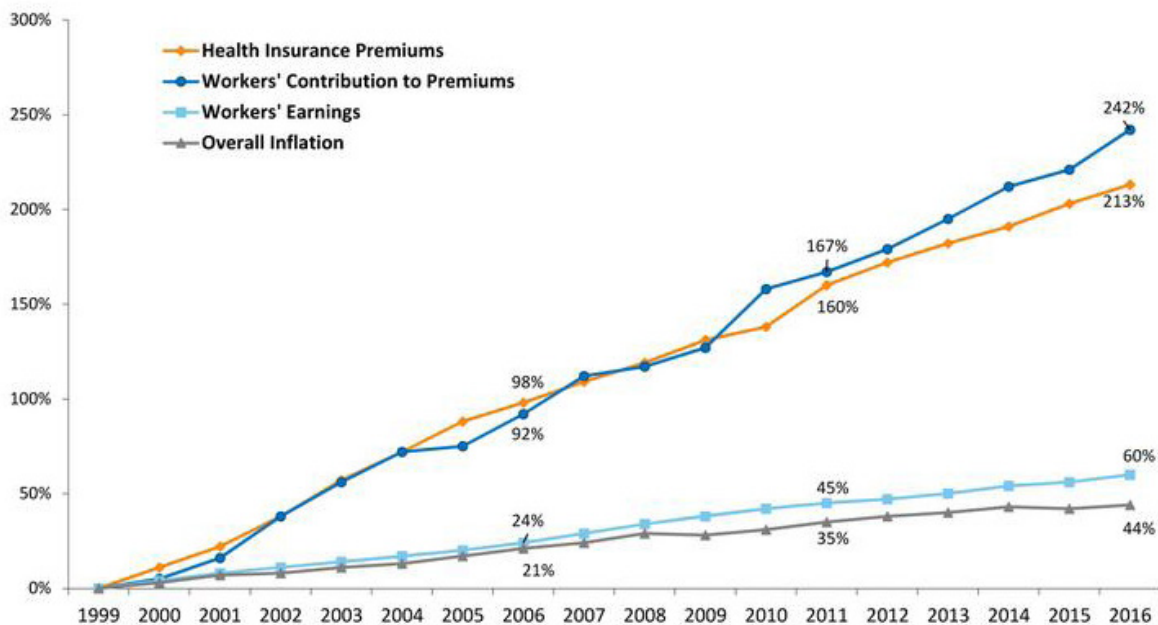
Georgians have consistently enrolled at fairly high rates in these plans. Federal data sources have reported enrollment in slightly different ways year over year, but regardless of the data source used, about half a million Georgians have enrolled in Marketplace plans each year since 2014. About 60% of this enrollment is in insurance region 3 on the above map, which includes the greater Atlanta metropolitan area. Most of those enrolling in Marketplace plans (between 85% and 92%, depending upon the market) are eligible for Advance Payment Tax Credits. These payments go directly to the insurance carrier to offset the premiums and are based upon the enrollee’s estimate of the next year’s earnings. The reconciliation between estimated and actual annual income is done as part of the family’s tax return after the year ends. To the extent a family under- (or over-) estimated their annual income, a tax penalty (or refund) is calculated as part of the tax return. About two-thirds of enrolled individuals are also eligible for reductions in cost sharing (deductible and coinsurance).

Cost of Private Insurance

Costs in Georgia are not significantly different than those for employer plans nationwide. Employers cover on average about 77% of the cost for individual coverage and just over 70% of the cost for family coverage for Georgia workers. One of the biggest challenges facing employers who offer health benefits for their workers is the increasing cost for these plans. Over time, premiums and the employer contribution to coverage have increased significantly faster than wages. This means that “total compensation” of wages and benefits has also grown faster than inflation, but that wages have grown only slightly more than inflation.³

Premiums in the individual market have varied across Georgia markets and over time. In some markets, premiums in the early years were high but increases have been modest. In other markets, premiums have grown significantly. The table below shows the benchmark silver plan annual premium for a 40-year-old for a diverse set of markets in Georgia in 2014 and 2018, along with the average annual increase over these four years.⁵

Figure 3: Growth in Premiums, Contributions, Wages, and Overall Inflation over Time⁴



³Agency for Healthcare Research and Quality. (2016). Medical Expenditure Panel Survey: Insurance Component State and Metro Area Tables. Retrieved from https://meps.ahrq.gov/data_stats/quick_tables_search.jsp?component=2&subcomponent=2

⁴Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2016. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2016; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2016 (April to April).

⁵Centers for Medicare and Medicaid Services (2018). 2014-2018 Marketplace Enrollment Files. Retrieved from <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/>

Table 2: Unsubsidized Annual Premiums for Benchmark Silver Plans for a 40-Year-Old⁵

| Second-Lowest Silver Plan — Annual Premium for a 40-year-old nonsmoker | | | | |
|--|---------------------------------|----------------|----------------|---------------------------------------|
| Market | State Region | 2014 | 2018 | Average Annual Increase, 2014 to 2018 |
| 1 | Albany and Rural South | \$5,775 | \$6,204 | 2% |
| 3 | Metro Atlanta | \$3,006 | \$5,053 | 14% |
| 10 | Gainesville and Rural Northeast | \$2,939 | \$8,880 | 32% |
| 12 | Macon | \$3,780 | \$6,852 | 16% |
| 15 | Valdosta and Rural South | \$5,069 | \$9,240 | 16% |
| | Lowest Annual Premium | \$2,913 | \$4,614 | |
| | Highest Annual Premium | \$5,775 | \$9,240 | |

Conclusion

Private insurance plays an important role for Georgia consumers, covering about two-thirds of nonelderly residents. However, the structure of the private insurance market implies that coverage gaps are likely for some individuals, including:

- Those with tenuous connection to the labor force (part-time and temporary workers)
- Those working at very small firms, especially low-wage small firms
- Childless adults living in poverty
- Very healthy, young adults for whom contributions for coverage exceed their expected health care costs

Over time there has been a decline in employer-sponsored insurance. This is attributable to a variety of factors, including the:

- Changing nature of employment, with more individuals engaged in contract or temporary employment opportunities
- Economic fluctuations that result in the formation of newer and smaller firms
- Increasing costs of employer-sponsored coverage that reduce the likelihood of new firms offering and employees participating in coverage

The individual market plays a key role in providing coverage for those without access to employer-sponsored plans. However, wide variation in premiums over time and between regions and the generally high costs in this market, especially for those without tax-based subsidies, make coverage inaccessible for some individuals.

Tracking Health Reform

The Georgia Health Policy Center (GHPC), has been a neutral source of health policy information and analysis for more than 20 years. GHPC's Health Reform Work Group is composed of faculty and staff from Georgia State University's Andrew Young School of Policy Studies, J. Mack Robinson College of Business, School of Public Health, College of Law, and Rollins School of Public Health at Emory University. Team members have expertise in the areas of health policy, health care administration and finance, economics, insurance, risk management, employee benefits, population health, and health law.

The Health Reform Work Group will continue to track the development of health reform, and translate and disseminate information to stakeholders, through policy briefs, presentations, panel discussions, toolkits, and webinars. For further updates and tools for health reform, please visit GHPC's website at <http://ghpc.gsu.edu/>.

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