

Growth and Variability in Health Premiums in the Individual Insurance Market Before The Affordable Care Act

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Exhibit 1. Study Methodology

- Based on data collected by Jon Gabel and colleagues at NORC under contract to HHS over 2010-2013.
- First national database of insurer rate filings in individual market in the pre-ACA period.
- Overall sample includes 21 states in 2008, 29 states in 2009, 28 states in 2010; with 30 individual states represented across the three years.
- Individual state data reported for 22 states where data represent at least 50 percent of individual market enrollment.
- Premiums were weighted by the estimated number of people enrolled in a plan.
- NORC began with a random sampling approach for states; variability in state rate filing requirements and public access to filings prior to 2010 determined final sample.
- To test data quality, this study uses sensitivity analyses that restrict data to states with large shares of market represented; overall results are not sensitive to such tests.



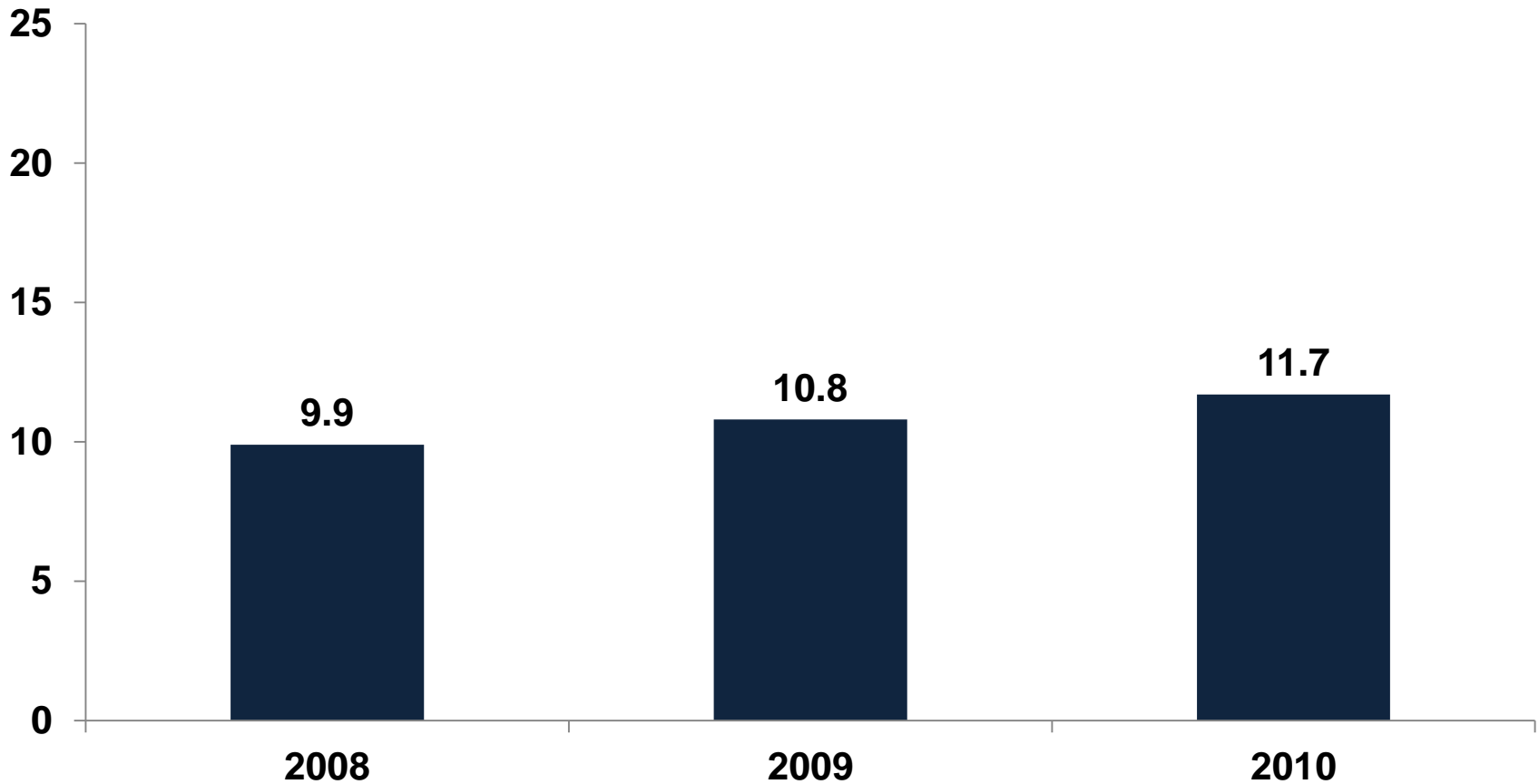
Exhibit 2. Major Findings

- From 2008 to 2010 there was high and variable premium growth in the individual insurance market.
- Overall, premium growth averaged 10 percent or more per year during this period before the implementation of the ACA.
- Growth rates were highly variable across the 22 states in the three years, with premiums rising by as little as 3 percent or by as much as 21 percent.
- Across individual insurer filings there was even more variability; for example, in 2008, the top 1 percent of insurers raised rates by more than 28 percent.
- While not fully comprehensive, data provide best available overview of rate growth in the individual insurance market over 2008-2010.
- These results provide important guidance for interpreting the rate changes we will see over 2014 to 2015 in state marketplaces.



Exhibit 3. National Average Rates of Premium Increase in Individual Market

Average annual rates of increase



Note: Includes individuals who are able to convert existing insurance policies into the individual market, under HIPAA.

Source: NORC, "Trends in Premiums in the Small Group and Individual Insurance Markets, 2008–2011," November 6, 2012; author's analysis.



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Exhibit 4. National Average Rates of Premium Increase in Individual Market*

Year	Overall	>60% Market Share	>80% Market Share	Consistent High Share
Total	10.9%	11.5%	12.2%	10.7%
2008	9.9%	10.4%	10.4%	9.97%
2009	10.8%	11%	11.5%	10.1%
2010	11.7%	12.2%	13.1%	12.1%

Note: Includes individuals who are able to convert existing insurance policies into the individual market, under HIPAA.

Source: NORC, "Trends in Premiums in the Small Group and Individual Insurance Markets, 2008–2011," November 6, 2012; author's analysis.



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Exhibit 5. State Average Rates of Premium Increase in Individual Market

<u>State</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Mean US	9.9%	10.8%	11.7%
AL		17.5%	10.8%
CA			15.7%
CO			16.4%
CT		20.1%	
FL	8.2%	8.9%	13.6%
IA	2.8%	7.3%	18.4%
ID		6.9%	3.0%
IL	14.4%	10.4%	9.6%
IN	13.5%	15.1%	8.2%
KY	8.1%	7.1%	5.5%
ME		11.0%	11.1%
MN		10.7%	7.4%
NC			11.6%
NE			21.8%
NJ		4.1%	10.8%
OK		8.2%	13.0%
OR	12.2%	15.2%	14.9%
PA			9.0%
SD		14.1%	16.2%
VA		13.8%	8.9%
WA			12.8%
WI	14.7%	11.1%	14.0%

Note: Includes individuals who are able to convert existing insurance policies into the individual market, under HIPAA.

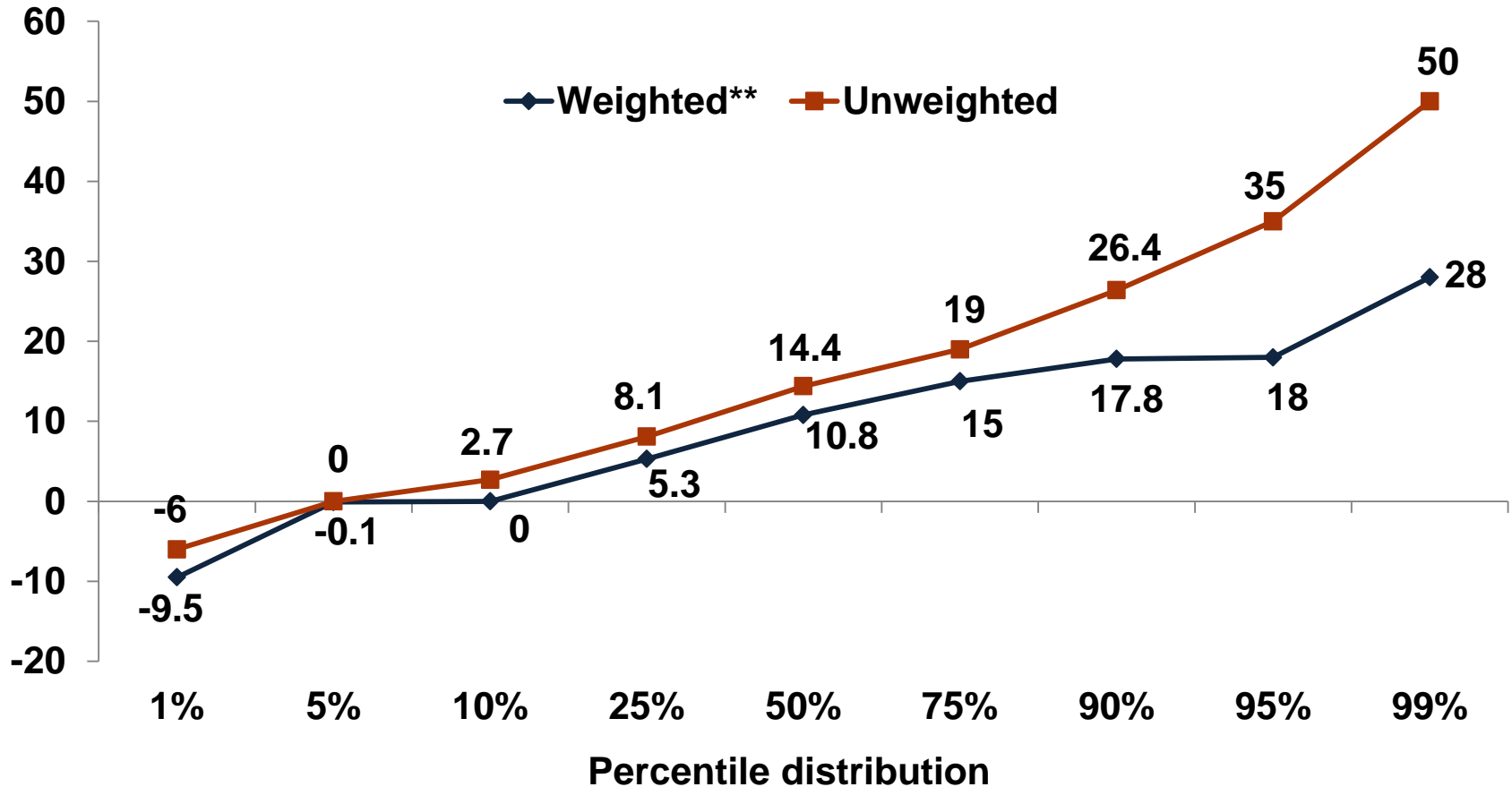
Source: NORC, "Trends in Premiums in the Small Group and Individual Insurance Markets, 2008–2011," November 6, 2012; author's analysis.



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Exhibit 6. Distribution of Premium Changes in Individual Market, 2008

Average premium changes



Note: Includes individuals who are able to convert existing insurance policies into the individual market, under HIPAA.

**Weighted by the estimated number of people enrolled in the plan. Plans that had very small numbers of people enrolled are given less weight in the overall estimates than are plans with large numbers of enrollees.

Source: NORC, "Trends in Premiums in the Small Group and Individual Insurance Markets, 2008–2011,"

November 6, 2012; author's analysis.



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Exhibit 7. Conclusions

- These data help set the stage for interpreting the rate changes from 2014 to 2015 that will soon become available from the state marketplaces.
- Suggest that strong conclusions about rate effects of the ACA cannot be gleaned from individual insurance filings or even from single states.
- Any interpretation of the rate increases from 2014 to 2015 should be compared with the increases of 10 percent or more that occurred in the period before the law took effect.
- Before the implementation of the ACA, the insurance market experienced double-digit rate increases, as well as tremendous volatility across states and across plans within states.
- Premium growth nationally and at the state level from 2014 to 2015 should be compared to this benchmark.
- Conclusions should not be drawn from a small set of reported filings but rather from a comprehensive picture of the national trends in premium growth.



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Exhibit 8. Resources

- NORC, “Trends in Premiums in the Small Group and Individual Insurance Markets, 2008–2011,” Nov. 6, 2012, final report to the U.S. Department of Health and Human Services. Posted at: <http://aspe.hhs.gov/health/reports/2014/Premiums/20121119%20PremTrendsRptFnl.pdf>
- NORC, “Effects of Implementing State Insurance Market Reform, 2011–2012,” June 7, 2013, final report to the U.S. Department of Health and Human Services. Posted at: <http://aspe.hhs.gov/health/reports/2014/Premiums/20130607InsMktReformReportFnl.pdf>

