

2016 Premium Increases Not Surprising;

Focus Needs to Shift to Costs

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Oct. 27 — Premium increases in 2016 for states using the federally run Affordable Care Act marketplace were not surprising, but they show that much still needs to be done to curtail health-care cost growth, analysts and industry executives told Bloomberg BNA.

The 7.5 percent increase for benchmark plans on which ACA subsidies are based in the 37 states using the HealthCare.gov platform this year “was very much in line with what we expected,” Caroline Pearson, senior vice president of health policy consulting firm Avalere Health, told Bloomberg BNA Oct. 27.

The HHS released a “snapshot” report on 2016 premium changes Oct. 26 in advance of the Nov. 1 beginning of open enrollment. The report didn't include actual premiums but only the percentage change in premiums from 2015 for the second-lowest cost silver-tier benchmark plans. Among the 37 states, the changes ranged from reductions of 12.6 percent in Indiana to an increase of 35.7 percent in Oklahoma.

Increases 'Not Double Digits.'

Premiums increased about 3 percent from 2014 to 2015, and “we definitely expected that to be appreciably higher for 2016, although not double digits,” Pearson said. In many years prior to the ACA's implementation, premium increases were in the double digits, and ACA critics have frequently predicted the law would lead to double-digit rate hikes.

The 2016 plan year “is the big year where the rates really reflect meaningful data on the health of the enrolled population,” Pearson said. Most plans have said their medical costs have been a “bit higher than projected.” Avalere Oct. 27 posted an [analysis](#) on what to watch for in 2016 exchange open enrollment.

The ACA marketplaces first opened in 2014, but claims data for the initial enrollees were only available for the first few months of the year when health insurers had to file rate proposals for 2015. The 2016 plan year is the first year for which claims data—for 2014—are available for a full year.

Insurers Improving Operating Performance

Deep Banerjee, director of insurance ratings, Standard & Poor's Rating Services, told Bloomberg BNA that the operating performance of most health insurance companies has been "weak" in the individual market, "so we expected them to re-price to improve the operating performances." In addition, pharmaceutical costs are increasing, and "they're probably pricing that into some of their expectations for next year as well," he said.

"I think plans definitely intentionally underpriced the first couple of years in order to win enrollment," Pearson said. "Now that they've got a base of enrollment, they can increase premiums and hold onto the majority of current enrollees because not everybody returns to the marketplace to shop."

Still, the report "underscores the need for consumers to take an active role" in shopping for plans, Sally Poblete, founder and chief executive officer of health information technology company Wellthie Inc., told Bloomberg BNA Oct. 27. Health plans update their product portfolios annually, "so it's important for consumers to not only look at the premium but also to review the latest network" and other benefits, she said.

Consumers Switching Plans

At an Oct. 26 conference on payment design changes, Andy Slavitt, acting administrator of the Centers for Medicare & Medicaid Services, said about a quarter of ACA marketplace enrollees in 2014 switched plans for 2015, a relatively high share compared with people with employer-sponsored health insurance. That factor may prove to be a driver of consumer-oriented health plan changes, he said.

While premiums are rising faster in 2016 than they did in 2015, "the level of competition or number of health plans participating in each state remains stable," Poblete said. While 10 of the 23 Consumer Operated and Oriented Plans created with government funding under the ACA have folded or will cease operations at the end of 2015, UnitedHealth Group Inc. is expanding its presence in the ACA marketplaces in 11 states, and technologically oriented Oscar Insurance, which has drawn \$32.5 million in venture funding from Google, is expanding from its New York-New Jersey origins to ACA marketplaces in California and Texas.

Kev Coleman, head of research and data for health insurance research firm HealthPocket Inc., told Bloomberg BNA Oct. 27 that the Oct. 26 CMS analysis focuses primarily on premiums for people who receive premium tax credit subsidies, which are available under the ACA to households with incomes between 100 percent and 400 percent of the federal poverty level.

Too Much Focus on Subsidies

“There's a wholesale disinterest in those consumers who do not qualify for a subsidy and buy insurance on or off an exchange without a subsidy,” Coleman said. Most exchange enrollees receive subsidies, and the CMS snapshot report said eight of 10 returning consumers on HealthCare.gov will be able to buy a plan with premiums of less than \$100 a month after the tax credits.

HealthPocket released a [survey](#) Oct. 20 that found the largest number of respondents indicated they could afford to pay no more than \$100 a month in health insurance premiums.

The ACA has had its biggest success in attracting customers with health insurance subsidies, Coleman said. But, he said, “Where they're most challenged is actually decreasing the cost of health insurance, which is the plight of the uninsured.”

Increases for Unsubsidized Premiums

While the Obama administration and ACA supporters have argued that ACA premiums have risen more slowly than premium increases in many years prior to the ACA, HealthPocket published a [report](#) in 2014 showing large increases for unsubsidized premiums from 2013 to 2014. In 2014 the major health insurance requirements of the ACA, such as coverage of essential health benefits, took effect.

The ACA plans cover more comprehensive benefits than earlier individual market plans, but “there was a general promise to the American people of lowering the cost of health insurance, which hasn't happened,” Coleman said.

Joel White, president of the Council for Affordable Health Coverage, a coalition of employer, health insurer, patient and provider groups, was critical of the HHS report on premiums, saying, “They're sugar-coating the issue.” The 7.5 percent average increase follows the 5.2 percent increase in 2015, he told Bloomberg BNA Oct. 27.

“This is a substantial increase,” White said. “It's certainly more than growth in the economy and more than growth in family incomes, which means the affordability gap is widening, it's not getting smaller.”