

# Instability in Insurance Coverage: The Impacts of Churn in Rhode Island, 2014–2017

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## ABSTRACT

Churn, defined as a change in plan or a gap in insurance, is a problem in the United States that usually occurs as the result of changing life circumstances. Recent health reform perpetuates – rather than alleviates – churn because low- and middle- income individuals experience frequent changes in eligibility status. Our research asked: how common is churn in the non-group market and what are the health, financial, and emotional impacts on Rhode Island residents? This article draws examples from 31 life-history interviews and 188 enrollment observations conducted at Rhode Island's health insurance exchange from 2014–2017. The findings demonstrate that churn persists, despite state efforts to maximize enrollment, and causes poor health outcomes, financial insecurity, and increased stress. We argue that efforts to reform health insurance enrollment policies should be grounded in qualitative understandings of why people lose coverage and should seek to minimize barriers to maintaining continuous coverage.

**KEYWORDS:** churn, insurance, Affordable Care Act

## CHURN AND HEALTHCARE REFORM

'Churn' – defined as a change in plan or a gap in insurance – is a problem in the United States; it leads to gaps in coverage, financial strain, and high administrative costs. Between 1996–1999, 85 million people were uninsured at some point,<sup>1</sup> with low-income, minority, and young adults at steeply increased risk of losing coverage. Changing life circumstances trigger instability in insurance coverage. These circumstances include job loss, income changes, an employer dropping coverage or switching insurance plans to save costs, changes in family status, or aging out of public or parental coverage.

The Affordable Care Act (ACA) achieved record increases in insurance coverage and lowered the uninsured rate by 2016 to 10 percent for persons under age 65. In states like Rhode Island that expanded Medicaid, coverage gains were even more dramatic.<sup>2</sup> The uninsured rate in Rhode Island declined from 11 percent in 2012 to 5 percent in 2016.<sup>3</sup> While the creation of marketplaces and the expansion of Medicaid

has increased access to insurance coverage, recent health reform efforts have simultaneously institutionalized and normalized frequent changes in coverage as a feature of the health care system. The ACA requires periodic re-enrollment and ties eligibility and pricing to personal characteristics that change such as income, age, employment, household composition, and immigration status. Low-income adults experience frequent changes in insurance eligibility status, especially if they earn close to the 133% Medicaid eligibility threshold or if they face unstable employment.<sup>6,7</sup>

Some economists see churn as positive, creating opportunities to choose new coverage and thereby allowing consumers to select plans based on quality and price. Some policymakers even capitalize on churn as an opportunity to fill budget shortfalls by dis-enrolling people from health-care.<sup>4</sup> But many others are concerned about its negative impacts. Frequent changes in insurance status contributes to the burgeoning administrative costs at physician practices and disrupts continuity of care.<sup>5</sup> Research has repeatedly shown that churn forces people to change physicians, seek care from the emergency department, switch, change, or skip medications and experience worse quality of care and health outcomes.<sup>6</sup> People experiencing churn often forego preventative care and incur financially paralyzing health-care bills more often than people with continuous coverage.<sup>1</sup>

## METHODS

The qualitative methods employed in this research include ethnography, direct observation, and semi-structured interviewing. These are inductive methods from the field of medical anthropology that document actors' perceptions and experiences. Researchers directly observed and documented people's experiences enrolling in insurance coverage through HealthSource RI (HSRI), the ACA health insurance exchange in Rhode Island by shadowing enrollment assisters at community events and at the customer service center of HSRI. All prospective enrollees who received assistance from the staff that were being shadowed were asked to participate in the study; both Spanish and English enrollment interactions were observed. The project was approved by the Institutional Review Board (IRB) at Providence College and informed consent was obtained from enrollment assisters and people attempting to enroll. At the time of observation,

enrollees were asked to fill out a form if they were interested in participating in a follow-up interview; everyone who completed the form was contacted by the researchers for an interview. Semi-structured ethnographic interviews were then carried out with a smaller group of participants. The interviews focused on family background, work and education history, insurance coverage and health status.

## RESULTS

Researchers directly observed the enrollment transactions for 188 households at the HSRI customer service center and community enrollment events between 2014–2017 and conducted 31 semi-structured interviews, recruited from the enrollment observations. Field notes from enrollment observations and interview transcripts were coded and analyzed thematically using the mixed-methods software, Dedoose. The authors used a grounded theory approach to generate codes from the data by looking for patterns and themes in

the transcriptions. The authors compared codes, identified discrepancies, refined the codes, and then analyzed the entire data set. Investigators used a code of “churn” when a change in eligibility and coverage status occurred (the change could include change of plan, losing coverage, or moving between marketplace and Medicaid coverage). The authors then applied a subcode of emotional impact, financial impact, and health impact as appropriate to each instance of churn. The examples discussed below and in **Table 1** were purposefully selected by the authors as illustrative of the general trends identified in the data analysis.

Churn was expected to impact upwards of 40 percent of ACA enrollments.<sup>7</sup> More recent reports from survey research show that churning was lower than expected on insurance exchanges, affecting 25 percent of enrollees in a given year.<sup>5</sup> Though our study utilized a small, convenience sample, our research together with state data suggest that churn occurs more frequently in Rhode Island than nationally. A single point-of-time observation of people enrolling

**Table 1.** Consumers' Perspectives on Churn

Age, gender, insurance status	Reflections on churn
<b>Emotional Impacts</b>	
64-year old woman facing enrollment obstacles after job loss.	“[I feel] Bad. Real bad... I got laid off [and] ever since then it's been Health Source, then it's been unemployment, its major, major stress... oh my god, I've been a wreck... maybe I'll just have a freaking stroke and end it all.”
60-year-old woman enrolling in marketplace plan after COBRA ended.	“Isn't their job [HSRI's] to get people coverage, not to tell them to go without?”
39-year-old mother with husband and child experienced coverage gap.	“I did not have insurance for a month and that was terrifying with a 14-month-old.”
<b>Health Impacts</b>	
23-year-old woman caring for her mother during insurance lapse.	“We had to push back a lot of her appointments for the health insurance. We had to keep pushing back and it was frustrating. We had to make one month's dosage last for two months, because it was just way too expensive to buy it without the insurance.”
63-year-old woman and husband experienced a gap in coverage.	“I was supposed to go and see my dermatologist for my moles. I canceled that... My husband had an eye doctor's appointment. He canceled that. I had an eye doctor. I canceled that. I mean I canceled tons of them because I didn't want to have to pay \$150. My husband needs to have knee surgery. He's been postponing it.”
47-year old woman with chronic health condition, experienced insurance gap.	“That was scary. I couldn't get my treatments.”
<b>Financial Impacts</b>	
60-year old woman, purchased a marketplace plan.	“It's been a godsend. I literally have \$5000 more in my pocket this year.”
54-year-old woman received health plan cancellation notice. Behind on premium payments after hours decreased at work.	“I feel real stressed out, very stressed out trying to meet these bills. You know we're not making enough money with my job... I like the insurance that I have and I want to keep it. So I'm going to work hard to see if I can pay this bill. I know I got 90 days before they really shut me down.”
27-year-old female disenrolled from insurance due to seasonal income change.	“I just don't want to end up having to pay that initial penalty. It's like 90 dollars or something a quarter. But it would be less to pay that than it would be to pay for insurance.”
63-year-old woman and spouse.	“I had to take money out of my IRA and I had to pay taxes on it. So, not good. It hasn't been good. Financially, it has not been good.”

at contact centers and community events found that 45 out of 188 (24%) clients experienced gaps in coverage. However, these data underestimate the full extent of churn, given that a quarter of our data were gathered in 2014, the first year of ACA implementation. In the qualitative interviews, which were conducted several months after enrollment and provide a more longitudinal picture of enrollment experiences, 20 out of 31 (64%) interviewees experienced churn. State data corroborate the finding of frequent churn: according to HSRI's annual enrollment report for 2017, only 19% of its 29,224 marketplace customers have remained continuously enrolled since 2014.<sup>8</sup> Contributing to churn, when we directly observed people attempt to enroll in coverage, we found that most applicants (89%) experienced barriers. The most common obstacles to enrolling in coverage were: bureaucratic barriers, affordability, changes in personal or family status, and knowledge about health insurance and the ACA.<sup>9</sup> Below, we elaborate on how these barriers to enrollment led to gaps in coverage and created health, financial, and emotional impacts in the lives of Rhode Island residents.

### **EMOTIONAL IMPACTS: CHURN COMPOUNDS DISTRESS**

For many people who experience churn, gaps in health insurance coverage compound the emotional stress of moving, losing or changing a job, or family changes. A young woman became uninsured when Rte Care terminated her coverage when she turned 19. She described the stress she suffered when she got into two car accidents and the hospital billed her for care delivered during the coverage lapse. She was forced to seek regular care from the ER. Another woman described the stress of losing her job. In addition to being laid off, she needed to apply for unemployment and go through HSRI to apply for Medicaid. Even the fear of churn caused distress. An HSRI customer had recently changed jobs and her hours were reduced so she could not afford her current plan. She dreaded meeting with a customer service representative because she was afraid of changing plans and experiencing a gap in coverage. Others were angry about the broader system that allows churn and gaps in coverage. One woman's COBRA coverage ended a week before the end of the month, leaving her with a week's gap in coverage. When she called HSRI about this issue, a representative asked her how comfortable she was being without insurance for a week. For most, health insurance coverage offers peace of mind and security. In the midst of personal turmoil, however, churn adds another layer of instability and anxiety.

### **HEALTH IMPACTS: GAPS IN CARE**

Because access to healthcare in the United States is predicated on insurance coverage, churn created negative health

outcomes for those experiencing coverage gaps. Churn often forced people to forego meeting their health needs because they could not access affordable care. One woman suffered from a hernia but refused to visit a doctor. Frustrated after changing insurance plans so frequently, she dropped her plan and sacrificed her healthcare for several months until she could access insurance more easily when she became eligible for Medicare. Many clients cancelled or delayed appointments. Although the ACA required free preventative care, only people with coverage could access that care. One woman cancelled a dermatologist appointment for mole examination, giving up her screenings due to cost. Her husband also cancelled an eye appointment and knee surgery. A chronic Lyme patient missed five months of treatment, suffering from persistent fatigue and achiness. During a six-month period when her family was churned from the insurance rolls due to a system error, a young woman and her mother could not afford medical care. The family delayed her appointments for half a year. Without insurance, her mother could not afford her medication and was forced to ration one month's dosage for two months. While insurance coverage expansions aim to improve health outcomes and access to care, churn between insurance plans and gaps in coverage exacerbate chronic conditions in need of consistent management and delay preventative measures, contributing to worse health outcomes.

### **FINANCIAL IMPACTS: TAXES AND INCOME INSTABILITY**

Half of our respondents reported that the ACA led to increased financial security. They reported feeling less stress, saving money, and being able to see the doctor now when sick. But for the other half of our respondents, the ACA led to additional financial strain, especially when they were subject to churn. One common financial impact linked to income changes during the year was tax trouble (8 of 31). Tax credits disappeared without explanation, the IRS required repayment of premium tax credits, and enrollees were given inconsistent financial information. One couple consistently received misleading information about their premiums and subsidies. A HSRI customer service representative told the family that they did not qualify for a subsidy anymore, after receiving one for a few months. The family subsequently struggled to pay their premiums and eventually lost coverage due to bureaucratic errors. They had to pay back their tax credit to the IRS for which they took money out of their IRAs, thereby accruing additional tax penalties for dipping into their retirement accounts.

When people experienced a change in income, their eligibility for subsidies often changed. Some people lost coverage because they could not afford to pay for coverage even with subsidies. At the end of the year, they were then also charged the tax penalty for being uninsured. Others experienced

increases in income that led to sizable bills at tax time when they owed premiums back and then opted to be uninsured the next year because it made more sense financially to simply pay the penalty. In addition, 8 respondents reported financial stress when a change in their life circumstances such as losing a job made paying their premiums or maintaining coverage more difficult. Though enrollees are required to report income changes, the exchange did not always respond with more affordable premiums – the system was not always sensitive enough to income fluctuations to allow for continuous coverage.

## STRENGTHS AND LIMITATIONS

This study has several limitations. First, the subject recruitment procedures skew the results towards people who encountered problems in the enrollment process and thereby required in-person assistance. Second, the results are not generalizable. This is a qualitative study with a small sample conducted in Rhode Island which created a state-run exchange and expanded Medicaid. While other studies of churn use survey and administrative data to estimate the frequency of coverage loss in the health system,<sup>1,5,7</sup> we employed the qualitative methods of direct observation and interviewing to learn how people experienced churn on an ACA insurance exchange. The findings are important because the ethnographic methodology centers the consumer perspective and shows how changes in eligibility and coverage impacted health, personal finances, and emotional status. We also found that despite state efforts to maximize enrollment, churn persisted.

## CONCLUSIONS

Many economists assume that people who lose coverage do not want it or choose to go without.<sup>10</sup> Our research suggests a very different reality, one in which people struggled to maintain coverage and confronted considerable bureaucratic hurdles. While expanding coverage has many positive benefits,<sup>11</sup> churn does harm in people's lives and so constructing health systems that rely on churn entails doing harm as a matter of policy (not to mention the added administrative costs for providers and payers). As health reform policymaking moves to statehouses across the country in the wake of ACA rollbacks, health care providers should urge policymakers to minimize churn and seek ways to stabilize insurance coverage.

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