

OHIO CONSUMERS TO PAY MORE FOR THEIR HEALTH INSURANCE IN 2014 BECAUSE OF THE AFFORDABLE CARE ACT

As Increases in Health Insurance Costs Loom, Efforts Continue to Minimize the Negative Impacts

Background

Signed into law on March 23, 2010, the Affordable Care Act (ACA) has been implemented by the federal government over the past three years. Some elements went into effect immediately, such as high-risk pools and increasing the dependent age, but the individual mandate, employer mandate, new taxes and penalties, changes to coverage, new rating requirements and health care exchanges do not go into effect until January 1, 2014.

ODI Must Review and Approve All Health Insurance Products Sold in Ohio

With open enrollment on the federal exchange set to begin October 1, 2013, health insurance companies in Ohio filed the products they intend to sell on the exchange (including proposed rates) with the Ohio Department of Insurance (ODI) for review and approval. In the coming weeks, ODI will carefully review and scrutinize each submission to ensure the rates are adequate, justifiable and non-discriminatory. During the review process, ODI may request changes to submissions that result in rate adjustments.

Once rates are approved by ODI, all products must be submitted to the federal government by July 31, 2013 for their review and certification for sale on the exchange.

Plans Submit Details of New, ACA-Compliant Products

January 2014 will be the first time consumers and job creators pay for the cost of health insurance with the full impact of the ACA. Consumers and small businesses can begin selecting coverage through the exchange on October 1, 2013 with coverage taking effect on January 1, 2014.

The plans submitted to ODI for review and approval reaffirm earlier projections of dramatic changes to Ohio's insurance market because of the ACA. Studies conducted by Milliman Inc. (in 2011) and the American Society of Actuaries (in 2013) both indicated health insurance costs in Ohio would increase for consumers in 2014.

At this point, 14 companies have filed a total of 214 plans to be sold on the federal exchange in 2014. Based on the information filed with ODI by the 14 companies, the average proposed index rate (the projected costs from the companies for providing coverage for the required essential health benefits) for individual plans to be sold on the federal exchange is \$420. The Society of Actuaries study released earlier this year estimated Ohio's current rate in today's market is \$223. When compared to the Society of Actuaries study, the \$420 average index rate represents an increase of 88 percent.

Provisions of the ACA Drive-Up Health Insurance Costs in 2014

Health insurance in Ohio is changing drastically because of the ACA. There are a number of new mandates and federal requirements negatively impacting Ohio's insurance market causing rates to increase for consumers and small businesses.

- **More Mandated Benefits:** Prior to the passage of the ACA, Ohioans were able to pick and choose the type of coverage best suited to meet their needs. With more than 60 health insurance

companies selling products in Ohio and few mandated benefits, Ohio has a competitive insurance market. Starting in 2014, those benefit choices and options are drastically limited by the ACA and insurance costs will increase as a result.

- **One-size-fits-all Pricing:** Health insurance today is priced based on individual characteristics. Those with healthier lifestyles are rewarded with more affordable options. Under the ACA, all Ohioans will be lumped together for the purposes of pricing thereby eliminating the benefits of healthier choices. This method of rating is commonly known as “community rating” – an approach some states incorporated before the ACA. Because Ohio is being forced into this type of pricing, health insurance costs are increasing in 2014.

Together these factors along with new taxes, changes to the method of rating of the insured population and operation of the exchange itself will drive-up health insurance rates in Ohio.

Ohio Has Worked to Reduce Impacts of the Affordable Care Act

Governor John Kasich and Lt. Governor Mary Taylor have always supported repealing the ACA and replacing it with reforms that actually help control and reduce costs and provide states and consumers with the freedoms they need to address their unique health situations. In the continued face of the ACA’s negative impacts on Ohio’s economy and health care system, however, Ohio has been working to reduce its negative economic impacts.

- **“No” to a State-Run Exchange and Federal Takeovers:** In November 2012, Ohio said it would not operate an ACA-mandated exchange in Ohio, but would leave that to the federal government. With no freedom or flexibility to shape the exchange in a way to best meet the needs of Ohioans, it was an unwise use of energy, time and resources for the state to take on this effort. At the same time, Ohio announced it would not relinquish regulation of the state’s insurance industry to the federal government—something it has done well for nearly 100 years, nor would it relinquish to the federal government authority for Ohio’s Medicaid eligibility system. Ohio has made great strides in both controlling costs and improving care quality in Medicaid and turning over an important function like eligibility would only imperil these gains.
- **Transforming Ohio’s Health System:** In order to improve the health care system – something the ACA often overlooked – the Office of Health Transformation (OHT) has been working since 2011 to identify ways to create a more efficient health system that lowers costs while improving outcomes. Specifically, OHT has stemmed the cost of Medicaid in Ohio to one of the lowest growth rates in the country. Ohio is reigning in the cost of nursing homes and at the same time offering consumers with more opportunities to stay in the comfort of their own home while still receiving the care they need. Other ongoing efforts include an innovative model for assisting Ohioans eligible for both Medicaid and Medicare, payment reforms that pay for value and quality over volume, and better preventive and wellness efforts to keep Ohioans from getting sick to begin with.

NOTE: Filings submitted to the Department can be found on the System for Electronic Rate and Form Filings on the Department’s site; <http://insurance.ohio.gov/Company/Pages/RecordsRequest.aspx>. To access the filings, click on the HFAI link.