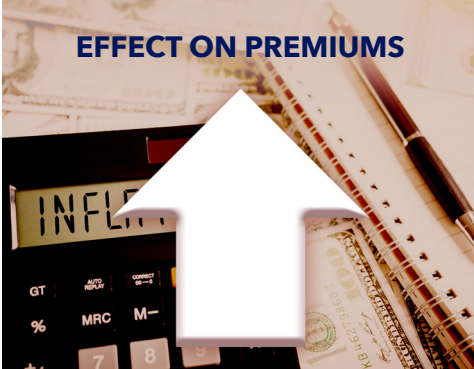


Drivers of 2025 Health Insurance Premium Changes Effects on **Premiums**

Health insurers change premium rates annually to reflect a variety of factors that directly and indirectly affect health care spending. These factors typically include changes in health care prices and utilization as well as changes to the risk pool. Each year, the American Academy of Actuaries Individual and Small Group Markets Committee examines the factors that may drive premium changes for the next plan year.

EFFECT ON PREMIUMS



Inflation

After several years of sharply rising medical input costs, inflation has returned to historical norms. Inflationary effects could be somewhat higher for insurers with multiyear provider contracts that were recently—or soon will be—up for renewal due to recent years' higher inflation rates.

EFFECT ON PREMIUMS



Increased Prescription Drug Spending

Prescription drug spending is increasing faster than medical spending and adding to premium growth. Higher expected drug spending is due to higher price growth as well as the increased demand for expensive drug therapies and weight loss drugs in plans in which they are covered.

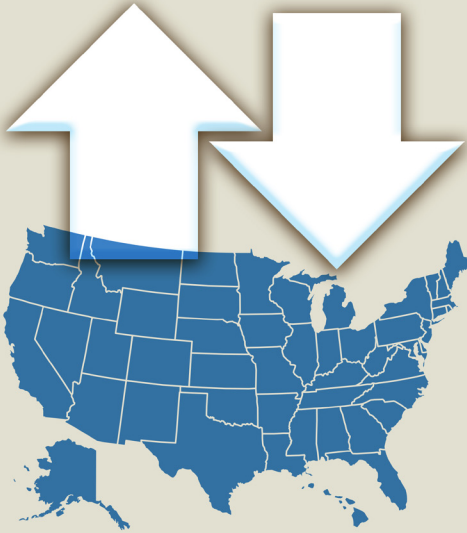
EFFECT ON PREMIUMS



Risk Pool Composition Changes

Although some enrollment factors might affect the risk pool in certain states—such as the continuing Medicaid redetermination process—the risk pools for 2025 are generally expected to be relatively stable, causing only minor changes in premiums.

EFFECT ON PREMIUMS



State-Based Factors

Premium changes will reflect local market dynamics, with variations driven by insurer goals and state and local policies, rather than by nationwide considerations. Examples of state-related factors include:

- Medicaid expansion status
- Presence/absence of a state reinsurance program
- State benefit mandates
- Utilization management restrictions
- Public option programs
- Supplemental premium or cost-sharing subsidies

This document is intended to describe how premiums may change in the upcoming plan year. It is not intended to be used or relied on by actuaries or insurers for rate filings.

For more details

SEE ACADEMY ISSUE BRIEF,

Drivers of 2025 Health Insurance Premium Changes.



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