



Putting 2015 Health Care Premium Rates into Context

By Tony Carrk May 19, 2014

Some insurers have already released their 2015 proposed premium rates for customers in the federal and state health care marketplaces. Others will release their premiums in the coming weeks and months. These rates will vary across, and even within, states. Some will increase, some will decrease, and others will remain the same.¹ Premiums are expected to increase only slightly on average,² but expect conservatives to use any increase—no matter how small—to continue their relentless campaign to repeal or undermine the Affordable Care Act, or ACA; previous efforts resulted in last year’s government shutdown. These attacks are becoming more desperate as evidence of the law’s success mounts: Gallup found that the uninsured rate dropped last month to its lowest point since it began tracking it in January 2008, giving millions of people the peace of mind of knowing they are no longer one sickness away from losing everything.³ Indeed, more than 8 million people signed up in the federal and state marketplaces during the first open enrollment, exceeding expectations—and millions more are getting covered in plans outside the marketplaces or by Medicaid.⁴ For the first time, insurers cannot deny or drop coverage because of a pre-existing condition, and plans must cover important services such as doctor’s visits, maternity care, preventive services, and prescription drugs.⁵

Before conservatives’ renewed attacks take form, this issue brief lays out the historical trends of premiums in the individual market, what to expect next year, and the consequences of repealing the Affordable Care Act.

Before the ACA, individual market premiums increased 15 percent annually, and coverage was not reliable

Premiums would be increasing this year regardless of the Affordable Care Act, due to the underlying growth in health care costs.⁶ Increases have slowed recently,⁷ likely in part because of ACA changes; nevertheless, increases have occurred. Therefore, it should come as no surprise that premium rates will go up next year.

There are a few things to keep in mind about the individual market prior to the ACA's passage. First, individual market premium rates were increasing by double digits. From 2009 to 2010, the year before the ACA became law, premiums increased an average of 15 percent for those who purchased coverage in the individual market for more than one year.⁸

Second, those premium increases were only for those lucky enough to get coverage: Insurers denied nearly one in five people who applied for health plans in the individual market prior to the law.⁹ Third, most people had negative experiences in the individual market.¹⁰ No wonder, considering how *Consumer Reports* described it:

*[I]ndividual insurance is a nightmare for consumers: more costly than the equivalent job-based coverage, and for those in less-than-perfect health, unaffordable at best and unavailable at worst. Moreover, the lack of effective consumer protections in most states allows insurers to sell plans with "affordable" premiums whose skimpy coverage can leave people who get very sick with the added burden of ruinous medical debt.*¹¹

In short, consumers paid more for less—if they got anything at all.

Marketplace premiums have been lower than first projected and are not expected to increase dramatically next year

As we debate what will happen next year for marketplace premiums, we cannot forget that last year's premiums were lower than expected.¹² Although premiums will vary by state—and even within states—there are still a couple points worth highlighting. Since the Affordable Care Act passed, the nonpartisan Congressional Budget Office, or CBO, and Joint Committee on Taxation, or JCT, have repeatedly lowered their premium projections. In their latest estimates, CBO and JCT found that marketplace premiums for 2016 would be 15 percent lower than they originally thought.¹³ Moreover, they estimated that marketplace premiums would increase only slightly next year, with the premium for the average marketplace benchmark plan increasing by \$100, from \$3,800 to \$3,900.¹⁴

The ACA's financial assistance will lessen the impact of premiums on consumers next year

Another important fact to remember when discussing next year's premium rates is that consumers do not necessarily bear the full cost, as there is financial assistance to help them afford coverage. Under the Affordable Care Act, those with incomes starting at and up to 400 percent of the federal poverty level—from \$23,550 to around \$94,000 for a family of four—are eligible for subsidies to reduce premium costs. We know from the

Key takeaways:

- Marketplace premiums for 2015 will vary from state to state and within states; some will go up, while others will go down. Still, others may stay virtually the same.
- The year before the ACA, premiums in the individual market increased 15 percent. Projections show only a modest premium increase, on average, for 2015.
- Premiums have actually been lower than first projected.
- The ACA's financial assistance will lessen the impact of premiums on next year's consumers. This year, 85 percent of people in the marketplaces received premium tax credits to help lower the cost of their health care.
- Repealing the ACA would mean losing key protections that help keep premiums low; this would only exacerbate premium increases.

first open enrollment, which ended at the end of March, that 85 percent of those who picked a plan in the federal and state marketplaces received financial assistance.¹⁵ As Lew Borman, a spokesman for Blue Cross Blue Shield of North Carolina, recently said when discussing next year's rates for North Carolinians, "Many of the people who qualify for Affordable Care Act plans, their coverage includes a subsidy. Over 91 percent of those customers that enrolled this year have access to subsidies. So they may not, in fact, feel the possible rate increases."¹⁶

The law's financial assistance is not only premium tax credits. The ACA also sets limits on how much consumers can spend out of pocket for medical costs, including deductibles and co-pays. In 2015, that amount is \$6,600 for an individual and \$13,200 for a family.¹⁷

Repealing the law would get rid of key consumer protections to keep premiums low

Conservatives will not rest until every word of the Affordable Care Act is repealed. While this rhetoric might make sense to the extreme ideologues, it makes no sense for average Americans. Repealing the law would not only deny millions of people the health coverage they just chose, but it would also repeal key consumer protections that hold insurance companies accountable and prevent them from raising premiums for no reason.

One way the law keeps premiums lower is by strengthening the rate review process. Before the ACA, most states had some type of rate review program in place; under these programs, insurers submit proposed rates or rate increases to regulators, who review the proposals to make sure they are reasonable. As one might suspect, these state laws vary, with some requiring approval before a premium increase can go into effect and others requiring insurers to simply disclose the amount of premium increases.¹⁸

Insurers must now disclose rate increases of 10 percent or more and provide justification for them; these amounts are also subject to review. States continue to play a key role in the rate review process, but, under the ACA, if a state does not have an effective rate review program, the federal government will step in to review insurers' submissions.¹⁹ Furthermore, to be certified as a qualified health plan—and thus be able to participate in a state or the federal marketplace—health plans must submit justifications for all premium increases before they can go into effect. The marketplaces take this information into account before determining whether to allow the plan to participate.²⁰

These provisions are already producing results. In 2012, the rate review process saved 6.8 million consumers roughly \$1.2 billion on their premiums.²¹ In fact, the Department of Health and Human Services, or HHS, found that “in the individual market, the average rate request increase dropped by 12 percent (from 8.1 percent to 7.1 percent) after rate review, saving consumers an estimated \$311 million.”²² Moreover, the proportion of rate increases in the individual market that were 10 percent or more dropped from 75 percent in 2010 to 50 percent in 2011 to 34 percent in 2012.²³

The ACA also encourages states to increase their oversight of insurers’ premium rates in the individual market. The law provides \$250 million in grants over five years to enhance states’ rate review capability. Any state that receives a grant must also submit data on rate increases in the individual and small group markets to HHS.²⁴

Another provision in the law requires insurance companies to spend at least 80 percent of premium dollars on medical care or quality-improvement efforts, not administrative costs and profits. If insurers spend less than this amount, they must send consumers a rebate. Already, this provision has saved 77.8 million people \$3.4 billion upfront on their premiums, and rebates have totaled \$500 million—meaning that an estimated 8.5 million people got an average rebate of \$100.²⁵

Conclusion

The Affordable Care Act is delivering on its goal to provide quality, affordable coverage to millions of Americans. Nonpartisan experts project that this success will continue into next year, estimating that premiums will increase at lower rates than they did prior to the law’s enactment. Moreover, financial assistance available to consumers should help cushion any rate increases for those signing up in the federal and state marketplaces.

While conservatives continue to search for flaws in the law to bolster their campaign to repeal it, they are not acknowledging the fact that doing so will undermine the health security of millions of Americans and get rid of key consumer protections that help keep premiums lower. We need to move forward and implement the law, not go back in time to when insurers were able to deny coverage, charge more money for no reason, and limit care.

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Endnotes

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