

Drivers of 2025 Health Insurance Premium Changes

Presentation at the NAIC Summer National Meeting
Health Actuarial Task Force (HATF) Session

August 12, 2024

Cori E. Uccello, MAAA, FSA, FCA, MPP
Senior Health Fellow
American Academy of Actuaries

Agenda

- Background on the rate development process
- Drivers of 2025 premium changes
- Overview of rate filing information

Premium Rate Development Process

- Analyze prior health spending
- Adjust data to reflect future trends
- Use data to project future costs

Insurers develop premium *rates*, not premium *increases*. The rate review process assesses whether premium *rates* are reasonable.

Premium Development Components

- Who is covered—the composition of the risk pool
- Projected medical costs
- Other premium components—administrative costs, taxes, profit/risk charge
- Laws and regulations

2025 Premium Rate Change Factors

- Medical trend factors
 - Major factors: inflation, increasing prescription drug spending
- Risk pool composition factors
 - Risk pools are likely to be relatively stable, with minimal effect on premiums
- Other factors
 - Local market dynamics and state-based policies

Medical Trend Factors

- Inflation
 - After years of significant increases, general inflation has returned to historical norms
 - Assumptions possibly higher for insurers with multiyear provider contracts recently or soon up for renewal
- Increased prescription drug spending
 - Higher price growth than for medical services
 - The high cost of GLP-1s and their long-term use, if covered

Medical Trend Factors (cont.)

- Gene therapy treatments
 - Treatment costs can be in the \$millions
 - Not typically covered by individual and small group market plans
 - Small impact on premiums unless coverage expands
- Adult dental coverage
 - New rules that states can include adult dental coverage as an EHB starting in 2027
 - At that point, any related premium changes depend on state decisions and coverage specifics

Medical Trend Factors (cont.)

- COVID-19
 - Treatment and testing costs are better understood and are part of the underlying claims used to project 2025 claims
 - Unlikely to contribute to premium changes for 2025 and beyond
- No Surprises Act
 - Plan members can't be billed unexpectedly for certain out-of-network care, including at in-network facilities
 - Effects on provider network development and prices still unclear
 - Minimal effect on 2025 premiums

Risk Pool Composition Factors

- Medicaid eligibility redeterminations
 - Because of uncertainty, few adjustments made to 2024 premiums
 - Enrollment shifts from Medicaid = improved risk pool profile (but effects on premiums likely to be small)
 - Impact can vary widely by state
- Enhanced premium subsidies
 - Higher subsidies (especially when combined with CSR loads) = Low- and moderate-income individuals gained access to free or low premium plans
 - Risk pool improvements likely incorporated into 2024 premiums
 - Expiration of 2025 enhanced subsidies = likely 2026 premium increases

Risk Pool Composition Factors (cont.)

- Contraction of short-term limited duration (STLD) plans
 - STLDs more attractive to healthy individuals
 - Trump-era rules allowed individuals to remain in STLD plans for three years
 - New rules for 2025 will reduce maximum allowable duration to four months
 - If STLD enrollees enroll instead in individual market, could slightly lower premiums
- Extension of coverage to DACA recipients
 - 100,000 uninsured DACA recipients soon eligible for marketplace or basic health plans
 - Minimal premium effects, but impact could vary geographically

Risk Pool Composition Factors (cont.)

- ICHRAs and QSERHAs
 - Shift workers (and dependents) from group coverage to individual market coverage
 - If small employers with high-cost members take up this option, could improve small group risk pool and worsen individual market risk pool
 - Take-up likely to be higher where individual market premiums are less than group premiums
 - Effect on premiums small unless take-up among employers (especially large employers) increases
- Self-funding and level funding among small employers
 - Shifts among small employers from ACA-compliant coverage to alternative funding arrangements could worsen small group risk pool
 - Likely to have nominal effect on 2025 small group premiums

Other Factors

- State and local factors
 - Local market conditions
 - State-based policies, such as:
 - ❖ Medicaid expansion status
 - ❖ State reinsurance programs
 - ❖ State benefit requirements
 - ❖ Public option programs
 - ❖ Supplemental premium or cost-sharing subsidies

Other Factors (cont.)

- Change Healthcare cyberattack
 - Delays in claims information may have made it more difficult for issuers to incorporate info from early 2024 claims activity into initial 2025 rate filings
 - Federal regulators delayed certain rating and risk adjustment deadlines, which could reduce or eliminate effects of the cyberattack on pricing
- CSR load factor
 - Nationwide, the percentage of enrollees eligible for most generous silver plan CSR variant has increased
 - Insurers might increase load to reflect shift

Rate Filing Components and Where to Find Them

Rate filing components

- Part 1: Uniform Rate Review Template (URRT)
- Part 2: Written Explanation of the Rate Increase
- Part 3: Actuarial Memorandum

Where rate filing information is available

- State Department of Insurance (DOI) website
- CMS rate review website at <http://ratereview.healthcare.gov>
- NAIC Systems for Electronic Rates and Forms Filing (SERFF) database

Part 1: Uniform Rate Review Template (URRT)

- Summarizes data used to determine rate increases for entire single risk pool
 - States may release URRT via SERFF and/or DOI website
 - CMS releases data from the URRTs in a public use file
- A few states have state-specific templates that include more detailed information
 - States may release additional information via SERFF and/or DOI website
 - Proprietary information may be redacted

Part 2: Written Explanation of the Rate Increase

- Brief description of the data and assumptions used in the URRT and an explanation of the main factors causing the rate increase
- Federal government requires only if proposed increases exceed 15%
- Some states require for all proposed rate increases
- Available at the CMS rate review website and potentially SERFF

Part 3: Actuarial Memorandum

- More detailed and technical information documenting actuarial assumptions, justifications, and methods
- Possible federal and state versions
 - Federal—based on URRT instructions
 - State—any additional state requirements regarding required exhibits and rate development process information
- Available on SERFF, CMS rate review website, and possibly the state Department of Insurance website
 - Proprietary information may be redacted

Questions?

Thank You

For more information, please contact

Matthew J. Williams, JD, MA

Senior Policy Analyst, Health

American Academy of Actuaries

williams@actuary.org