Public Exchange Coverage is More Costly and Less Effective than Medicaid

First implemented in 2014 as a cornerstone of the Affordable Care Act (ACA), Public Exchanges were envisioned as a new health insurance marketplace where millions of uninsured Americans could shop for, compare and purchase affordable, stable health coverage. The new Exchanges sought to provide subsidized coverage to Americans who were not eligible for Medicaid.

Since implementation, Public Exchange coverage has proven to be significantly more costly and less sustainable than envisioned.

- Medicaid coverage costs 43 percent less than Public Exchange coverage, which is less affordable for the Federal government and consumers.
- Exchanges have failed to achieve long-standing enrollment expectations of 25 million and cover far fewer people than other coverage platforms.
- Exchange coverage has declined over the course of each year since ACA implementation, as higher-than-expected costs and other factors have discouraged many healthy individuals from enrolling and staying enrolled.

Medicaid Has Expanded Access to Care by Delivering Affordable, Stable, and Sustainable Coverage

While Public Exchanges have fallen short of providing consumers with affordable, high-quality, stable coverage options, the ACA’s Medicaid Expansion has succeeded in providing sustainable and effective coverage. Since 2013, more than 16 million additional people have enrolled in Medicaid.

Exchange beneficiaries, as well as the remaining uninsured, would gain the most from being in suitably managed State-based public and private market structures which are more stable, efficient, and effective than Exchanges. Transitioning to a simpler, flexible, and more sustainable coverage system can help advance the important goals of providing more affordable coverage options, improving health outcomes, and achieving Federal and State budget savings.
Public Exchange Coverage is More Costly than Medicaid Coverage

Medicaid coverage costs 43 percent less than Public Exchange coverage, which is less affordable for the Federal government and consumers.

- The estimated average cost of Medicaid coverage for a newly eligible adult ($5,400) is **43 percent lower** than the average total cost of Public Exchange coverage for a low-income adult ($9,400), a difference of $4,000 per person.¹

- The Federal government spends an estimated $7,000 per low-income Public Exchange adult enrollee, $1,600 more than the combined Federal and State Medicaid cost of $5,400.²

- Low-income Public Exchange adult enrollees pay an estimated average of $2,400 annually in premiums and cost-sharing towards their coverage.³

- Between 2014 – the first year of Public Exchange coverage – and 2018, as premiums were repriced to reflect a less healthy risk pool than expected, the average annual unsubsidized premium for a second lowest-cost silver plan⁴ has increased:
  - 88 percent, from $2,616 to $4,932, for a 27-year-old.⁵
  - 76 percent, from $3,276 to $5,772, for a 40-year-old.⁶

- The Federal government is projected to spend $56 billion on Public Exchange subsidies in 2018 and $704 billion over 10 years (2018-2027).⁷ Redeploying these Federal resources to Medicaid coverage would cover more people at a lower cost.

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**Cost of Full-Year Coverage, Adult Enrollees, 2018**

<table>
<thead>
<tr>
<th>Medicaid</th>
<th>Public Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly Eligible</td>
<td>Low-Income</td>
</tr>
<tr>
<td>Medicaid</td>
<td>Public Exchange</td>
</tr>
<tr>
<td>Previously Eligible</td>
<td>Newly Eligible</td>
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<tr>
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</tbody>
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⁷ The Federal government is projected to spend $56 billion on Public Exchange subsidies in 2018 and $704 billion over 10 years (2018-2027). Redeploying these Federal resources to Medicaid coverage would cover more people at a lower cost.
Public Exchanges Have Proven to be Less Effective at Increasing Coverage

Exchanges have failed to achieve enrollment expectations and currently cover far fewer people than other coverage platforms. Exchanges face low expectations for new growth and overall future participation.

- Public Exchanges cover approximately 10 million people (3% of the U.S. population), compared to:
  - 174 million (54%) with employer sponsored insurance;
  - 75 million (23%) with Medicaid coverage; and
  - 58 million (18%) with Medicare coverage.

- Each year from 2012 through 2015, the Congressional Budget Office (CBO) projected that by 2017 there would be at least 25 million enrollees in the Public Exchanges. However, 2017 enrollment of 10 million people represents just 40% of CBO’s projection.

- CBO currently projects that Public Exchange enrollment will not increase meaningfully over the next decade, leveling at 12 million from 2019 to 2027.

Public Exchange Coverage Remains Unstable, Having Declined Each Year Since 2014

Exchange coverage has declined over the course of each year since implementation of the ACA in 2014, as higher-than-expected costs and other factors have discouraged many healthy individuals from enrolling and staying enrolled.

- Of the 12.7 million people who signed up for Public Exchange coverage during the 2016 open enrollment period, 3.6 million (28%) fewer had coverage at the end of the year. Enrollment also declined in previous years:
  - 25 percent decline during 2015, from 11.7 to 8.8 million
  - 21 percent decline during 2014, from 8.0 to 6.3 million

- Public Exchange enrollment declines over the course of each year because coverage is too costly for enrollees.
  - Many individuals who sign up never pay premiums to activate their coverage.
  - Many enrollees who activate coverage stop paying premiums.

Citations and notes for this brief are available at: www.unitedhealthgroup.com/statebasedcoverage/citations