

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

MEMORANDUM

May 22, 2014

To: Committee on Energy and Commerce Democratic Members and Staff

Fr: Committee on Energy and Commerce Democratic Staff

Re: Preliminary Analysis of 2015 Affordable Care Act Insurance Premiums

Republican leaders have made dozens of false statements and baseless claims about the Affordable Care Act (ACA) since the law's initial passage. They claimed that the law would create "death panels;" that the law would result in a reduction in the number of insured Americans; that "rate shock" would make premiums in the individual marketplace unaffordable; and that the law would never meet enrollment goals.¹ Recently, they misleadingly reported that many ACA enrollees had not paid their premiums.² In each case, these claims have been proven false. Now, in response to 2014 ACA enrollment exceeding its goals, Republicans have begun to predict that premiums *next* year will rise at an unsustainable rate.

At a hearing in March, Rep. Dave Camp stated that "premiums will be higher next year."³ A week later, *The Hill* claimed that ACA premiums would "skyrocket," quoting a former Republican Senate Staff Director that "my gut tells me that, for some people, these increases will

¹ Committee on Energy and Commerce Democratic Staff, Supplemental Memo on Republican's Record of False Claims and Predictions about the Affordable Care Act (May 7, 2014) (online at democrats.energycommerce.house.gov/sites/default/files/documents/Memo-OI-GOP-False-Claims-on-ACA-2014-5-7.pdf).

² Committee on Energy and Commerce Democratic Staff, Supplemental Memo on Republican's Record of False Claims and Predictions about the Affordable Care Act (May 7, 2014) (online at democrats.energycommerce.house.gov/sites/default/files/documents/Memo-OI-GOP-False-Claims-on-ACA-2014-5-7.pdf).

³ House Ways and Means Committee, *Hearing on the President's Fiscal Year 2015 Budget Proposal with U.S. Department of Health and Human Services Secretary Kathleen Sebelius*, 113th Cong. (Mar. 12, 2014).

be significant.”⁴ Conservative health analyst John Goodman claimed that “next year’s premium[s] [are] going to be 25 percent or maybe 50 percent higher than what they’re now paying.”⁵ Another ACA opponent, Avik Roy, claimed that “premiums, on average, may increase by 20-40% in 2015.”⁶

This memorandum provides initial information on how proposed premium increases for 2015 compare to these dire predictions. Democratic staff analyzed preliminary premium filings in the two states where detailed rate information is already available: Virginia and Washington. The premiums that insurers submitted in these states indicate that premiums in 2015 will not “skyrocket” next year. In fact, individuals will often be able to reduce their premiums by switching to a different plan with the same level of coverage. These individuals could see their premiums decrease by over 21%.

To the extent there are cost increases for ACA enrollees, they will be well below cost increases in the individual insurance market prior to passage of the ACA. They will also be lower than the premium increases in the first year of the Medicare Part D drug program.

The premiums used in this analysis are preliminary and have not yet been subject to a review by state insurance commissioners. After review, the rates may decline, perhaps significantly, providing additional savings to consumers. The premiums also do not take into account the effect of tax credits and subsidies, which will further reduce costs for the vast majority of enrollees.

This analysis of the first publicly available information on 2015 ACA premiums reveals that there appears to be no basis for the dire predictions that health insurance premiums will skyrocket in 2015.

I. BACKGROUND ON 2014 PREMIUMS

Before ACA open enrollment began last year, Republicans repeatedly predicted that consumers purchasing plans through the federal and state-based marketplaces would see huge premium increases. In May 2013, House Majority Leader Eric Cantor stated, “It is now projected that Obamacare will send health care premiums skyrocketing in the individual and

⁴ *O-Care Premiums to Skyrocket*, The Hill (Mar. 19, 2014) (online at thehill.com/policy/healthcare/201136-obamacare-premiums-are-about-to-skyrocket).

⁵ *Survey shows ObamaCare sending premiums rising at fastest clip in decades*, Fox News (Apr. 14, 2014) (online at www.foxnews.com/politics/2014/04/14/survey-shows-obamacare-sending-premiums-rising-at-fastest-clip-in-decades/).

⁶ *4 Reasons Why Obamacare Exchange Premiums May ‘Double In Some Parts of the Country’ in 2015*, Forbes (Mar. 30, 2014) (online at www.forbes.com/sites/theapothecary/2014/03/20/4-reasons-why-obamacare-exchange-premiums-may-double-in-some-parts-of-the-country-in-2015/).

small group insurance markets.”⁷ At a hearing of the Subcommittee on Health in March 2013 titled “Unaffordable: Impact of Obamacare on Americans’ Health Insurance Premiums,” Rep. Joe Pitts claimed that “Americans’ premiums have already risen by more than \$3,000” and warned of premiums in many states rising “100 percent or higher due to the Affordable Care Act.”⁸ A month later, the Republican staff of the House Energy and Commerce Committee also released a report predicting that consumers could see premium increases averaging 100% in the individual market, with increases as high as 400% possible.⁹

In fact, ACA premiums for 2014 were 16% lower than the nonpartisan Congressional Budget Office (CBO) had originally predicted.¹⁰ More than half of the uninsured were eligible for coverage that would cost them less than \$100 per month.¹¹ These lower-than-expected premiums help explain why over 8 million Americans enrolled via Healthcare.gov and state exchanges, significantly exceeding expectations.

II. INITIAL INFORMATION ON 2015 PREMIUMS

To examine the health insurance premiums available in the marketplaces next year, the Democratic staff examined preliminary information from the two states that have released the most detailed rate filings to date for next year: Virginia and Washington. Staff compared the premiums for all of the silver plans available through the marketplace for 27-year-old purchasers in each state’s most populous county in 2014 to the initial premiums filed for those same plans in 2015. Because of ACA rules limiting the variation of premiums by age, the premium changes are indicative of changes across all age groups.

A. Virginia

In 2014, consumers in Fairfax County, Virginia, had a choice of 16 different silver plans on the federally facilitated marketplace. In the majority of these plans, the proposed increase in premiums for 2015 is 6.6% or less. As discussed in Part IV, the proposed increases are well

⁷ *Congressman Cantor: Obamacare is Not the Answer*, Congressman Eric Cantor (May 16, 2013) (online at cantor.house.gov/speeches/2013/05/congressman-cantor-obamacare-not-answer/).

⁸ House Committee on Energy and Commerce, Subcommittee on Health, *Hearing on Unaffordable: Impact of Obamacare on Americans’ Health Insurance Premiums*, 113th Cong. (Mar. 15, 2013).

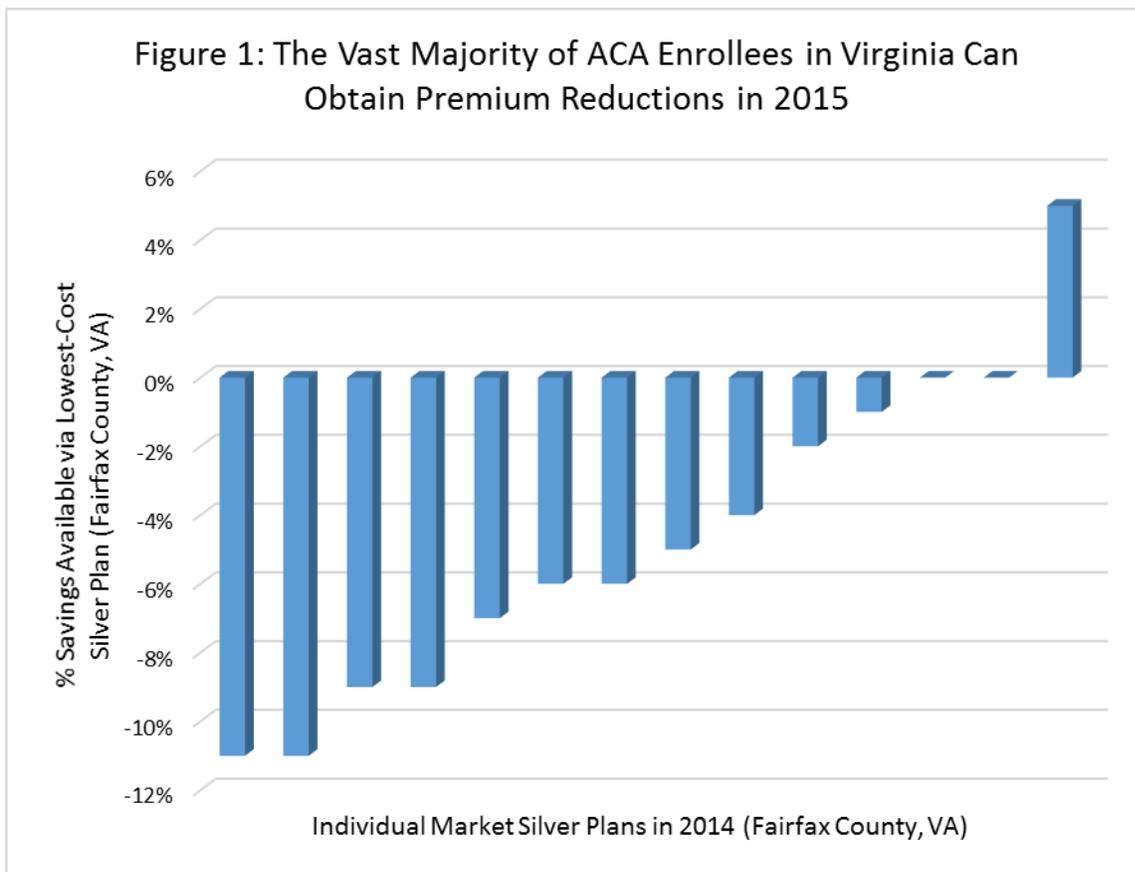
⁹ House Committee on Energy and Commerce, Majority Staff, *Obamacare Oversight: the Looming Premium Rate Shock*, 113th Cong. (May 13, 2013).

¹⁰ Department of Health and Human Services, *Significant choice and lower than expected premiums available in the new Health Insurance Marketplace* (Sept. 25, 2013) (online at www.hhs.gov/news/press/2013pres/09/20130925a.html).

¹¹ Department of Health and Human Services, *Nearly 6 in 10 uninsured Americans can pay less than \$100 per month for coverage in the Health Insurance Marketplace* (Sept. 17, 2013) (online at www.hhs.gov/news/press/2013pres/09/20130917b.html).

below the health insurance premium changes observed in the years prior to passage of the Affordable Care Act. They are also below the premium increases experienced in the second year of Medicare Part D.

Consumers also have the option of reducing their premiums next year by switching plans. Among the silver plans offered in 2014, the lowest-price silver plan in Fairfax County in 2015 will be the Kaiser Permanente KP VA Silver plan, which will cost \$223.91. This 2015 premium is lower than 14 of the 16 ACA plan premiums offered in the county this year. This means that individuals in 14 of the 16 ACA plans can switch plans and cut their premiums in 2015. These individuals could save up to 11% on premiums next year (see Figure 1).

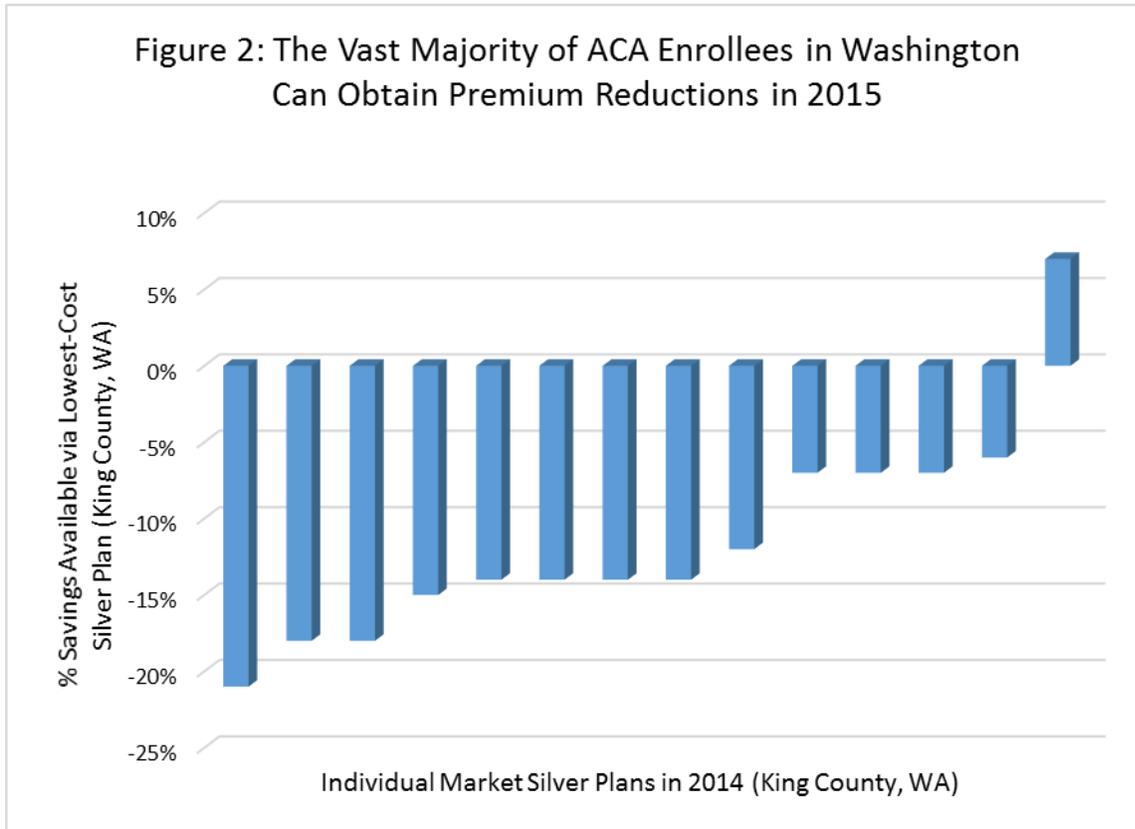


B. Washington

In 2014, consumers in King County, Washington, had a choice of 14 different silver plans in their state marketplace. In one of these plans, the Molina Marketplace Silver Plan, premiums in 2015 will be lower than those in 2014. In 10 of the other 13 plans, premiums increased by 9.5% or less. This is also below the health insurance premium changes observed in the years prior to passage of the Affordable Care Act and the premium increases experienced in Medicare Part D.

Consumers also have the option of reducing their premiums next year by switching plans or purchasing one of the new plans offered in the marketplace in 2015. The lowest-price silver

plan in King County in 2015 will be a new plan, the Bridgespan Exchange Silver HSA UW Medicine Plan, which will cost \$215.71.¹² This 2015 premium is lower than 13 of the 14 ACA plan premiums offered in the county this year. This means that individuals in 13 of the 14 ACA plans can switch plans and cut their premiums in 2015. These individuals could save over 21% on premiums next year (see Figure 2).



III. ADDITIONAL FACTORS WILL MITIGATE 2015 PREMIUM INCREASES

The initial premium estimates released in Washington and Virginia do not tell the full story about how much individuals will actually pay for their health insurance next year. These rates are still preliminary and must be approved by each state’s insurance commissioner. Last year, in Oregon, the rate requests initially filed by insurers were reduced by as much as 35% after review from the state’s insurance regulators.¹³ In Maryland, state regulators reduced the rates proposed by each of the nine issuers in the state, lowering some rates by as much as a

¹² This is one of 68 new plans filed to be offered in the Washington State Exchange in 2015. Twelve issuers will be participating in the Exchange next year, compared to eight that participated last year.

¹³ *Oregon slashes 2014 health insurance premium requests by as much as 35 percent*, Oregon Live (June 26, 2013) (online at www.oregonlive.com/health/index.ssf/2013/06/oregon_slashes_2014_health_ins.html).

third.¹⁴ Nationally, the Department of Health and Human Services reports that the average rate request increase dropped by 12% after rate review, saving consumers an estimated \$311 million in 2012.¹⁵

In addition, the vast majority of consumers will receive financial assistance that limits their cost of coverage to a low, fixed percentage of their income, significantly limiting the impact of potential rate increases. In Virginia, 82% of individuals who purchased insurance through the marketplace received some form of subsidy.¹⁶ In Washington, 75% of individuals who purchased insurance through the marketplace received some form of subsidy.¹⁷

IV. CONTEXT FOR PREMIUM INCREASES

A comparison of the preliminary data on 2015 ACA premiums with historic premium increases in other insurance products reveals that changes in ACA premiums in 2015 are well below the range of historic insurance premium increases.

Prior to the passage of the ACA in 2010, individuals buying insurance through the nongroup market were subject to substantial increases in their insurance premiums. The Kaiser Family Foundation found that prior to passage of the Affordable Care Act, the average premium increase for individuals in the nongroup market was 20%.¹⁸ The 20% average increase does not take into account the millions of Americans with pre-existing conditions who were either excluded from the market entirely or faced with significantly higher than advertised rates before they were allowed to purchase coverage.

In 2007, the second year of the Part D drug benefit, premiums increased by over 13%.¹⁹ Bush Administration officials responded to this increase by claiming that “The Medicare prescription drug benefit . . . just keeps getting better.”²⁰

¹⁴ *Maryland Regulators Slash Rates for Obamacare Insurance Policies*, Kaiser Health News (July 26, 2013) (online at www.kaiserhealthnews.org/Stories/2013/July/26/Maryland-marketplace-premiums-exchange.aspx?p=1).

¹⁵ Department of Health and Human Services, *Rate Review Annual Report* (Sept. 2013) (online at aspe.hhs.gov/health/reports/2013/acaannualreport/ratereview_rpt.cfm#_Toc366591725).

¹⁶ Department of Health and Human Services, *Health Insurance Marketplace: Summary Enrollment Report for the Initial Annual Open Enrollment Period* (May 1, 2014) (online at aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib_2014Apr_enrollment.pdf).

¹⁷ *Id.*

¹⁸ Kaiser Family Foundation, *Survey of People Who Purchase Their Own Insurance* (June 2010) (online at kaiserfamilyfoundation.files.wordpress.com/2013/01/8077-r.pdf). Many of these individuals were faced with premium increases averaging 30% and switched to lower cost plans. The average effective increases were 13%.

¹⁹ Letter from Ranking Member Henry A. Waxman to Secretary Michael Levitt (Oct. 12, 2006) (online at oversight-archive.waxman.house.gov/documents/20061012124517-46697.pdf).

V. CONCLUSION

This analysis of the first data released on 2015 insurance premiums reveals that there appears to be no factual basis for the dire predictions of skyrocketing insurance premiums by opponents of the ACA. In the vast majority of cases, ACA enrollees will have the opportunity to enroll in plans that reduce their premiums in 2015. Even in cases where premiums will increase, these increases will be mitigated by the law's substantial premium assistance tax credits and will be well below average insurance premium increases observed in the years prior to passage of the ACA.

²⁰ *Id.*