Lower number of people covered leads to higher U.S. rural health insurance premiums, study finds

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Small risk pools may contribute to the challenges faced by private insurance plans in rural areas, in which case risk reinsurance, or insurance for the insurer, is a potential policy solution, finds a new study from the Brown School at Washington University in St. Louis.

A health insurance risk pool is a group of individuals whose medical costs are combined to calculate premiums.

"A lot of our prior work on market-based insurance has shown that premiums tend to be higher in rural areas, and there is anecdotal evidence, often put forth by insurers, that a lack of health care providers is a factor in making insurance more expensive, said Abigail Barker, research assistant professor and author of "Effect Of Population Size On Rural Health Insurance Premiums In The Federal Employees Health Benefits Program," published Dec. 3 in the December issue of the journal *Health Affairs*.

"Insurers are sometimes required to contract with certain providers in order to satisfy network adequacy standards, but this research suggests that a more important factor is likely to be the low numbers of lives covered in a particular place," said Barker, who is faculty lead for data and methods at the Center for Health Economics and Policy at the university's Institute for Public Health.

"The model controls for provider availability and various other possible explanations, and I find that additional enrollment is the factor most associated with lower premiums," she said. "This makes sense because insurance is fundamentally about spreading risk, and it relies upon having large numbers of people in a given risk pool in order to work well."

Using data from the 2013-16 Federal Employees Health Benefits Program, Barker focused on premium and enrollment data for "state-specific" plans—which offer insurance policies and set premiums at the regional level.

In nonmetropolitan counties, she found that each additional plan enrollee was associated with a 10-cent lower per capita biweekly premium, whereas this effect was trivial in metropolitan counties.

"Low health care provider counts were not associated with higher premiums in nonmetropolitan areas, nor was the degree of insurer competition an important predictor of premiums," she said. "However, there was substantial correlation over time, which suggests that some variables may be viewed less as sources of premium variation and more as influencing long-term premium levels."

Barker's current work for the Rural Policy Research Institute focuses on understanding how markets can be successfully integrated into the health care sector, using the Affordable Care Act and Health Insurance Marketplaces data as well as Medicare Advantage data to inform rural health policy.

More information: Abigail R. Barker. Effect Of Population Size On Rural Health Insurance Premiums In The Federal Employees Health Benefits Program, *Health Affairs* (2019). DOI: 10.1377/hlthaff.2019.00912

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