



Appropriate Use of Special Enrollment Periods Is Key to Exchange Stability, Affordability for Consumers

Misused Special Enrollment Periods Impact All Consumers through Higher Costs

Expanding access to health insurance has been a defining goal of the new insurance marketplaces. To ensure a stable, affordable market for all consumers, it is important that everyone obtain and maintain continuous coverage. This is also central to efforts to transform our health care system by rewarding value over volume, improving care coordination, and focusing on prevention and slowing disease progression.

Special enrollment periods have long played a key role in promoting continuity of coverage during important life transitions, such as job changes, relocations, marriage, and births. In the employer market and under Medicare, health plans ensure the appropriate use of special enrollment periods by verifying an applicant's eligibility to enroll. In contrast, current rules of the federal Exchange market allow people to enter the marketplace through special enrollment periods without proof of eligibility or evidence of prior coverage. As a result, individuals may purchase health insurance only when they need medical care and then drop coverage after receiving the services they need. This misuse of special enrollment periods threatens the long-term affordability and stability of the Exchange market.

While special enrollment periods are important and necessary, the government should be verifying eligibility for the special enrollment periods as a common-sense policy solution to promote a more stable marketplace. Without verification, a significant number of people will only purchase coverage when they need it, driving up costs for everyone. Addressing these special enrollment challenges will help more consumers access affordable, quality coverage and get the medical care they need.

Key Facts

- **Health plans strongly support strategies to maximize enrollment and expand coverage.** We support maximizing enrollment when people are first eligible for coverage, during open enrollment periods, and for individuals who are, in fact, eligible to enroll during bona fide special enrollment periods. Contrary to some recent claims, health plans do not seek to “bar uninsured people from using certain special enrollment periods.” In fact, many people who have previously lacked coverage have chronic illnesses and would especially benefit from the preventive care and coordinated services they would receive through continuous coverage.
- **Health plans recognize and support the role that special enrollment periods play in promoting continuity of coverage and care during life transitions.** However, the scope of special enrollment periods in the marketplace (over 30 unique occurrences) far exceeds those necessary to address such situations, as well as those available in the employer market. For many reasons, greater alignment in special enrollment practices across markets would simplify the consumer experience.
- **Individuals who gain coverage through special enrollment periods are a substantial and growing percentage of the Exchange population, and they incur significantly higher medical claims than others.** In the first two years of the Exchange marketplaces, up to *one-third* of enrollees enrolled in coverage through special enrollment periods. Moreover, these enrollees typically incur higher costs than those individuals who enroll during the open enrollment period. In fact, the actuarial firm Oliver Wyman found those individuals enrolling in coverage through special enrollment periods [amassed 24% more in health care costs](#) over their first three months of coverage in 2014 than those coming in during the open enrollment period. Oliver Wyman found strong evidence that the relative cost of the enrollees signing up for coverage during special enrollment periods was even higher in 2015.



In fact, in California, the cost differential between special enrollment period enrollees and open enrollment period enrollees ranged from 15%-50% higher based on data from California's largest four plans (to note: one of the four plans reported no cost differential). A recent [Covered California report](#) states that, "there are credible indications that the risk mix of special enrollment period enrollment is higher cost than those of Open Enrollment and that some of that difference is likely attributed to individuals inappropriately claiming special enrollment period events." This suggests a problem with special enrollment periods where some individuals knowingly wait to purchase coverage until medical conditions require treatment rather than enrolling in insurance during open enrollment.

- **Without verification, special enrollment periods are more easily subject to abuse and misuse that compromises affordability and stability for all enrollees.** In addition to higher claims costs, individuals who enroll during special enrollment periods are more likely to drop coverage versus those enrolling during open enrollment periods. In short, it appears that a significant share of consumers using special enrollment periods stop paying premiums before the end of the coverage year. As an example, [data from one plan](#) show that individuals enrolling through a special enrollment period are more than twice as likely to drop their coverage after a short period of time as those who enroll during the annual open enrollment period. The net impact of these frequent transitions leads to more expensive coverage for all consumers, including those who enroll during open enrollment period and stay continuously covered. This destabilizes the marketplace, decreases affordability, discourages enrollment, and increases costs to taxpayers.
- **Recent CMS guidance is a step towards recognizing the marketplace challenges, but more changes are necessary to address the core problem of misapplied special enrollment periods.** On Jan. 19, 2016, [CMS issued new guidance](#) regarding special enrollment periods that will no longer be used by the federal and state-based marketplaces and outlined future regulatory action on special enrollment periods. CMS also stated that the agency will conduct assessments (i.e., retrospective audits) of two frequently used special enrollment periods (related to loss of minimum essential coverage and permanent moves) to validate their proper use. While these modest steps by CMS are helpful, it is critical that CMS modify current policies and processes to maximize enrollment during the annual enrollment period and verify that eligibility for coverage under special enrollment periods.

We continue to support ensuring consumers have access to affordable coverage. Special enrollment periods are important to ensure continuity of coverage given changing life situations for consumers and must be implemented through verification processes that do not allow "just in time" insurance which will undermine the stability of the marketplaces. Verification should focus on ensuring program integrity up front because it is a more consumer friendly approach that avoids issues on the back end that consumers, providers, issuers and exchanges must reconcile.

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