SMALL PREMIUMS OR BIG ADMINISTRATIVE BURDENS?
ENROLLMENT CONSEQUENCES OF INTRODUCING NOMINAL MONTHLY CONTRIBUTIONS IN THE MASSACHUSETTS SUBSIDIZED NONGROUP MARKET

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ABSTRACT
The nongroup market for health insurance, which serves individuals who don’t have access to coverage through an employer or public programs, is known to experience high levels of churn. However, the reasons for disenrollment from this market are poorly understood. Using an administrative data set from the Massachusetts Health Connector that includes information on reasons for termination, we aim to clarify these dynamics. To obtain causal estimates, we leverage plausibly exogenous premium changes for the 2017 plan year, using a difference-in-differences approach to study enrollment consequences of introducing a nominal premium for plans that previously did not require a monthly contribution from enrollees. We show that nearly one in five enrollees who face a new, nominal (< $10) premium are terminated for nonpayment by the end of the new plan year. Two-thirds of this attrition manifests at the end of January 2017, implying that a significant number of affected enrollees never initiated premium payments. As a first-order matter, enrollment inertia is an important determinant of these outcomes; all affected enrollees had the option to switch into a zero-premium plan offered by a different carrier at the start of the plan year. Comparing termination rates across plans that imposed different-sized premiums suggests that this disenrollment is predominantly driven by the administrative burden of initiating and sustaining premium payments, though there does appear to be a modest role for affordability. We do not find evidence that enrollees who face new nominal premiums are more likely to voluntarily terminate their coverage than their zero-premium counterparts.

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