

Addressing Health Care Costs to Deliver Meaningfully Lower Premiums

Issue: High premiums and high cost sharing are the primary barriers to more Washingtonians being insured and getting access to care. Underlying health care costs are a key driver of Exchange rate increases, which have increased nearly 30% since 2022 (based on initial 2025 rates). For example, data show hospitals are paid two-and-a-half times as much to serve commercially insured consumers—including the Exchange—than they are paid to serve those covered by Medicare. These rates are well above the median commercial break-even for Washington state hospitals to operate.

Goal: Meaningfully lower individual market premiums to make high-quality health insurance more affordable and accessible to Washingtonians.

Key Actions to Date:

- The **Exchange plays a leadership role within many collaborative entities** at the state and national levels that are attempting to identify and advance solutions to increase cost transparency, analyze the state’s increasingly consolidated landscape, drive market competition through aligned purchasing expectations, address anti-competitive practices, and address high costs through new policy options. Recognizing the Exchange’s limited authority to directly impact costs, the Exchange often serves in these spaces as an advocate for our customers’ access to affordable coverage and care.
- **Legislation** to address anti-competitive practices, high prices, and transparency has been introduced every year over the last several years, but largely has not passed. Stakeholder coalitions (including Exchange and other purchasers) support while providers opposed.
- As a steward for Exchange customers, the Exchange’s **data and analytic capacity** has increasingly matured. The Exchange is engaged in several data and research opportunities to understand what health care providers are paid for services delivered to Exchange customers, customer utilization and risk, QHP network characteristics, and the quality of health care delivered to customers. These data equip the Exchange with information necessary to hold marketplace carriers accountable and serve as a market steward.
- **Public option** is the primary tactic to lower underlying health care costs affecting the individual market. The Washington public option plans are procured by the state Health Care Authority (HCA) for the Exchange market. Legislation caps aggregate provider reimbursement at 160% of what Medicare would pay for the same services and requires hospitals to contract with at least one public option plan starting plan year 2023.
 - Today, nearly 60,000 customers are enrolled in public option plans, and starting 2025 public option plans will be available in all counties (*pending OIC approval & Exchange Board certification*).
 - Public option premiums are the lowest silver premium QHPs in most counties, but few offerings are meaningfully lower (e.g. 10% or more). Selecting three public option carriers assists with statewide availability and provides network options, and diminishes the likelihood of achieving meaningfully lower premiums. Large provider systems fulfill public option participation requirements with the public option carrier

offering higher rates. Meaningfully lower premiums in public option plans could strengthen public option access and stimulate further market competition.

Public Option Carrier Comparison

Carrier Comparison	CHPW	LifeWise	Coordinated Care
Public Option Enrollment (Spring 2024)	21,423	11,044	26,049
Average FPL of Enrollees (Spring 2024)	201%	273%	212%
Average Public Option Silver Plan Rate*	\$414	\$526	\$425
# Counties offering public option plans*	26	21	21
# Counties lowest-cost silver plan*	14	0	17
# Counties second lowest-cost silver plan*	10	0	4
# Counties neither lowest nor second lowest*	2	21	0

*40 yo non-smoker. Based on initial 2025 rates. All rates reflected are proposed silver premiums.

- The Exchange delivered reports to the Legislature in 2023 that offered opportunities to [strengthen public option requirements for carriers and providers to lower premiums](#), and pilot innovation through public option [without impacting hospital financial sustainability](#) given the small market share of the Exchange and public option.

What are the Exchange’s opportunities to advance market stewardship to deliver meaningfully lower premiums and health care costs?

Considerations:

Stewardship

- Cascade Care Workgroup advised that the Exchange should view costs from the customer perspective (vs costs of government, carriers, providers, or other market participants).
- Enhanced data transparency and information about consumer experiences with health care costs and carrier pricing helps the Exchange serve as an advocate for our customers. More authority may be needed to bridge to meaningful stewardship and carrier accountability.

Sustainability

- Subsidies are vital to help many customers but are not keeping up with rising premiums. Underlying costs of care must be addressed. The Exchange has no direct authority to address drivers of premiums.
- Advocates signal Exchange customers would benefit from increased Exchange Board authority to make plan certification decisions that support a healthy Exchange in an uncertain environment.

Stability

- Exchange-designed standard plans with low co-pays, low deductibles, and first-dollar coverage protect affordable customer health care access amid increasing costs.
- Exchange stakeholders signal interest in identifying opportunities to recapture federal APTC savings driven by marketplace innovations (as noted in legislative reports).

Simplicity

- Health care costs are a complex problem without a simple answer. They cannot be effectively addressed with a siloed approach and require strategic partnership to align action.