

Health Insurance Marketplace-Based Premiums Under the Affordable Care Act

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Recent months have brought a mix of news reports

- Insurers and others worried that premiums charged non-group marketplace/exchange enrollees under reform would be very high relative to current prices—sometimes called “rate shock”;
- Lately, more positive stories reporting lower than expected premium bids in particular states , mixed with reports out of some states of enormous increases relative to pre-reform premiums;
- What’s really going on, and how can we be intelligent consumers of this type of information in an often highly-charged political environment?

How HIM Premiums will Vary Within Each State

- Premiums in almost all states will vary with:
 - age (NY and VT are exceptions; NJ and MA 2:1 or less),
 - smoking status (CA, DC, MA, NJ, NY, RI, VT will not; AR, CO, KY 1.4:1 or less),
 - family size,
 - geographic location (RI has only one rating area), and
 - tier of coverage (bronze, silver, gold, platinum, catastrophic);
- Premiums within a tier of coverage will vary across plans due to:
 - cost sharing differences;
 - benefit differences (some states allow substitution of benefits within categories);
 - Administrative cost differences;
 - Provider network differences.

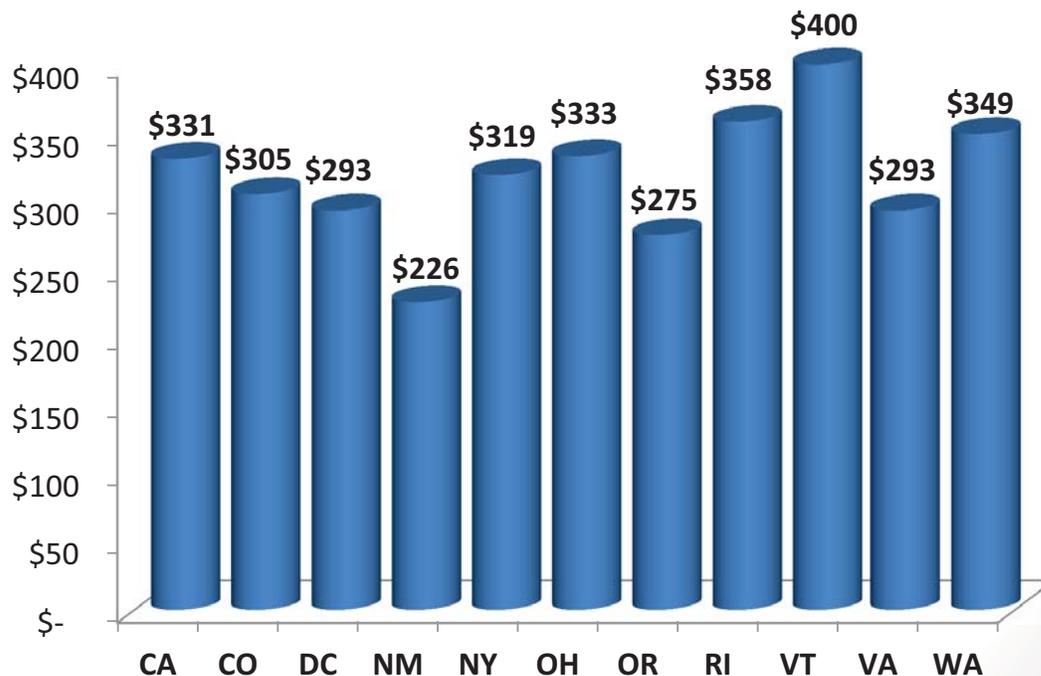


Why HIM Premiums will Vary Across Geographic Locations

- Variations in medical spending/practice patterns;
- Differences in Essential Health Benefits (across states);
- Level of Competition in Insurer & Provider Markets:
 - Level of competition prior to ACA makes big difference;
 - Entry into insurance markets is very difficult –
 - Must be able to negotiate favorable rates with providers.
 - If a market is dominated by 1 or 2 large insurers, tough to justify good rates for new entrants
 - Entry by formerly Medicaid-only managed care plans appears to be making real difference in some areas.
 - Unclear how CO-OPs will do. Multistate plans unlikely to be factor.
 - Dominant hospital system can make it hard for even dominant insurers to negotiate;
 - Evidence that ACA may well be catalyzing additional competition in competitive markets.



2014 Lowest Cost Monthly Silver Premium, by State, Weighted by Expected Age Distribution



Source: ASPE Issue Brief, July 2013

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General observations so far

- Rates generally lower than expected, with some outliers
- Some insurers modifying rates after seeing where others landed
- Competition should increase over time:
 - Year 1: Fairly competitive but uncertainty on pricing strategy
 - Year 2, 3 +: Better understanding of health characteristics of exchange enrollees, ability of 3Rs, more info on choices made
- Perspective: Estimated average employer single premium in 2014 = \$6190 -- \$516 per month (based on KFF Employer Survey) AND expected health status of enrollees in HIMs similar to employer covered population (see Blumberg & Holahan 2013);
- Large majorities of exchange enrollees will have incomes qualifying them for tax credits, limiting premiums to a fixed percentage of their incomes;
- Some comparisons to pre-reform premiums misleading due to focusing only on young healthy males, very thin pre-ACA products, (i.e., ignoring different value and out-of-pocket responsibilities).

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