Using Health Services in the Commercial Market: Latest Data

By Katherine Hempstead, Robert Wood Johnson Foundation

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The Annual Exhibit of Premiums, Enrollment and Utilization, collected by the National Association of Insurance Commissioners (NAIC), provides information on utilization of health care services in the commercial market. We analyze the most recent data from the third quarter of 2014.

These latest figures reflect compositional changes in the populations enrolled in both the individual and group segments of the commercial market. The results show the third consecutive quarter of a trend toward convergence in utilization. The gap in utilization between the two populations is clearly narrowing, as utilization has increased in the non-group market and decreased in the group market.

The data may suggest that multiple changes in benefit design and care management, which were designed to reduce utilization, are working. Although the net effect of these changes and the ultimate trajectory of health care costs are far from certain, these data continue to provide an interesting perspective.

And while there are some caveats regarding the utilization data reported in the Annual Exhibit—some carriers do not report at all, or do not report all of their products; carriers with fewer than 1,000 members were not included in the calculations, and other outlier values were excluded; and medians were reported to minimize the impact of extreme data points—the results are extremely interesting.

**Major findings**

- Since Q2 2014, enrollment in the individual market declined slightly, and the group market declined by nearly 5 percent.
- Utilization of health care continued to increase in the individual market, and decline in the group market, a trend noticed in the previous quarter.
- Compared with the third quarter of 2013, use of ambulatory care increased about 9.5 percent in the individual market, and declined more than 4 percent in the group market. Utilization in the individual market now exceeds that in the group market. Hospital admissions and patient days increased nearly one third in the individual market, and declined about 7 percent in the group market.
- While utilization in the group market still slightly exceeds that in the individual market in the two hospital utilization categories—admissions and patient days—the ratio of individual to group utilization has increased considerably.

**Introduction**

There is great interest in the future trajectory of costs for those newly enrolled in health insurance plans available through the marketplaces. This has implications for the future affordability of marketplace coverage, as well as public sector costs. Prior data suggested an increase in utilization in the individual market relative to the group market.

While the trend in the individual market is of interest largely because of the coverage expansions of the Affordable Care Act (ACA), there are other trends associated with health reform which may have implications for utilization in the commercial market as a whole—a shift toward higher consumer cost-sharing, an increase in risk-based contracting and other types of care management, all of which are designed to reduce utilization, particularly of hospital care.

The NAIC collects quarterly submissions from carriers for their Exhibit on Premiums, Enrollment and Utilization. A previous post described enrollment data in the individual market and provided some caveats about the data. Another previous post compared utilization in the first and second quarters of 2013 and 2014. This post updates those utilization data with information from the third quarter.
Overall Trends

Enrollment
Looking at enrollment data for the individual and group markets, we see that since the second quarter of 2014, enrollment declined approximately 2.5 percent in the individual market, while the group market declined by about 4.5 percent. The slight decrease in the individual market suggests there has been some net disenrollment since the end of the first open enrollment period, while the larger decline in the group market reflects an increase in the use of self-insured plans in employer-sponsored insurance, and also migration to the individual market and potentially Medicaid.

Utilization
In the third quarter of 2014, median ambulatory utilization became slightly higher in the individual market, as compared with the group market. The ratio of individual to group utilization of ambulatory care increased from 0.9 in Q2 2014, to 1.03 in Q3 2014. Ambulatory care utilization declined in the group market, but increased in the individual market and trends in physician and non-physician visits are interesting to note.

For hospital utilization, the gap between the individual and group markets was greater at baseline, but while utilization declined in the group market by about 6-7 percent, both patient days and admissions increased considerably in the individual market, by approximately 35 percent. The median ratio of individual to group utilization for hospital admissions per 1,000 members increased sharply since the second quarter of 2014, from 0.81 to 0.93. For patient days, the ratio of individual to group utilization increased from 0.83 to 0.95 since the second quarter of 2014.

These data from the third quarter continue but accelerate a trend which was reported in the last two quarters. The gap in utilization between the two populations is clearly narrowing, as utilization has increased in the individual market and decreased in the group market. A longer look at trends is illustrative and suggests that ambulatory utilization in these markets has crossed over while hospital utilization is extremely close to converging.

What does it mean?
Some of these trends are due to compositional shifts in the populations covered. In the individual market, the continued increase in utilization is not surprising, although the extent of the increase since the last quarter is quite substantial. As has been noted, many individuals who would have failed medical underwriting in pre-ACA days are now insured in this market, which is consistent with the finding that average utilization should increase in this population relative to 2013.

The fact that utilization in the group market was initially higher than that in the individual market is also not surprising. Many enrolled in group plans would also have failed medical underwriting, and would not have been able to be covered in the pre-ACA individual market. Yet the utilization patterns for these markets are clearly converging, and ambulatory utilization in the individual market already exceeds that in the group market. It will remain to be seen how well these utilization patterns are aligned with carrier expectations, and what they might imply about future premium trends for marketplace plans.

The continued decline in utilization in the group market is also notable, and also may say something about the impact of health reform on utilization, although the net effect of compositional shifts in the group market is hard to assess. Most believe that the outmigration to self-insured products selects the healthy, and leaves less healthy group populations in the fully insured group market. However, migration from the group to the individual market and to Medicaid may disproportionately affect less healthy populations. So while the decline in utilization in the group market may in part reflect the impact of compositional changes on the average health status of the population, it is likely to reflect, at least in part, the impact of another major aspect of health reform—the many changes in benefit design and the management of care that are designed to reduce health care costs. The results reported here are consistent with other findings pointing to slowed utilization and health care cost growth, including a recent report showing declining inpatient admissions in 2013 among a large multi-payer commercially insured population.

It is too soon to know how health reform will ultimately impact utilization. These data have certain limitations, and it is very early in the life of many of these reforms. However, these results show the third consecutive quarter of a trend toward convergence in utilization in the commercial market. It’s useful to think about these findings in the context of overall effects of health reform. One very visible impact of health reform is the expansion of coverage and thus increased utilization among a sizable (but relatively small) group of people, who have enrolled in marketplace plans and in Medicaid. As we see here, enrollees in ACA marketplace plans appear to utilize healthcare services at a higher rate than did the pre-ACA non-group market.
At the same time, another and perhaps more significant, though less direct, impact of health reform is the creation of a set of policies and incentives that are designed in large part to reduce utilization among all insured populations. These policies, which include the growth of value-based payments and changes in benefit design to alter consumer incentives, have been linked by many to reduced growth in health care spending.

While there is legitimate interest in utilization trends among those newly enrolled in individual coverage, the decline in utilization among the much larger population with group coverage is ultimately perhaps the more important trend. Although the net effect of these changes and the ultimate trajectory of health care costs are far from certain, these data continue to provide an interesting perspective on these questions.

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APPENDIX:

Table 1. Enrollment in the individual and group markets

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<th>Q2 2014</th>
<th>Q3 2014</th>
<th>Percent Change</th>
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<tbody>
<tr>
<td>Individual</td>
<td>13,724,967</td>
<td>13,397,915</td>
<td>-2.38%</td>
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<tr>
<td>Group</td>
<td>36,557,759</td>
<td>34,916,210</td>
<td>-4.49%</td>
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Source: National Association of Insurance Commissioners, Annual exhibit of premiums and utilization

Table 2. Ambulatory care utilization in the commercial market, Q3 2013 versus Q3 2014 (Median visits per 1000 members)

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<tr>
<td>All ambulatory visits</td>
<td>1640.2</td>
<td>1795.5</td>
<td>1815.3</td>
<td>1736.6</td>
<td>9.5% -4.3%</td>
</tr>
<tr>
<td>Physician visits</td>
<td>1101.5</td>
<td>1186.5</td>
<td>1245.0</td>
<td>1205.0</td>
<td>7.7% -3.2%</td>
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<tr>
<td>Non-Physician visits</td>
<td>433.9</td>
<td>489.1</td>
<td>582.1</td>
<td>488.9</td>
<td>12.7% -16.0%</td>
</tr>
</tbody>
</table>

Source: National Association of Insurance Commissioners, Annual exhibit of premiums and utilization

Figure 1. Ambulatory care visits per 1000 members

Source: National Association of Insurance Commissioners, Annual exhibit of premiums and utilization
Table 3. Hospital utilization in the commercial market, Q3 2013 versus Q3 2014 (Median visits per 1000 members)

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Group</th>
<th>Percent Change</th>
<th>Indiv</th>
<th>Group</th>
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<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
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<tr>
<td>Hospital admissions</td>
<td>8.8</td>
<td>11.9</td>
<td>13.9</td>
<td>12.9</td>
<td>36.4%</td>
</tr>
<tr>
<td>Patient days</td>
<td>37.3</td>
<td>50.6</td>
<td>57.1</td>
<td>53.3</td>
<td>35.6%</td>
</tr>
</tbody>
</table>

Source: National Association of Insurance Commissioners, Annual exhibit of premiums and utilization

Figure 2. Ambulatory utilization in the individual market, Q3 2013 and Q3 2014 (per 1000 members)

Figure 3. Ambulatory utilization in the group market, Q3 2013 and Q3 2014 (per 1000 members)
Figure 4a. Hospital admissions per 1000 members

Figure 4b. Patient days per 1000 members

Figure 5. Hospital utilization per 1000 members, individual market

Figure 6. Hospital utilization per 1000 members, group market
Figure 7a. Ambulatory care utilization (per 1000 members)

Figure 7b. Hospital admissions (per 1000 members)