By Simon F. Haeder, Elena Andreyeva, Daniel Marthey, and Benjamin D. Ukert

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DATAWATCH

Merging Rural And Urban ACA Rating Areas Improved Choice, Premiums In Rural Texas

Rural consumers often face a limited choice of carriers and plans and high premiums. To mitigate this issue, Texas recently adjusted its Affordable Care Act Marketplace rating areas to integrate rural areas into nearby urban markets for rating purposes. We found that rural consumers subsequently saw increases in carrier and plan choices, as well as decreases in overall plan premiums.

Simon F. Haeder (sfhaeder@tamu.edu), Texas A&M University, College Station, Texas.

Elena Andreyeva, Texas A&M University.

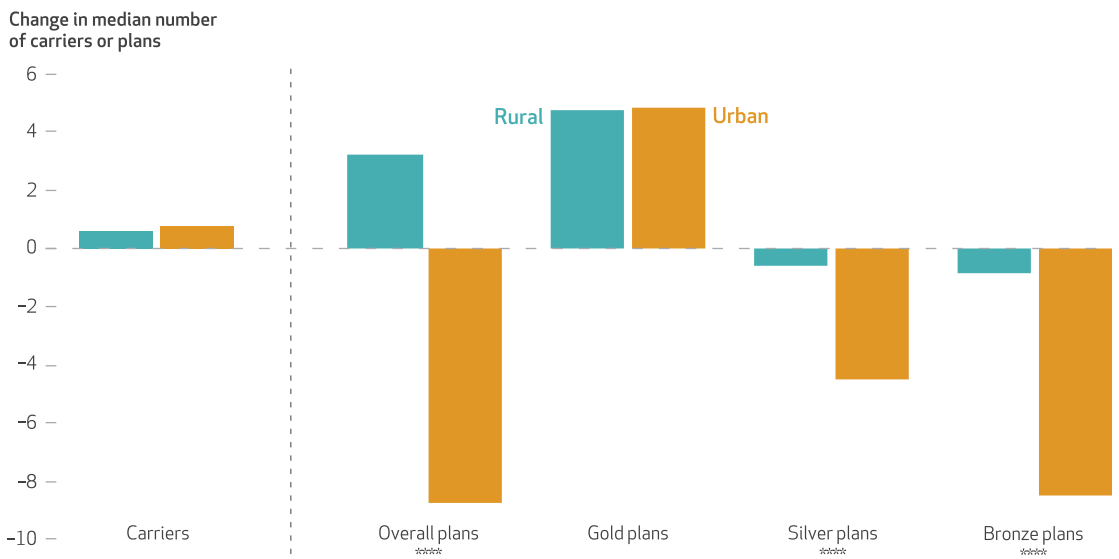
Daniel Marthey, Texas A&M University.

Benjamin D. Ukert, Texas A&M University.

Rural consumers face substantial challenges in accessing medical care.[1] Some of these challenges are supply driven and are the result of a maldistribution of medical providers.[2] At the same time, demand for care in rural areas is often high because rural consumers tend to be older, poorer, and sicker than their urban counterparts.[1,2] One understudied approach to improving access to care has been the composition of Affordable Care Act (ACA) rating areas. Texas recently revamped its ACA rating-area structure by moving away from its initial "MSA+1" approach that established rating areas on the basis of Metropolitan Statistical Areas (MSAs), with a catch-all rating area for all counties outside of MSAs. These changes provide an opportunity to evaluate whether bundling urban and rural areas mitigates rural access challenges. We found that combining ACA rating areas in Texas was associated with increased numbers of carrier and plan choices (exhibit 1) and reduced overall premiums (exhibit 2) in rural counties. However, silver premiums in-

EXHIBIT 1

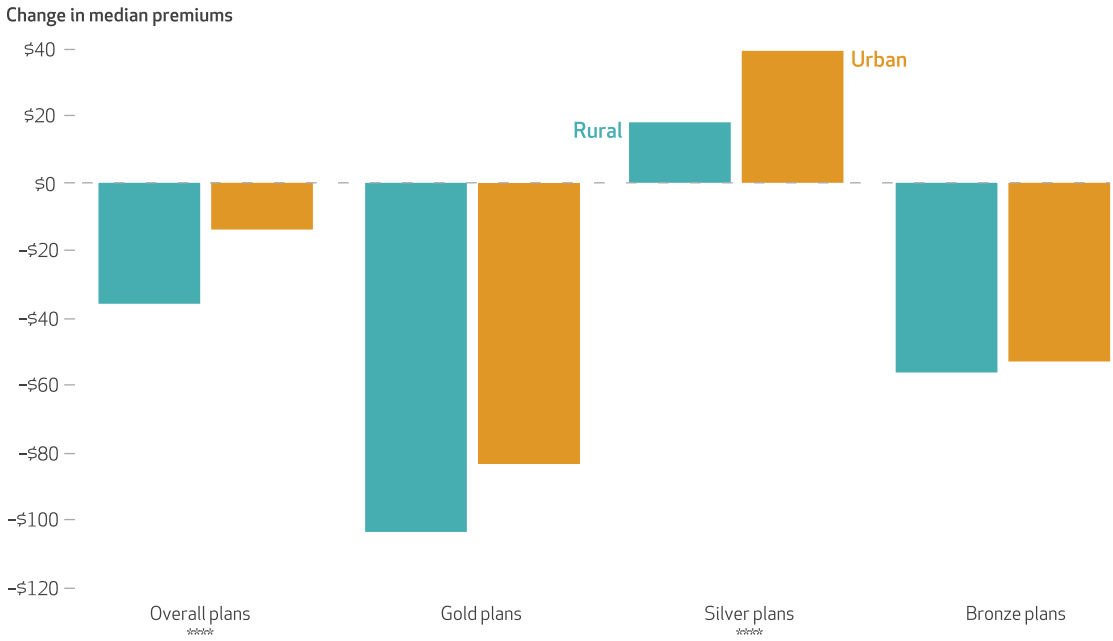
Change in median number of Affordable Care Act (ACA) Marketplace carriers and plans between 2022 and 2023 for urban and rural Texas counties



SOURCE Authors' calculations based on analysis of Centers for Medicare and Medicaid Services data. **NOTES** Carriers are the individual companies making offerings on the ACA Marketplace; plans are the distinct benefit designs offered by each carrier. Differences were assessed using *t*-tests. ****$p < 0.001$

EXHIBIT 2

Change in median Affordable Care Act Marketplace plan premiums between 2022 and 2023 for urban and rural Texas counties



SOURCE Authors' calculations based on analysis of Centers for Medicare and Medicaid Services data for a 40-year-old nonsmoker. **NOTES** Carriers and plans are defined in the exhibit 1 notes. Differences were assessed using *t*-tests. ****$p < 0.001$

creased in both urban and rural areas. Carriers are the individual companies making offerings on the ACA Marketplace; plans are the distinct benefit designs offered by each carrier.

Background On Texas Rating-Area Changes

Starting with the 2023 plan year, Texas created geographical rating areas that encompass adjacent urban and rural areas (see online appendix exhibit A1).[3] The change shifted 177 rural counties with more than 184,000 enrollees from the sole rural rating area into twenty-seven mixed urban-rural rating areas. Texas implemented these changes with the goals of better aligning rating areas with major tertiary networks, ensuring that premiums accurately reflect claims costs in each county, eliminating large claims cost differences within rating areas, increasing competition among insurers, and expanding coverage and choice in rural counties.[4]

The MSA+1 approach is potentially detrimental because it combines all rural areas across the state, which is a vast geographic area, into one rating area that could be adversely selected against because of its high prevalence of chronic disease and older population compared with MSAs.[1,2] This may make carriers selective in covering only rural counties with the most desirable risk pools within the non-MSA rating area or refraining from offering rural coverage at all.

From a rural perspective, a major benefit of the recent adjustments is the potential to improve the overall risk pool in the newly formed rating areas through mixing lower-risk, high-volume urban counties with low-volume, higher-risk rural counties. Mitigation of adverse selection should improve access to affordable health plans and increase competition and both carrier and plan choice for rural residents. Simultaneously, mixing higher-risk rural residents with urban residents could also lead to higher premiums and fewer choices for the latter if insurers adjust their expected claims cost in the newly formed rating areas to an average of existing urban residents and new, higher-risk rural residents. However, because of the relative low number of covered lives in rural areas, this effect may be limited.

Study Data And Methods

To assess the potential effects of the rating-area adjustments, we obtained data from the Centers for Medicare and Medicaid Services (CMS) on ACA plan offerings in Texas.[5] These data contain county-level information from HealthCare.gov on all offered health plans. We calculated the number of carrier and plan offerings, as well

Despite the negative effect on urban areas for plan choice, urban areas continue to offer a large degree of choice to their residents.

as premiums for all plans (irrespective of carrier), at the county level for both 2022 and 2023 and derived the median for both. We used forty-year-old nonsmokers as a reference point for premiums. We also identified which counties shifted from the rural catch-all rating area to the newly formed rating areas for 2023, using data also available from CMS.[6] We then compared the median number of carriers, number of plans, and premiums for each county between 2022 and 2023, using standard t-tests. (Our analyses focused on medians to account for skewed results due to outlying data points. We note that analyses relying on mean plan choice and mean premiums are largely analogous.)

This study had several limitations. First, it is possible that observed changes in the median number of carriers or plans and in median premiums would have occurred in the absence of rating-area changes. Our analysis did not demonstrate causality. Second, as these data did not include plan enrollment, we were unable to directly assess the impact of rating area changes on enrollment or by enrollee characteristics. Both items are important areas for future study.

Study Results

CARRIER AND PLAN CHOICES From 2022 to 2023, 177 rural counties were integrated into 27 urban-rural rating areas. Changes in the median number of carrier choices for urban and rural areas are presented in exhibits 1 and 3. After the switch to the new rating areas, the number of carrier choices increased about equally in urban areas (0.727 [$p < 0.001$] and rural areas (0.605 [$p < 0.001$]); difference between urban and rural areas: 0.123 [$p = 0.166$]). In 2022 and 2023, urban consumers had greater choice of carriers than their rural counterparts (for 2022: 1.428 [$p < 0.001$]; for 2023: 1.551 [$p < 0.001$]; see appendix exhibit A2).[3]

Changes in the median number of plan choices (exhibits 1 and 3) differed substantially between urban and rural counties (delta = 11.987 [$p < 0.001$]) after the switch to the new rating areas. Overall, rural counties gained just over three plans, whereas urban counties lost almost nine plans. Changes in the median number of plans appear to have been driven by substantial reductions at the silver (delta = 3.913 [$p < 0.001$]) and bronze (delta = 7.644 [$p < 0.001$]) levels, whereas both urban and rural areas saw increases at the gold level (delta = 0.102 [$p = 0.820$]). Despite these changes, residents in rural counties continue to have fewer choices (see appendix exhibit A3)[3] than their urban counterparts ($p < 0.001$ overall, as well as for all metal levels, in both 2022 and 2023). As such, most rural areas saw an increase in plan choice, except for some rural counties in the Hill Country and the Panhandle (see appendix exhibit A4).[3] At the same time, most urban counties, particularly the most populated MSAs in the Dallas, Houston, San Antonio, and Austin areas, experienced reductions in plan choice (see appendix exhibit A4).[3]

PREMIUMS Changes in premiums presented in exhibits 2 and 4 suggest potential additional benefits to rural consumers. Overall, median premiums decreased in both urban ($13.30) and rural ($35.53) counties, but the declines were larger for rural consumers (delta = $22.23 [$p < 0.001$]) and were concentrated at the gold level (delta = $19.80 [$p = 0.077$]). We saw increases in median premiums at the silver level for both urban and rural counties, again favoring rural consumers (delta = $21.29 [$p < 0.001$]). With these changes, median premium differences between urban and rural counties (see appendix exhibit A5)[3] have become indistinguishable overall ($p = 0.758$) and at the gold level ($p = 0.271$). However, differences—although they have become smaller—remain for silver ($p = 0.001$) and bronze ($p = 0.009$) plans in 2023. County-level analyses of changes in median premium further support the statewide findings (see appendix exhibit A6).[3] Most rural counties saw reductions in median premiums, with some exceptions, primarily in the Panhandle around Lubbock. Conversely, premiums increased in major urban areas such as Houston, Dallas, Austin, San Antonio, El Paso, and Corpus Christi.

Discussion

We found that bundling urban and rural ACA rating areas in Texas significantly improved carrier and plan choice, as well as overall premiums,

EXHIBIT 3

Comparison of changes in the median number of Affordable Care Act Marketplace carriers and plans from 2022 to 2023 for urban and rural Texas counties

	Urban			Rural			
	Median no. of carriers and plans			Median no. of carriers and plans			
	2022	2023	Change, 2022–23	2022	2023	Change, 2022–23	Change, 2022–23, urban vs. rural
CARRIERS							
Overall	3.558	4.286	0.727****	2.130	2.734	0.605****	0.123
PLANS							
Overall	75.987	67.260	8.727***	39.119	42.379	3.260***	11.987****
Gold	15.273	20.104	4.831****	8.452	13.181	4.729****	0.102
Silver	30.286	25.740	4.545****	14.480	13.847	0.633	3.913****
Bronze	28.714	20.234	8.481****	15.051	14.215	0.836	7.644****

SOURCE Authors' calculations based on analysis of Centers for Medicare and Medicaid Services data. **NOTE** Difference in average from 2022 to 2023 for urban and rural counties was tested for statistical significance using *t*-tests. ***$p < 0.01$ ****$p < 0.001$

for rural consumers. Despite the negative effect on urban areas for plan choice, urban areas continue to offer a large degree of choice to their residents. At the same time, median premiums have become indistinguishable at the overall and gold levels for urban versus rural consumers, whereas differences, albeit substantially smaller, remain for silver and bronze plans. Although silver plan premium increases are partially the result of changes to the state's approach to the pricing of plans eligible for cost-sharing reduction subsidies, disproportionate increases in urban-area silver plans may reflect the fact that the costliest population will likely enroll in cost-sharing reduction–eligible silver plans, and carriers are trying to account for that. However, the overall reduction in median premiums is noteworthy because it runs counter to prevalent trends, with a long history of substantial premium increases in rural markets throughout the United States.[7]

Future research should explore whether these rating-area changes had additional consequences for health access such as the composition of provider networks, travel distances, choice of providers, access to higher-quality providers, and wait times.[8,9] These analyses should assess the trade-offs between improving access in rural areas with potentially opposite effects in urban areas. For now, our findings offer an indication that consumers in states with county-based rating areas (such as Florida and South Carolina), as well as states relying on the previous methodology used to establish rating areas in Texas (such as Alabama or Oklahoma), may see substantial improvements in choice and premiums for rural residents if they integrate rural and urban counties into blended rating areas.

EXHIBIT 4

Comparison of the changes in median monthly Affordable Care Act Marketplace plan premiums from 2022 to 2023, for urban and rural Texas counties

	Urban			Rural			
	Median premiums, $			Median premiums, $			
	2022	2023	Change, 2022–23	2022	2023	Change, 2022–23	Change, 2022–23, urban vs. rural, $
Overall	509.57	496.27	13.300****	530.18	494.65	35.531****	22.231****
Gold	589.35	505.94	83.404****	614.55	511.35	103.206****	19.802
Silver	528.77	568.04	39.269****	569.30	587.29	17.984****	21.285****
Bronze	453.15	400.57	52.585****	468.16	412.35	55.819****	3.234

SOURCE Authors' calculations based on analysis of Centers for Medicare and Medicaid Services data for a 40-year-old nonsmoker. **NOTE** Difference in average from 2022 to 2023 for urban and rural counties was tested for statistical significance using *t*-tests. ****$p < 0.001$

Conclusion

Rural consumers continue to face substantial health care access challenges. Although insurance coverage alone might not address all of these concerns, the availability of affordable health insurance options is an important determinant of access to care and health.[10] One tool is the adjustment of geographic catchment for the ACA Marketplace rating areas, which combines small, low-density, and high-health-care-need rural communities with high-volume, lower-risk urban areas. Such an approach can expand rural residents' carrier and plan choices and decrease premiums. However, further exploration of implications for consumer choice, cost, and access is warranted. ■

To access the authors' disclosures, click on the Details tab of the article online.

NOTES

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