



Factsheet: 2017 ACA Insurance Exchange Premiums

Overview

- As states release them, HHS is posting proposed 2017 plan rate filings for the ACA insurance exchanges on www.ratereview.healthcare.gov, searchable by state and insurance carrier.
- Premiums for many 2017 ACA insurance plans are expected to increase significantly this year.

Why Are Premiums Increasing?

- 1) **Medical Cost Trends:** Health spending is expected to grow faster in 2017 than in recent years.
 - a. Driven by increasing utilization, hospital and physician prices, and prescription drug costs.ⁱ
- 2) **Sunset of Reinsurance Program:** The gradual reduction in the ACA's reinsurance program, which expires at the end of 2016, is expected to increase premiums by 4 to 7 percent.ⁱⁱ
- 3) **Risk Pool Adjustments:** As insurers acquire greater information, they continue to revise premiums to account for enrollee risk pools that are likely sicker and costlier than initially expected.
- 4) **Lower Enrollment:** Approximately 12.7 million enrollees were confirmed as of March 11, 2016,ⁱⁱⁱ down from the 21 million originally projected by the Congressional Budget Office.^{iv}
 - a. The 12.7 million signups represent an estimated 46 percent of the "potential market" for the insurance exchanges.^v

Key Factors to Keep In Mind

- **Initial Issuer Rate Filings:** The proposed premiums do not account for rate review, consumer shopping behavior, or premium subsidies, which can significantly affect the actual premiums enrollees pay.^{vi}
 - In 2016, approximately 85 percent of exchange plan enrollees received subsidies of an average \$290, reducing their premiums by an average 73 percent and shifting those costs to taxpayers.^{vii}
- **High Variation:** Proposed premium changes vary substantially from state to state, county to county, and insurer to insurer.

Policy Considerations

- **Affordability:** As premiums continue to increase faster than income, affordability remains the top issue for individuals and families.
- **Plan Flexibility:** Greater flexibility for plans on essential health benefits, actuarial value, and age and community rating would help to create more competition and choices that reduce costs.
- **Transparency:** Improving access to accurate and actionable comparative information on health plan and provider choices will help consumers to make more informed decisions that lower health costs.
- **Medication Adherence:** Policies that improve medication adherence can help patients improve outcomes while lowering systemic costs by avoiding unnecessary, expensive hospitalizations and emergency room visits.

ⁱ "Get Ready for Higher Obamacare Rates Next Year." New York Times, 6 May 2016. http://www.nytimes.com/2016/05/07/upshot/get-ready-for-higher-obamacare-rates-next-year.html?_r=0

ⁱⁱ "Drivers of 2017 Health Insurance Premium Changes." American Academy of Actuaries, May 2016. http://www.actuary.org/files/publications/IB_Drivers5.15.pdf

ⁱⁱⁱ "Health Insurance Marketplaces 2016 Open Enrollment Period: Final Enrollment Report." Department of Health and Human Services, 11 Mar 2016. <https://aspe.hhs.gov/sites/default/files/pdf/187866/Finalenrollment2016.pdf>

^{iv} "Cost Estimate for H.R. 4872, the Reconciliation Act of 2010." Congressional Budget Office, 20 Mar 2010. <http://cbo.gov/sites/default/files/amendconprop.pdf>

^v "Assessing ACA Marketplace Enrollment." Kaiser Family Foundation, 4 Mar 2016. <http://kff.org/private-insurance/issue-brief/assessing-aca-marketplace-enrollment/>

^{vi} "Health Insurance Marketplace Premiums After Shopping, Switching, and Premium Tax Credits, 2015-2016." Department of Health and Human Services, 12 Apr 2016. <https://aspe.hhs.gov/sites/default/files/pdf/198636/MarketplaceRate.pdf>

^{vii} "Health Insurance Marketplace Premiums After Shopping, Switching, and Premium Tax Credits, 2015-2016." Department of Health and Human Services, 12 Apr 2016. <https://aspe.hhs.gov/sites/default/files/pdf/198636/MarketplaceRate.pdf>