

# NCOIL 2013 Annual Meeting

Health Care Costs in the ACA Era –  
Emerging Trends: Premium

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# Agenda

- Overview of rating
- Individual and small group rates
- Changes in 2015
  - Regulated
  - Other
  - Recent developments and discussions
- Participation



# Overview of Rating: Premiums reflect many factors

- Risk pools—who is covered
- Projected health spending—health care utilization and prices (claim costs)
- Other premium components—administrative costs, taxes, profit
- Laws and regulations affecting:
  - Risk pools
  - Projected health spending
  - Other premium components
  - Limits on overall premiums (or premium increases)
  - Limits on how premiums can vary across individuals



# Individual and Small Group Rates

- Individual: Rates are getting closer across country due to guaranteed issue/community rating and essential health benefits (EHBs)
  - Still vary by efficiency level and contracting level
  - If participation by state is different, that would slow the rate at which state rates get closer
- Individual and small group rates also are getting closer
  - EHBs
  - Identical rating structure
  - Eventual expiration of temporary reinsurance program
  - Ultimately individual employee choice on SHOP
  - Still vary by proportion of small group off-exchange minimizing individual adverse selection due to employer choice only
    - May be dependent on private exchange development



# Changes in 2015 - Regulated

- Decrease in individual temporary reinsurance coverage – increase individual rates, decrease all other rates (assuming assessment decreases)
- Increase in health insurer tax – increase in all rates
- Individual mandate tax penalty increases – should encourage more participation – help stabilize markets
  - Individual participation – if increases, will help mitigate rate increases, as healthier individuals come into market
  - Employer mandate comes into play – may increase size of group business
- Additional preventive requirements – will increase coverage so will increase rates



# Changes in 2015 - Other

- Pent up demand wear off – for those newly covered in 2014
  - Effect depends on participation in 2014 versus 2015
  - As pent up demand wears off, likely decrease claims for those members – less pressure on rates



# Changes in 2015 – Recent Developments

- Grandfathering of current members will affect the pool of people going into the new metal products (transition)
  - How long will the transition last – until end of 2014, into 2015, or indefinitely?
    - End of 2014 – metal rates for 2015 probably about same as would have been
    - Until renewal date in 2015 – metal rates for 2015 probably higher, as fewer people need to purchase the new metal products
    - Indefinitely – metal rates will reflect different population of previously uninsured and subsidy eligible, with likely higher increases required than without transitioning



# Recent Discussions

- Delay reinsurance contributions
  - Will there be enough money to pay the reinsurance recoveries?
    - If not, could increase rates more than expected, assuming the reinsurance program's recoveries decrease in 2015 greater than expected
- Delay of insurer tax
  - If delayed through 2015, or longer, would help to mitigate the rate increase
- Delay individual mandate
  - Possibly less people buy into metal products, potentially increasing rates



# Participation

- Participation is key to estimating what will occur with rates in future periods
  - If participation low in 2014, still expect to be higher in 2015, but how much higher?
  - If 2014 participation lower than projected and built into rates, rate increases likely higher in 2015 to reflect smaller sized pool of likely less healthy population
  - Depends on transitioning rules, as well
    - If transitioning indefinitely, fewer members likely in new metal products, so lower “participation” and higher rate increases
  - If 2014 has higher actual than expected participation built into 2014 rates, rate increases may be much lower than otherwise expected for trend
    - Recent announcements regarding “transitioning” makes this unlikely



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