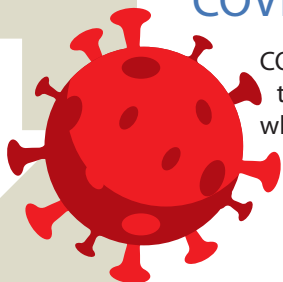


Drivers of 2023 Premium Changes Effects on **Premiums**

Each year the American Academy of Actuaries Individual and Small Group Markets Committee examines the factors driving premium changes for the next plan year. These changes include factors that affect the health care spending directly through changes in utilization and prices, and also indirectly through changes in the risk pool.

EFFECTS ON PREMIUMS



COVID-19

COVID-19-related costs are now more predictable, and the worst days of the pandemic are likely over. However, there is still uncertainty regarding whether new variants will evade immunity and cause a resumption in more serious health problems. Depending on the insurer and the local area, COVID-19 could put upward or downward pressure on premiums.

EFFECTS ON PREMIUMS



Expiration of American Rescue Plan Act (ARPA) Enhanced Premium Subsidies

The expiration of the ARPA enhanced premium subsidies at the end of 2022 will directly lead to higher premiums net of premium subsidies. These higher net premiums will likely cause a decline in enrollment and a worsening of the risk pool, leading to higher gross premiums.

EFFECTS ON PREMIUMS



Resumption of Medicaid Eligibility Redeterminations

Medicaid redeterminations will commence at the end of the Public Health Emergency (PHE) and could cause an influx of people into the individual market over a span of six months to a year. The influx could potentially improve the risk pool and lower premiums somewhat, but any effects would be less than those caused by the expiration of the ARPA subsidies.

EFFECTS ON PREMIUMS



Fixing the 'Family Glitch'

A proposed change to the affordability test could allow dependents of workers to obtain premium subsidies for coverage in the individual market. This change could slightly improve the risk pool but would not be expected to have a material effect on premiums.

EFFECTS ON PREMIUMS



Inflation

Provider contract rates tend to lag general inflation, as rates are typically set in advance and may cover a multiyear period. The effect of inflation will likely be meaningfully reflected in contract rates that take effect in late 2022 and early in 2023 as prospective contracting catches up with labor costs. In addition, nursing staffing shortages have created pressure for higher salaries, increasing hospital costs.

For more **details**

see Academy issue brief,

[Drivers of 2023 Health Insurance Premium Changes.](#)



AMERICAN ACADEMY
of ACTUARIES

1850 M Street NW, Suite 300
Washington, DC 20036
202-223-8196 | www.actuary.org

Craig Hanna, Director of Public Policy
Cori Uccello, Senior Health Fellow

© 2022 American Academy of Actuaries. All rights reserved.