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Actuaries: Inflation, COVID Emergency’s End, Small Employer Coverage Shifts Could Influence 2024 Health Premium Rates

WASHINGTON—Inflation, changes due to the end of the COVID-19 public health emergency, and shifts in the health coverage options offered by small employers top the reasons why health insurance premium rates for next year could see some changes, according to *Drivers of 2024 Health Insurance Premium Changes*, a public policy issue brief published today by the American Academy of Actuaries.

“While there are some recent signs that the top-line inflation that consumers hear about in the news is moderating, higher health care and provider costs are putting upward pressure on premium rates for next year—maybe even more so than when this year’s premium rates were developed in 2022,” said Joyce Bohl, chairperson of the Academy’s Individual and Small Group Markets Committee, which produced the issue brief.

Premium rate changes can vary between individual and small group plans within the same geographic area, and there may be variations between geographic regions, but rate changes within Affordable Care Act (ACA)-compliant individual and small group health insurance plans for 2024 are generally being driven by:

- **Health care costs that are outpacing inflation and higher contract reimbursement rates with health care providers, exerting upward pressure on premium rates.** Health care costs recently have been increasing at a rate above inflation, and renewals of expiring multiyear contracts setting reimbursement rates are expected to reflect providers’ increased operational costs.
- **Payment responsibility changes and potential enrollment shifts due to the end of the COVID-19 public health emergency, which may lead carriers to change the assumptions on which rates are based.** Loss of Medicaid coverage due to the resumption of Medicaid eligibility determinations may drive some shifts in individual and small group enrollment, but the expected impact on the risk pool and premiums may vary. The shift of

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payment responsibility for COVID-19 vaccines and tests from the federal government to carriers could increase premiums, but carriers' reduced responsibility for at-home tests might offset the increase.

- **Shifts in the coverage options offered by small employers, potentially resulting in higher premium rates in ACA-compliant small group plans.** Small employers continue to migrate toward alternative funding arrangements, including level-funded plans, self-funded plans, multiple employer welfare arrangements, and association health plans. If this trend continues, the morbidity of the remaining ACA-compliant small group risk pools would be expected to deteriorate.

Other possible drivers of 2024 premium rate changes include: new federal rules taking effect next year standardizing ACA plan requirements and limiting non-standard plans; trends in telemedicine utilization; and state-level health policies and initiatives such as “public option” plans and reinsurance programs.

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