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The Shocking Truth: Understanding ACA-Related Premium Changes Is ... Complicated!

WASHINGTON – May 9, 2013 – Changes coming in 2014 to health insurance premiums stemming from the Affordable Care Act (ACA) will reflect several factors and could vary considerably, according to an issue brief released today by the American Academy of Actuaries, [*How Will Premiums Change Under the ACA?*](#)

“We all need to recognize that average premium changes tell only part of the story; we need to understand the reasons for those changes and how changes will differ across states and amongst individuals,” said Academy Senior Health Fellow Cori Uccello. “The Academy report provides a broad examination of how premiums will change that an average simply cannot provide.”

Factors affecting premium changes include:

- **Effectiveness of the mandate:** The degree to which the individual mandate and premium subsidies succeed in attracting lower-cost enrollees to individual health plan markets, which could help offset the upward premium pressure exerted by higher-cost participants enrolling due to the guaranteed issue provision. Payments to health plans made under the ACA’s temporary reinsurance program could also mitigate upward premium pressure, at least in the near term.
- **Plan generosity requirements:** New benefit requirements that could increase plan generosity, but reduce out-of-pocket costs.
- **Employer responses:** The decisions of employers regarding whether to offer coverage, and the characteristics of individuals whose employers drop coverage and who subsequently shift to the individual market. For example, “if employers drop coverage and the workers instead obtain coverage in the individual market, the impact on premiums in the individual market depends on the demographics and health status

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of those shifting coverage,” the Academy’s brief explains. “If those shifting coverage are young and healthy, the result would be downward pressure on average premiums in the individual market. If those shifting coverage are older and less healthy, the result would be upward pressure on average premiums.”

- **Differences from current state rules:** How the insurance issue and rating rules taking effect in 2014 compare to those currently in effect in each state. For example, “In states that already limit the extent to which premiums can vary across individuals, especially those with guaranteed-issue requirements, average premiums potentially could decline as lower-cost individuals obtain coverage due to the individual mandate and premium subsidies,” the Academy’s brief explains. “In states with no or few rate restrictions, premiums are more likely to go up, to reflect an influx of higher-cost individuals.”
- **Individual risk characteristics:** Each individual’s demographic and health status characteristics. For example, younger adults could see relative premium increases and older adults could see premium decreases due to the limitations on premium differentials by age. Premiums could also shift between men and women, and between healthy and less healthy individuals, due to the prohibitions on premium variations by gender and health status.

The issue brief can be downloaded at www.actuary.org. On May 17, the American Academy of Actuaries will present a briefing, “The Shocking Truth Behind ACA Premium Changes: It’s Complicated!” exploring in further detail the topics presented in the issue brief. The briefing will take place from 11:00 a.m. to noon in Cannon House Office Building, Room 210, Washington, D.C.

For more information or to arrange an interview with Cori Uccello, contact David Mendes, assistant director of communications, public affairs, for the American Academy of Actuaries, at 202.785.7872.

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The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.