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New Research from EBRI:

Who Switches Health Plans, and Why?

WASHINGTON—When workers are offered more than one health plan, who switches their plans, and does it lead to adverse selection, causing healthy workers to leave certain health plans saddled with only high-cost sick workers?

Evidence suggests it's mostly younger workers or higher-income workers without family coverage who switch—which does indeed raise the risk of adverse selection, according to a new analysis by the nonpartisan Employee Benefit Research Institute (EBRI).

The EBRI analysis looked at administrative data tracking the experience of one large employer that increased its offering of four health plans in 2015 to a total of 10 plans in 2015. Results showed that most of those who switched plans remained in the same *type* of health insurance, although with a new insurance carrier.

To mitigate against adverse selection, the employer provided financial incentives to nudge people with various health risks to enroll in the new plans, which had lower employee premiums, higher health savings account (HSA) contributions, and no cost sharing for primary care office visits and generic drugs. But despite the incentives, older workers were less likely to switch health plans than younger workers, and the higher use of office visits for both primary care physicians and specialists, higher use of emergency departments, and a higher number of outpatient providers were all correlated with less plan switching.

Paul Fronstin, director of EBRI's Health Education and Research Program and co-author of the report, notes that there has been a strong trend toward private-sector employers offering their workers more choice in health plans since 1996 (when 21.5 percent of employers offered two or more health plans, rising to 41.4 percent in 2010 and 45.9 percent in 2015). This trend has held for all employer groups by size from 2005 to 2014.

“There has been very little empirical research about who switches health plans and whether introducing more choices may contribute to adverse selection,” Fronstin said. “In this case, the results show that it might.”

Key findings of the new EBRI analysis:

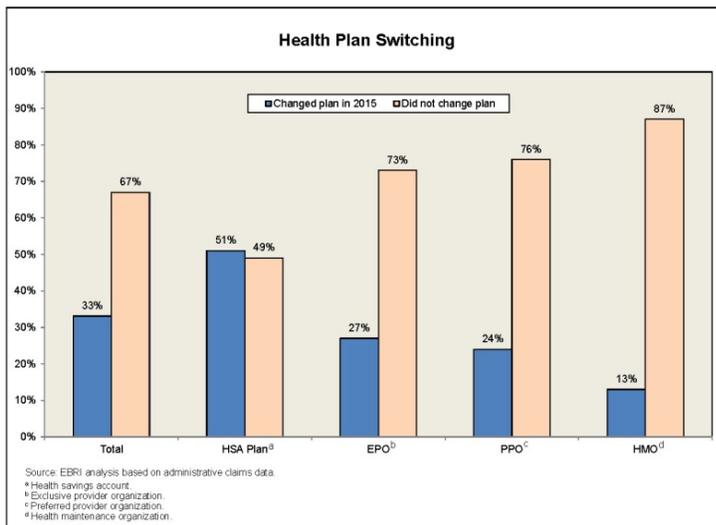
- One-third of health plan enrollees in both 2014 and 2015 switched health plans between 2014 and 2015. Workers enrolled in the HSA-eligible health plan in 2014 were far more likely to switch plans than other workers: One-half of HSA-eligible plan enrollees switched plans, compared with 27 percent among exclusive provider organization (EPO) enrollees, 24 percent among preferred

provider organization (PPO) enrollees, and 13 percent among health maintenance organization (HMO) enrollees.

- While HSA plan enrollees were more likely to switch plans, those who did switch were most likely to switch to the same plan type with a different carrier.
 - About 88 percent of HSA-eligible plan enrollees in 2014 who did switch plans for 2015 chose the HSA-eligible health plan with a different carrier.
 - Sixty-three percent of EPO enrollees in 2014 who did switch plans for 2015 switched to an EPO with a different carrier, and 72 percent of PPO enrollees switched to a PPO with a different carrier (because only one HMO was offered in 2014 and 2015, 100 percent of the HMO enrollees who switched chose a different plan type with a different carrier).
- Very few HSA-eligible plan enrollees who switched plans switched to a different type of health plan. EPO and PPO enrollees in 2014 who switched health plan types were more likely to switch carriers.

In the statistical models, certain demographics and prior use of health care services appeared to be predictors of plan switching, but health status was not statistically related. For this employer:

- Older workers were less likely to switch health plans than younger workers.
- Higher-income workers with employee-only coverage were more likely than lower-income workers to switch carriers. However, higher-income workers with family coverage were less likely than lower-income workers to switch carriers or switch plan type.
- The longer an employee was enrolled in his or her health plan, the less likely he or she was likely to switch plans.
- More actual use of office visits for both primary care physicians and specialists was linked to less plan switching.



The full report, “Health Plan Switching: A Case Study—Implications for Private- and Public-Health Insurance Exchanges and Increased Health Plan Choice,” is published in the March 23, 2017, *EBRI Issue Brief* available online at www.ebri.org

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