

Repealing and Replacing the ACA: Addressing Insurance Rate Increases

Issue: Since the enactment of the Affordable Care Act (ACA), premium rates for health insurance coverage for individuals have increased. This occurs whether the individual is purchasing insurance through the federally facilitated health insurance marketplace or in the private market. In addition, the cost to the federal government for subsidies to enable individuals to purchase coverage through the federal marketplace has increased as well.

Background: To make health care insurance coverage affordable to lower-income individuals, the ACA provided premium tax credits, on a sliding scale based on income, to individuals with incomes between 100 percent and 400 percent of the federal poverty level (FPL). Individuals with incomes between 100 percent and 250 percent of the FPL also are eligible for cost-sharing reductions to defray the cost of copayments, deductibles, and other cost-sharing requirements.

These premium tax credits and cost-sharing reductions enabled lower-income, working Pennsylvanians the ability to secure health insurance coverage:

- Nationally, premium rate increases for coverage through the federally facilitated health insurance marketplace increased by 22 percent. In Pennsylvania, during 2017, the average rate increase was 32.5 percent. For 2018, the average proposed rate increase is 8.8 percent.
- In 2017, nearly 400,000 Pennsylvanians are enrolled in health insurance plans through the federal marketplace. Most, 78 percent, or nearly four out of five enrollees, relied on an average monthly premium tax credit of \$248 to afford their health coverage.
- From 2010 to 2016, the uninsured rate in Pennsylvania dropped from 10.2 to 7.5 percent—a 28 percent reduction in the percent of uninsured.

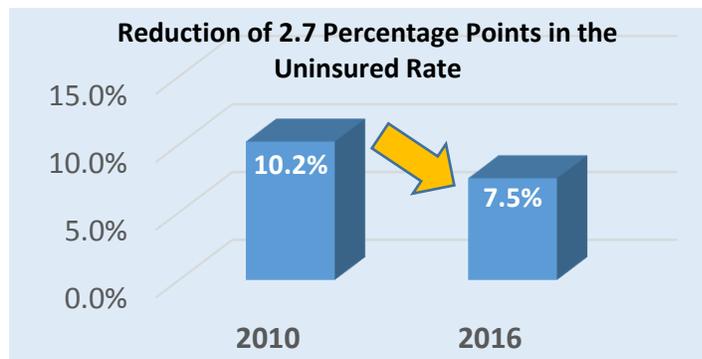
HAP Recommendations

Addressing health insurance affordability is an important component of developing a replacement approach to the ACA:

- Congress should not repeal the ACA without passing a simultaneous replacement approach
- Any replacement approach should:
 - Continue to provide funding support that assures lower-income individuals access to affordable health coverage
 - Address cost drivers through delivery system reform, value payment systems, and eliminating unnecessary regulatory burdens
 - Encourage health insurers to develop coverage that enables more coordinated and efficient care
 - Ensure continuous coverage and consumer participation so individuals do not opt out of coverage
 - Enhance consumer outreach and enrollment



- During 2016, the federally facilitated health insurance marketplace in Pennsylvania included seven insurers. This dropped to five during 2017, all of which will be serving the marketplace during 2018.
- In Pennsylvania, 16 of the state's 67 counties will have only one insurer, although the insurer will be offering enrollees choices of health plans.



Implications: Health insurance premium rates reflect many factors. There also is significant variation in health insurance rates across states and markets. Some of the drivers in rate increases include:

- Difficulty by insurers in predicting newly insureds' utilization needs
- Medical and pharmaceutical costs for care provided to the newly insured
- Adverse selection in the individual market given that the tax penalty under the ACA is lower than annual health insurance premiums for an individual

In addition, in developing approaches to replace the provisions in the ACA that mandate that individuals secure health coverage and that provide financial support to lower-income adults, it is important to understand the different ways that individuals secure private health insurance.

Individuals with Subsidized Insurance	Individuals without Subsidized Insurance	Individuals with Employer-Sponsored Insurance
<ul style="list-style-type: none"> • Subsidies ensure consumers have affordable health insurance • ACA specifies share of income that consumer is expected to pay • Increases in premiums for individuals receiving subsidies have minimal financial impact on the consumer • CBO estimates that ACA spending is higher than projected as a result of Medicaid enrollment, not necessarily the marketplace subsidies 	<ul style="list-style-type: none"> • Individuals in the marketplace or in the private market are the most affected by premium increases • Nationwide, about seven million consumers purchase individual insurance coverage • Premium changes vary and shopping amongst plans may mitigate premium increases 	<ul style="list-style-type: none"> • The majority of Pennsylvanians have insurance coverage through an employer-sponsored plan • Premium increases for employer-sponsored plans have been more modest than in the individual market • Surveys of large employers find that they expect their health insurance cost growth to remain stable during 2017

Nationwide, as of August 2017, there were no counties without any insurers. State insurance commissioners in a number of states worked with insurers to address gaps. However, concerns remain that disruption in the insurance market will affect insurers and their covered lives, particularly in the individual market, including:

- Insurers questioning whether to participate in the federally facilitated health insurance market or whether to offer as many health plan options
- Insurers seeking large rate increases, which will further impact and distort the insurance market
- If the individual mandate is removed, there is the potential for adverse selection to disrupt the insurance pool and make it less likely that insurers will continue to offer coverage in the individual market

Additionally, there are concerns regarding the cost to the federal government of providing subsidies to enable lower-income individuals to purchase health insurance coverage through the federally facilitated health insurance marketplace. Addressing this concern is challenging in that the majority of individuals seeking coverage through the federally facilitated health insurance marketplace have required subsidies to ensure affordability. Eliminating the subsidies or moving away from the subsidies to some other form of financial support potentially could reduce the number of individuals securing health insurance coverage because it no longer would remain affordable.

Sources:

Congressional Budget Office
Kaiser Family Foundation
Pennsylvania Insurance Department
U.S. Census

September 2017

