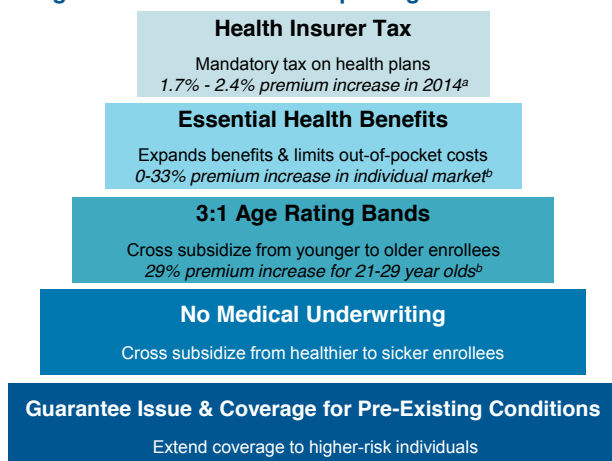


ACA Changes Will Increase Consumer Premiums in the Individual Market, But Offsets Rising Costs with New Subsidies

With open enrollment less than four months away, numerous reports and analyses have called attention to potential “rate shock” in the individual market next year. For healthier or younger consumers currently in the individual market or those who have elected to forego coverage and remain uninsured, the minimum premium for an individual policy will increase in most if not all markets. However, many of these individuals and families will benefit from new subsidies designed to increase affordability for those earning between 133 and 400 percent of poverty.

Figure A: ACA Provisions Impacting Premium Rates



^aMilliman, “ACA Health Insurer Fee: Estimated Impact on the US Health Insurance Industry,” April 2013

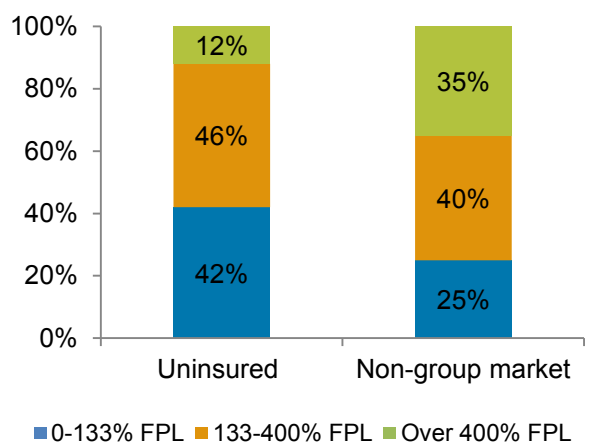
^bAHIP Infographic available [here](#)

Estimates about anticipated rate shock vary widely, with some estimates expecting as much as a 169 percent increase in rates for young individuals¹ whereas other estimates predict an increase of 9-56 percent for individuals ages 21-29.² These studies vary widely in methodology, populations of focus and comparison points for estimated increases. However, these top-line estimates do not account for premium subsidies, which will offset these rate increases for many.

According to Avalere estimates, 46 percent of individuals currently uninsured and 40 percent of individuals currently enrolled in coverage in the non-group market will have access to subsidies. Furthermore, approximately two-thirds of young adults (30 and under) who are currently uninsured or enrolled in non-group coverage and who will not qualify for Medicaid—the population most likely to experience rate shock—have incomes between 133 and 400 percent of the federal poverty line (FPL), making them eligible for premium tax credits.³ Effective outreach and marketing efforts by the exchanges, health plans, consumer groups, and others will be key to educating this population about the availability of subsidized coverage and mitigating the “rate shock” headlines.

In 2014, health insurers face a number of changes, enacted under the Affordable Care Act (ACA), which will result in premium increases (see figure A). Plans will be forced to change underwriting practices; specifically, plans will no longer be able to charge sicker enrollees higher insurance premiums. Additionally, given guarantee issue requirements, plans will no longer be able to deny individuals with pre-existing conditions. In addition to these reforms, the average generosity of benefits will increase due to essential benefit requirements and limits on out-of-pocket costs. The mandatory health insurance tax will further contribute to premium growth.

Figure B: Enrollment by Income



FPL = Federal Poverty Level
Source: Avalere Health's Proprietary State-level Health Insurance Enrollment Model, June 2013. Analysis based on estimated enrollment in 2013 by income.

¹Holtz-Eakin, “Insurance Premiums in 2014 and the Affordable Care Act: Survey Evidence,” American Action Forum, January 2013.

²Milliman Data Covered by CNN Money, “Who will pay more under Obamacare?,” May 2013.

³Avalere Analysis of Current Population Survey Data for Coverage in 2011, June 2013.