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June 27, 2019

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Actuaries: Health Care Costs, Public Policy-Driven Changes Among Factors Shaping 2020 Health Insurance Premiums

WASHINGTON—A new [issue brief](#) from the American Academy of Actuaries provides consumers and public policymakers with an actuarial perspective on key factors involved in setting 2020 health insurance premiums.

“Steadily increasing health care costs; the possibility of ongoing adverse selection caused by the draw of potentially cheaper, non-Affordable Care Act compliant plans; and the effects of other federal and state public policy changes are among the biggest drivers of 2020 premium changes,” said Academy Senior Health Fellow Cori Uccello. “Premiums reflect federal and state rules and recent public policy actions affecting them as well as local market conditions, so the premium adjustments that individual policyholders see will vary considerably across the country.”

The key factors shaping 2020 individual market premiums, according to *Drivers of 2020 Health Insurance Premium Changes* authored by the Academy’s Individual and Small Group Markets Committee, include:

- The underlying growth in health care costs, or medical trend, which is expected to be consistent with that for 2019, ranging from about 5 to 8 percent.
- Recent and ongoing policy changes regarding the expanded availability of short-term limited duration plans, association health plans, and health reimbursement arrangements, as well as the elimination of the individual mandate penalty.
- The possibility of issuers incorporating extra conservatism in their premiums based on uncertainties regarding expected risk adjustment transfers.
- Adjustments to assumptions used to build the cost of cost-sharing reduction subsidies into premiums.

(MORE)

- State actions to implement reinsurance programs, impose individual mandate penalties, or enact rules that would facilitate or prohibit the availability of alternative coverage options.
- The reinstatement of the health insurance provider fee.

Read the issue paper [here](#) and learn more about the Academy’s health policy work under the “Public Policy” tab at actuary.org.

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The American Academy of Actuaries is a 19,500-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.