

Premiums for Health Insurance Bought on Exchanges to Climb in 2016

October 27, 2015

Source: The Wall Street Journal

The Obama administration said many consumers will see noticeable premium increases when buying health coverage on insurance exchanges in 2016, acknowledging for the first time what many health-care experts had predicted.

Federal officials said Monday that the price of the second-lowest-cost midrange “silver plan”—a key metric for premiums around the country—will increase by 7.5% on average across the three-dozen states that rely on Washington to administer the health law for them.

And 60% of enrollees—across 30 of the largest markets in the U.S.—will see the average rate for that benchmark plan rise by 6.3%, according to a Health and Human Services report on premium data that hasn't yet been made fully public.

The higher premiums are likely to intensify Republicans' claims that the health law isn't holding down costs. The Obama administration is urging customers to go back online during open enrollment, which begins Nov. 1, and shop around to see if they can limit the impact of the cost increases.

“For most consumers, premium increases for 2016 are in the single digits and they will be able to find plans for less than \$100 a month,” said Kevin Counihan, CEO of the health-insurance marketplaces.

In many parts of the country, the most popular plans have sought and won premium increases in the double-digits for the year ahead, in a move that could force enrollees to try to look for a less familiar brand of coverage.

Premiums are a major issue for consumers and politicians as they scrutinize the effectiveness of the Affordable Care Act.

Insurers sought increases for 2016 because many found business more costly than expected or have incurred losses. The law requires companies to sell policies to anyone regardless of their medical history, and with only limited variations on premiums.

Insurers, who have priced plans for 2016 in part based on what they experienced in 2015, also faced higher costs in part due to rising prescription-drug prices, and they saw lower-than-expected payouts from a federal program that aims to offset carriers' risk by providing funds to companies with costlier, sicker consumers.

"7.5% is lower than forecast in the spring, when we were hearing what rate increases would be like," said Cheryl Fish-Parcham, director of the private insurance program at Families USA, a group that advocates for the health law. "It shows the rate review process has worked in many states."

Averages don't reflect what individual consumers will see, and premium amounts vary across the country. Some enrollees may see significantly higher or more modest rate increases.

State insurance regulators around the country have largely approved all or most of the hefty premium increases sought by the largest health plans for 2016. Some have jumped by double digits: On average, premiums will rise in 2016 for the second lowest-cost silver plan by 31.5% in Alaska and 22.9% in Oregon, according to the report. Oklahoma will see a 35.7% hike.

President Barack Obama in July had tamped down fears of a large rise in premiums by saying he expected final rates to come in lower than insurers had requested.

The 2010 health-care law provides for government subsidies in the form of tax credits for some consumers who buy insurance on the exchanges because they don't have coverage through a job or government program such as Medicare. Those subsidies will blunt the impact of price increases

for individuals who get them, but the tab is picked up by the federal government.

The value of the credits is pegged to the cost of the second-lowest-priced silver plan. Coverage on the exchanges is broken into categories, silver being a midtier plan that is more expensive than bronze but less expensive than gold and platinum. Consumers with silver plans generally have about 70% of their health-care costs covered.

Customers who shop around may be able to contain price increases or pay a more modest hike. Last year, more than half of customers who re-enrolled returned to HealthCare.gov, the federal exchange. Of those, half switched providers and half stayed with the one they had.

Administration officials pointed out that costs are still low for many enrollees, and said nearly eight in 10 consumers will get a subsidy. They also said nearly eight in 10 returning customers will be able to buy plans with premiums under \$100 a month after subsidies. Returning customers who don't go online to select a new plan are automatically re-enrolled in the plan they had for 2015.

Seven in 10 returning consumers will be able to buy a plan for \$75 or less in monthly premiums after subsidies in 2016, the administration said.

The administration is projecting about 10 million people will have paid up coverage through the federal and state exchanges by the end of 2009, only a slight bump from the 9.9 million with paid-up plans as of June. That means it will be increasingly important for the Obama administration to retain customers, a goal that could be more challenging amid the premium increases.

Higher premiums could also be an obstacle to getting people enrolled. While subsidies for eligible consumers reduce the cost of monthly premiums, a large number of uninsured cite cost as a barrier to obtaining coverage.

Source Link

Filed Under: [ACA/Health Reform](#)