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## Will They Stay or Will They Go:

### Insurers Consider Premium Increases and Marketplace Participation

In the wake of Congressional failure in late March to approve cost-sharing reimbursement payments and a reinsurance program, many health insurers are weighing whether staying in the federal marketplace next year is feasible. Absent either of these lifelines, insurers likely will be raising premiums and rethinking their participation.

And with insurers in the throes of preparing 2019 premium rates proposals for state insurance regulators, the concern is how much rates will go up. A new Covered California analysis finds that absent any federal policy action, premium increases for every state could range from 12% to 32% in 2019, with cumulative increases from 2019-2021 potentially ranging from 35% to 90%.

#### Drivers of Premium Rate Increases

Late last year, Congress reduced the penalty to zero for individuals who don't have health insurance in 2019, in effect eliminating the individual mandate clause of the Affordable Care Act (ACA). This will potentially have a big impact on next year's premiums, as many healthier people may decide not to purchase health insurance, leaving only a sicker population to be covered. At the time, the Congressional Budget Office predicted premiums in the markets could spike 10%.

Also last year, the U.S. Department of Labor proposed new rules that would make it easier for businesses to

band together into associations to buy health insurance. The proposal would allow associations to be created for the sole purpose of offering insurance to their members.

A key to sustainability of health insurance markets is that health plans competing to enroll the same participants must operate under the same rules. Although association health plans (AHPs) would be offered in competition with other small group and individual market plans, they could operate under different rules. For example, if plan eligibility is broadened and the plans are granted exemptions from the ACA coverage rules, they could siphon off the healthiest consumers, resulting in higher premiums.



The underlying growth in health care costs is always a factor driving premium rate increases. The increase in costs of medical services and prescription drugs — referred to as medical trend — is based on the increase in per-unit costs of services as well as changes in health care utilization and changes in the mix of services. According to a report from the American Academy of Actuaries, last year, the projected medical trend was in line with that of the previous year, in the 5% to 8% range. The trend likely will hold for next year, the report said.<sup>1</sup>

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The changing U.S. population is another important cost-driver. Between 1960 and 2010, the life expectancy of the average American male increased from 66.6 years to 75.7 years, and the life expectancy of the average American female increased from 73.1 years to 80.8 years. With that lengthening of years comes the attendant fact that older people have more acute and chronic medical conditions.

### Changes in Risk Pool Composition

Another factor relates to changes in the risk pool composition and insurer assumptions. Insurers have more information than they did previously regarding the risk profile of the enrollee population and are revising their assumptions for 2019 accordingly.

The ACA requires that insurers use a single risk pool when developing premiums. As in previous years, premiums for 2019 will reflect insurer expectations of medical spending for enrollees both inside and outside of the federal marketplace. Health insurance premiums are set at the state level and are based on state- and insurer-specific experience regarding enrollment volume and composition.



In addition, because the ACA risk adjustment program shifts funds among insurers depending on the health status of an insurer's population relative to that of the entire market, premiums need to incorporate assumptions regarding the risk profile of the entire market. Changes in premiums between 2018 and 2019 will reflect expected changes in the risk profiles of the enrollee population, as well as any changes in insurer assumptions based on whether experience to date differs from that assumed in 2018. Market experience to date and 2018 projections vary by state, depending in part on state policy decisions and local market conditions.<sup>2</sup>

There are other factors that can contribute to premium changes; these can include modifications to provider

networks as well as changes in benefit packages, reimbursement structures, and administrative costs.

### Enrollment Data from CMS

The Centers Medicare and Medicaid Services reported on April 3 that final Affordable Care Act enrollment numbers nationally have not dropped significantly over the past year. It said 11.8 million consumers either enrolled or re-enrolled in Healthcare.gov or one of the 11 exchanges across the country.



The report found premiums have more than doubled since 2013 in the individual market and more than half of counties in the United States offer only one health insurance provider. For those in the federal marketplace monthly premiums before tax subsidies rose an average of 30 percent from \$476 to \$621. However, that doesn't mean consumers were actually paying more for their insurance. The elimination of the cost-sharing reduction subsidies may have increased premiums in silver plans, but it also increased the amount of federal tax subsidies for most consumers, which means those who received subsidies saw a drop in what came out of their pockets for their monthly premium payments.

The average monthly premium paid by subsidized customers on HealthCare.gov dropped from \$106 to \$89 this year. The report shows that approximately 83% of consumers nationwide had their premiums reduced by tax credits.

A Kaiser Health Tracking Poll released in April found that, overall, the population who buy their insurance through the ACA marketplace report being satisfied with the insurance options available to them during the most recent open enrollment period and more than half give the value of their insurance a positive rating. The survey of more than 2,500 individuals also found that 90% plan to purchase their insurance through an exchange in 2019.

1 American Academy of Actuaries, *Issue Brief*, July 2017. <https://www.actuary.org/content/drivers-2018-health-insurance-premium-changes>

2 Ibid.

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