Restricting Special Enrollment Periods Could Hurt Young Adults – and the Health Insurance Marketplaces

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Introduction

Special enrollment periods (SEPs) provide an important opportunity for consumers who lose their health insurance coverage or experience other life changes to enroll in a plan through the health insurance marketplaces outside of the annual open enrollment period.\(^1\)

In response to insurers stating concerns about the kinds of enrollees using SEPs, however, the Department of Health and Human Services (HHS) is making it more difficult for consumers to enroll in or change plans through SEPs. Making the special enrollment process more difficult could dissuade healthy young adults from enrolling in coverage, leaving them vulnerable to gaps in coverage and putting their health and financial security at risk. In addition, making it harder for eligible young consumers to enroll in or change plans during the year could increase adverse selection in the marketplaces – the very problem that insurers are trying to prevent.

Summary of Recent Changes

During much of 2016, insurers have requested that HHS and state departments of insurance eliminate, clarify, and enforce the rules related to SEP enrollment.\(^2\) Insurers claim that the consumers who enrolled through SEPs last year were sicker – and more expensive – than those who enrolled during the open enrollment period.\(^3\) Additionally, three of the top five health insurers announced that they would stop paying commissions to brokers for signing consumers

Qualifying life events include: losing minimum essential coverage (MEC); gaining or becoming a dependent through marriage, birth, adoption, placement for adoption, or placement for foster care; gaining a new immigration status; gaining access to new qualified health plans (QHPs) as the result of a permanent move; and becoming newly eligible or ineligible for premium tax credits or cost-sharing reductions through the marketplaces.

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up for coverage outside of open enrollment, and two other insurers told their brokers they will not pay them to enroll consumers in more comprehensive gold plans.\(^4\)

Insurer complaints have also led HHS to tighten the rules around SEPs. In early 2016, HHS announced a new SEP confirmation process. Under this process, consumers in the 38 states using the HealthCare.gov platform now have to submit documentation to verify their eligibility for the five most common SEPs - loss of coverage, a permanent move, marriage, adoption and childbirth.\(^5\) In May, HHS made changes to the SEP based on a permanent move, requiring consumers to be enrolled in MEC at least one out of the 60 days before the move to qualify for an SEP and delaying implementation of a previously proposed change that would have allowed consumers to select a plan before their move to avoid gaps in coverage.\(^6\) And in September, HHS announced plans for a pilot program to evaluate a pre-enrollment verification process for the federal marketplace that HHS intends to launch after the 2017 Open Enrollment period.\(^7\) The pressure to change policy around SEPs is likely to increase in the coming year.

However, HHS has also repeatedly recognized SEPs as “a critical pathway to coverage for qualified individuals.”\(^8\) This is particularly true for young adults, who are more likely to experience the type of life events – like moving, getting married, having a baby or changing jobs – that may give them reason to reevaluate the level of coverage they need or the type of plan they can afford.\(^9\) In addition, making it harder for consumers to enroll through SEPs by adding burdensome documentation or other requirements could actually increase adverse selection in the marketplaces by deterring younger, healthier consumer from enrolling.\(^10\)

**SEPs and Young Adults**

Younger, healthier adults are an important demographic that underutilize SEPs, perhaps because they lack awareness of enrollment options. Ensuring that young, healthy people enroll in the marketplaces - through open enrollment or an SEP - is critical for the health and financial

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\(^4\) Ibid. It is important to remember that seeking to limit special enrollment solely on the basis of potential enrollees' health status is unlawful discrimination under the ACA. Consumers using an SEP for a legitimate reason like losing coverage or gaining a new family member can and should not be turned away simply because insurers do not want to pay for it.


\(^8\) Ibid.


security of young adults, as well as the financial stability of the marketplaces. If a young healthy person cannot easily find they documents they need to enroll or encounters problems or delays in during the document verification process, they may simply choose to forgo coverage, while someone with more immediate health needs might be more inclined to persevere through the enrollment process. However, it is important for young adults to avoid gaps in coverage, so they can access preventive services and avoid potentially costly medical bills and debt in the event of an accident or illness. Ensuring that young, healthy people enroll in the marketplaces – through open enrollment or an SEP – is critical for the health and financial security of young adults, as well as the financial stability of the marketplaces.

Early findings from HHS’s implementation of an SEP confirmation process for HealthCare.gov further raise the possibility that changes in SEP enrollment could reduce young adult coverage. In September 2016, HHS announced that “the confirmation process has resulted in a material decrease in special enrollment period plan selections.” Specifically, HHS found that “in the seven weeks after implementation, [SEP] plan selections in 2016 were almost 15 percent lower than during the same weeks last year.” While HHS has not yet determined why SEP enrollments have decreased due to the confirmation process, it is possible that at least some eligible consumers are being deterred from enrolling in coverage due to the heightened requirements.

More Likely to Qualify

In 2014, Young Invincibles (YI) published a report estimating the number of young adults that year who would experience the type of life changes that might qualify them to enroll in or change health plans through special enrollment. YI found that young adults were more likely than older adults to experience all but one (gaining a new immigration status) of the major events that may trigger an SEP. Specifically, YI found:

| Losing health coverage | • Young adults are almost twice as likely to lose coverage during the year  
|                        | • Young people change jobs every two years  
|                        | • Young people move at twice the national rate  
|                        | • 100 percent of those turning 26 and losing dependent coverage are young adults  
| Having a baby          | • 83 percent of new moms are between the ages of 18 and 34  
| Getting               | • The median age for marriage in the US is 28 for men and 26 for

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12 Ibid.
Leaving incarceration • Half of the people released from incarceration in 2012 were between the ages of 18 and 34

Lack of Awareness

Unfortunately, while young adults are more likely to qualify for SEPs, they are less likely to know about SEPs than older adults. Surveys have found that young adults lag behind older adults in their awareness of the marketplaces, the specifics of the health law, and understanding of insurance terminology.14

While data on the use of marketplace SEPs is limited, early research indicates that SEPs may be widely underused by consumers, particularly young adults. According to the Urban Institute, “even though nearly 13 million uninsured people every year could gain health coverage through SEPs, only about 15 percent actually sign up.”15 Similarly, the Robert Wood Johnson Foundation (RWJF) reports that the majority of uninsured people – 60 percent – have not or are unsure if they have heard about SEPs.16

Conclusion

HHS has already eliminated many of the temporary SEPs it created in the first few years of the health insurance marketplaces. Although consumer awareness of the marketplaces has grown, YI’s research suggests SEPs are still vastly underutilized by young adults who could qualify for them.

All consumers have an interest in protecting against fraud and abuse in the marketplaces. However, to date, there is no public evidence of widespread fraud in the SEP enrollment process. Maintaining an accessible SEP enrollment process, coupled with increasing consumer awareness of SEPs, could actually increase enrollment of young, healthy people in the marketplaces, because young adults ages 18 to 34 are systematically more likely to qualify for SEPs than any other age group.17 Therefore, developing creative ways to spread the word about SEPs to young adults and assist them in the special enrollment process will be critical for those looking to increase young adult enrollment in the marketplaces. For example, instead of discouraging agents and brokers from enrolling consumers outside of the open enrollment period, insurers

17 Young Invincibles, Young Adults More Likely to Qualify for Special Enrollment, 1.
could encourage their agents to do more outreach to consumers experiencing the type of life changes that might qualify one for an SEP. Marketplaces, enrollment assisters and brokers could partner with organizations and businesses that provide services to people experiencing life changes, like moving companies, Lamaze classes, and job fairs, to get the word out to consumers about special enrollment and provide assistance with the process.

By increasing outreach and education on the availability of SEPs, particularly to young adults, and ensuring that the SEP enrollment process is not overly burdensome for healthier consumers most likely to be dissuaded, HHS, state insurance departments and insurers have an opportunity to improve the financial health of the marketplaces.