

HEALTH INSURANCE PREMIUMS FOR OHIO CONSUMERS PURCHASING ON FEDERAL EXCHANGE TO INCREASE IN 2014 DUE TO THE AFFORDABLE CARE ACT

Efforts Continue to Improve Ohio's Health Care System and Minimize 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 Reviewed All Health Insurance Exchange Products Filed in May Prior to Approval

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 rates) with the Ohio Department of Insurance (ODI) for review and approval. ODI spent two months carefully reviewing and scrutinizing each submission to ensure the rates are actuarially sound meaning they are adequate, justifiable and non-discriminatory.

During the review process, ODI requested changes to submissions that in some cases resulted in rate adjustments. All companies selling products on the exchange were required to justify their submissions and rate changes for 2014. The intense review process ODI conducted (as it does with all insurance products sold in Ohio) is to protect consumers from rates that are excessive and to protect against company insolvency where rates are too low and companies are unable to pay a consumer's claim.

After review, 12 companies have been approved to sell a total of 200 plans for individual health coverage on the federal exchange in 2014. In addition, 6 companies have been approved to sell a total of 184 plans for small group coverage to be sold on the exchange.

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

Plans Approved Reflect Impact of ACA Mandates and Requirements

Open enrollment on the federal exchange begins on October 1, 2013 and the plans approved for sale on the exchange 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 and small businesses in 2014.

Premiums Increase 41 Percent:

The Department utilized a National Association of Insurance Commissioners (NAIC) report of premiums reported by Ohio companies at the end of 2012 to compare premiums. Individual exchange plan premiums are expected to increase on average by 41 percent in 2014

compared to 2013 while exchange plans for Ohio's small businesses will increase on average by 18 percent.¹

Based on premiums for the current individual market, plans in Ohio today cost on average \$236.29 per month compared to \$332.58 in 2014. For the small group market, today's premiums average is \$341.03 per month compared to \$401.99 in 2014.

Insurance Companies' Costs to Provide Health Coverage Increase 83 Percent:

Estimates from a Society of Actuaries study released in 2013 showed Ohio's current average cost to provide individual health insurance coverage is \$223. Based on the rate filings approved by the Department, the average index rate (cost to provide coverage) for health insurance sold on the exchange in 2014 is \$409 representing an increase of 83 percent when compared to the Society of Actuaries study.

The average index rate is the projected costs from the companies for providing coverage for the required essential health benefits. An example of the difference between premium and the index rate is that premiums do not include cost sharing paid by the consumer, whereas the index rate includes both the cost to the company to provide the coverage and the cost sharing paid by the consumer.

Exchange Subsidies to Cost Taxpayers \$100 billion by 2016:

Exchange subsidies may help to offset the cost of insurance for many Ohioans, but not every Ohioan will qualify for a subsidy based on their income and subsidies do not change the actual cost of insurance. To make coverage more affordable through the exchange, taxpayer dollars are offsetting the higher cost of insurance due to the ACA.

The Congressional Budget Office (CBO) estimates exchange subsidies will cost taxpayers \$33 billion in 2014, \$100 billion in 2016 and \$153 billion in 2023. More specifically, CBO estimates the average subsidy per enrollee in 2014 will be \$5,290 jumping to \$7,900 per enrollee in 2023.² These projections by CBO reflect the rising cost of insurance under the ACA driving up the costs of the subsidy program and ultimately the cost to taxpayers.

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 select 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

¹ 2013 premium data was calculated by taking the average increases for 2011 and 2012 and averaging them to get a 9.8 percent increase for 2013 and adding that to the 2012 monthly premium to reach a 2013 PMPM of \$236.49.

² Congressional Budget Office, *Effects on Health Insurance and the Federal Budget for the Insurance Coverage Provisions in the Affordable Care Act—May 2013 Baseline*, page 3, table 3.
http://www.cbo.gov/sites/default/files/cbofiles/attachments/44190_EffectsAffordableCareActHealthInsuranceCoverage_2.pdf
Analysis of the Administration's Announced Delay of Certain Requirements under the Affordable Care Act – released July 30, 2013 – indicates exchange subsidies may cost more because of the delay of the employer mandate. <http://cbo.gov/publication/44465>

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 approved by 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.

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