

# A M E R I C A N   A C T I O N F O R U M

## Insurance Premiums in 2014 and the Affordable Care Act: Survey Evidence

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### Executive Summary

A central issue underlying the impetus and implementation of the Patient Protection and Affordable Care Act (ACA) has been the upward trajectory of health insurance costs in the United States. Premiums are driven by the underlying growth in health care spending, as well as the rules that govern insurance rates and the extent to which prices can vary between each individual and each small employer. There is a consensus that the ACA did little to alter the former while having a dramatic impact on the latter.

The ACA includes a number of changes that will go into effect in 2014 and have thus not been felt yet by consumers but will be in coming months. The ACA mandates purchase of insurance; mandates benefits; guarantees issuance regardless of health status; limits premium variation on the basis of age, gender, health status or group size; levies new taxes and fees; and otherwise imposes new rules on insurance products. As a matter of actuarial science, one would expect that new benefit mandates, guaranteed issue (particularly with a weak individual mandate) and the other new rules limiting premium variation would tend to raise insurance premiums, especially for the young and healthy individuals and small employers. However, the actual scale of these impacts is not yet clear. As a step to providing insight into the magnitude of the likely impacts in 2014, the American Action Forum (AAF) undertook a survey of major insurers representing the vast majority of covered individuals in the U.S., asking the likely impact of the ACA on premiums in the individual and small group markets.

In sum, the ACA promises massive sticker shock to the relatively young and healthy (see Summary Table, below). Across all markets, the ACA will dramatically increase the cost of insurance for the young and healthy individuals and small employers – precisely the group most likely to be affected by the mandate. In contrast, older and sicker individuals and small employers will be subsidized, leading to an average decline of just under 25 percent.

**Summary Table: Average Premium Impacts for Individual and Small Group in 2014**

<i>Younger and Healthier Individuals and Small Employers</i>						
	Chicago, IL	Phoenix, AZ	Atlanta, GA	Austin, TX	Milwaukee, WI	All Cities Average
Average Percentage Change	173%	157%	164%	162%	190%	169%
<i>Older and Less Healthy Individuals and Small Employers</i>						
	Chicago, IL	Phoenix, AZ	Atlanta, GA	Austin, TX	Milwaukee, WI	All Cities Average
Average Percentage Change	-21%	-22%	-21%	-32%	-15%	-22%

**Note:** Changes due to insurance market reforms alone and do not include annual medical trend increases. It also does not include the fact that some individuals and small employers experiencing these changes will be eligible for taxpayer subsidies through insurance exchanges.