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Actuaries Outline Drivers of Health Insurance Premium Changes for 2017

WASHINGTON—As proposed health insurance premium rates for 2017 are being filed with state insurance departments across the country, actuaries are providing an early look at what's driving changes in premium rates for 2017 within the Affordable Care Act (ACA) individual and small group markets. A new issue brief produced by the American Academy of Actuaries' Individual and Small Group Markets Committee, "[Drivers of 2017 Health Insurance Premium Changes](#)," outlines the drivers.

"The Academy's objective analysis provides the public and public policy makers with an in-depth and timely understanding of what's behind changes in the proposed premium rates," said Academy President Tom Wildsmith.

"There are both upward and downward pressures on premiums for 2017, but for the individual and small group markets as a whole, the factors driving premium increases dominate," said Academy Senior Health Fellow Cori Uccello. "Increased health care costs and the end of the ACA's transitional reinsurance program are two of the biggest factors pressuring rates higher. The one-year moratorium of the health insurance provider fee will partially offset these increases."

The issue brief identifies several major factors affecting 2017 premium changes, including:

- The underlying growth of health care costs. Although increases in health care spending are still relatively low compared to historic averages, prescription drug spending is expected to increase more rapidly than other medical spending.
- The sun-setting of the ACA's transitional reinsurance program. Each year the gradual reduction in the reinsurance program has resulted in a corresponding increase in premiums. The final impact will occur in 2017, when projected claims are expected to increase by 4 to 7 percent due to the program ending in 2016.
- The composition of the risk pool and any changes in the assumptions used in premium calculations. If emerging experience regarding enrollment levels, risk profiles, or claims differs from what insurers expected when developing 2016 premiums, assumptions underlying 2017 premiums will be revised accordingly.

(MORE)

- The one-year moratorium of the ACA health insurance provider fee. This will lower premiums by about 1 to 3 percent.

Other factors potentially contributing to rate changes include the repeal of the ACA's original expansion of the small group definition, and any modifications to provider networks. Premium changes faced by individual consumers will also reflect increases in age, and any changes in geographic location, family status, or benefit design. In addition, if a consumer's particular plan was discontinued, the premium change will reflect the increase or decrease resulting from being moved into a different plan. Average premium change information released by insurers or states could reflect this movement of consumers to different plans due to their prior plan being discontinued.

Read the issue brief and other Academy analyses of ACA and other health policy issues in the health section under the public policy tab at www.actuary.org.

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About the American Academy of Actuaries

The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Media Only: To arrange an interview on this issue brief with an Academy representative, contact Academy Assistant Director of Communications, Public Affairs, David Mendes at mendes@actuary.org or 202-384-2075.