



ASPE DATA POINT

Individual Market Premium Changes: 2013 – 2017

May 23, 2017

Key Highlights

Plan Selections

- Premiums for individual market coverage have increased significantly since the Affordable Care Act's key provisions have taken effect, but most estimates have focused on annual increases and have not captured the comprehensive increase in premiums since 2013, and thus do not accurately capture the ACA's true effect.
- Comparing the average premiums found in 2013 MLR data and 2017 CMS MIDAS data shows average exchange premiums were 105% higher in the 39 states using Healthcare.gov in 2017 than average individual market premiums in 2013. Average monthly premiums increased from \$232 in 2013 to \$476 in 2017, and 62% of those states had 2017 exchange premiums at least double the 2013 average.

Introduction

The Affordable Care Act (ACA) introduced many new regulations in the market for individual health insurance. These included a number of changes to the types of insurance products that could be offered and the rules insurers could use to vary prices based on customer risk. In most states these regulations increased insurance coverage requirements and would be expected, on average, to increase the price of ACA-compliant plans relative to pre-ACA plans all else equal. Some analyses have assessed the effect of the ACA on premiums from 2013 to 2014,^{1,2,3} and others have compared annual changes in exchange premiums since the launch of the exchanges in 2014⁴. By beginning in 2014, these analyses do not include the full effect of the ACA insurance market regulations on individual market premiums. In order to better determine how much premiums have increased since the ACA's key provisions have taken effect, this ASPE

¹ Kowalski A. The Early Impact of the Affordable Care Act, State by State. Brookings papers on economic activity. Microeconomics. Washington, D.C. :Brookings Institution

² Pauly M, Leive A, Harrington S. "Sticker Shock" in Individual Insurance Under Health Reform. NBER Working Paper Series. Working Paper 20223. June 2014

³ Roy A. 3,137-County Analysis: Obamacare Increased 2014 Individual Market Premiums by Average of 49%. Forbes. June 18, 2014. <https://www.forbes.com/sites/theapothecary/2014/06/18/3137-county-analysis-obamacare-increased-2014-individual-market-premiums-by-average-of-49/#43709347527b>.

⁴ "People Who Currently Buy Individual Market Coverage Could Be Eligible for ACA Subsidies." ASPE Data Point. October 4, 2016. <https://aspe.hhs.gov/system/files/pdf/208306/OffMarketplaceSubsidyeligible.pdf>

Data Point analyzes premium increases from two data series, comparing premium costs in individual market plans purchased by consumers in 2013 to exchange plans purchased in 2017.

Methods

We use Medical Loss Ratio (MLR) and CMS Multidimensional Information and Data Analytics System (MIDAS) data from the Healthcare.gov platform to compare average premiums in 2013 and 2017. MLR data includes premiums paid to issuers offering coverage in the individual market from 2011 to 2015. This allows us to calculate an average national premium and average premiums by state for 2013.

CMS MIDAS data includes Healthcare.gov premiums in 2017. Average premiums are based on a weighted average of plan selections during the 2017 open enrollment period. MLR data and CMS MIDAS data do not allow for a perfect comparison, but the analysis provides an approximation for how average individual market premiums have increased since the ACA's key regulations took effect.

Analysis

The average 2013 monthly premium from MLR data submitted by individual market issuers in the 39 states using Healthcare.gov in 2017 was \$232.⁵ The average monthly premium for plans purchased by individual market consumers in the 39 Healthcare.gov states was \$476 in 2017.⁶ For these 39 states, Table 1 illustrates the average monthly premiums purchased in the individual market in 2013 and the 2017 average monthly exchange plan premium, showing a \$244 and 105% increase. The median state percent increase was 108%. The results are similar with those published by online health insurance broker eHealth, which found a 99% increase in premiums for plans purchased on their portal between 2013 and 2017.⁷

Table 1. Increase in Individual Market Monthly Premiums in Healthcare.gov States

2013 (MLR)	2017 (Healthcare.gov)	Raw Increase	Percent Increase
\$232	\$476	\$244	105%

There is substantial variation in the percent increase by state. All 39 states using Healthcare.gov experienced an increase in individual market premiums from 2013 to 2017. Across the Healthcare.gov states, the lowest premium increase was 12% (New Jersey), and the highest premium increase was 222% (Alabama). Sixteen states had premium increases below the national average of 105%, 20 states experienced premium increases between 105% and 200%, and 3 states saw premiums triple with increases of 200% or more.

⁵ In 2013 MLR data, insurers in the 39 Healthcare.gov states reported \$21.1 billion in premium revenue in 2013 covering 7.57 million life years, an average monthly premium of \$232 per life year.

⁶ At the end of open enrollment in 2017, 9.2 million individuals had selected coverage in Healthcare.gov states with an enrollment-weighted average monthly premium cost of \$476, which for the month of February would represent \$4.38 billion in premiums.

⁷ Health Insurance Price Index Report: 2016 Open Enrollment Period. October 2016. eHealth.

<https://resources.ehealthinsurance.com/affordable-care-act/much-obamacare-cost-2017>. These 2014-2017 premiums included both on- and off-exchange premiums and is limited to the first two months of open enrollment for 2017.

States with benefit mandates similar to those required in the ACA in effect before 2014 had smaller premium increases between 2013 and 2017. Appendix A lists the 2013 premiums from the MLR data, the 2017 premiums from the CMS MIDAS data, and the raw and percent increases for each of the 39 Healthcare.gov states. Appendix B shows 2013 to 2015 average premiums from the MLR data and weighted average exchange plan premiums from 2014 to 2017.

Limitations

First, 2015 is the most recent benefit year for which MLR data are available, so we cannot compare 2013 average premiums with 2017 average premiums using the MLR data.

Second, the premiums obtained using the CMS MIDAS data only include plans purchased through the exchanges.⁸ In 2016, ASPE estimated that the non-exchange individual market equaled 38% of total individual market enrollment.⁴ A slightly smaller portion of the 2017 individual market is likely also outside of Healthcare.gov and not reflected in our 2017 premium data shown here. As many state exchanges have experienced severe adverse selection, we could expect that on average these plans are less expensive than exchange plans, potentially biasing our estimates of the average individual market premium increase slightly upward.

Third, this analysis is limited only to Healthcare.gov states. To the extent that trends are different in state based exchanges (SBEs), especially large SBEs like California and New York, the national average increase may differ from what is reported in this Data Point.

Fourth, this analysis does not account for the fact that the overall populations enrolling in the individual market in 2017 are different from those enrolling in 2013. Older and less healthy people are a larger share of the individual market risk pool now than in 2013. The changing mix of enrollees and adverse selection pressure has likely been a significant cause of the large average premium increases in the individual market over this four-year period.

Conclusion

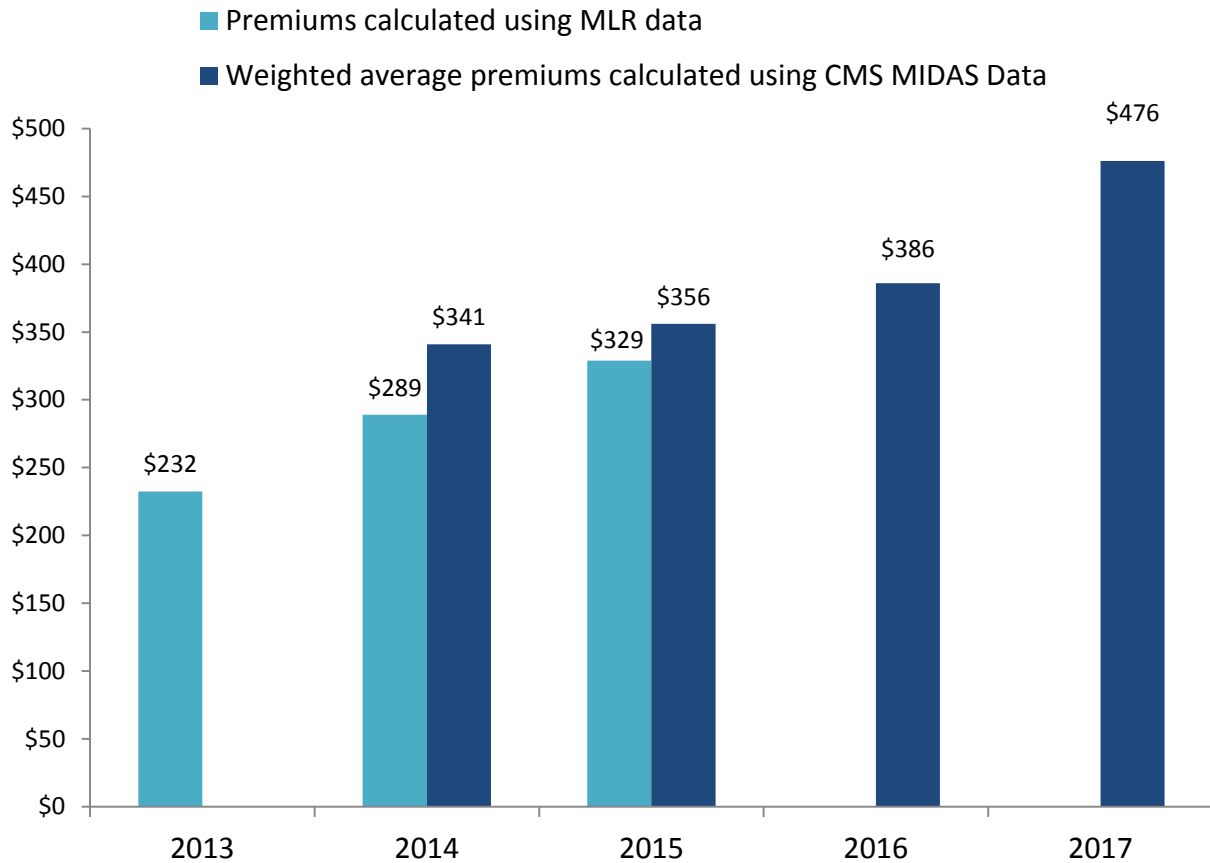
Comparing the 2013 average premiums using the MLR data with the 2017 average premiums obtained using CMS MIDAS data shows average premiums were 105% higher in 2017 than in 2013 and that the median state premium increase was 108%. Moreover, 62% of states using Healthcare.gov had 2017 average premiums double average premiums in 2013. Further work could approximate the relative contribution of the various ACA provisions, such as benefit mandates, guaranteed issue, and rating rules, to the overall premium increase in this market.

⁸ Off-exchange ACA compliant plans and non-ACA compliant plans (also known as “grandfathered” or “grandmothered” plans) are not included.

Appendix A. Individual Market Premiums, 2013 vs 2017, by state

	Average Monthly Premium (MLR data)	Average Monthly Premium (CMS MIDAS)	Dollar Increase	Percent Increase
	2013	2017	2013 vs 2017	2013 vs 2017
<i>National (39 Healthcare.gov states)</i>	\$232	\$476	\$244	105%
Alabama	\$178	\$575	\$397	223%
Alaska	\$344	\$1,041	\$697	203%
Arizona	\$211	\$611	\$400	190%
Arkansas	\$184	\$420	\$236	128%
Delaware	\$274	\$569	\$295	108%
Florida	\$240	\$442	\$202	84%
Georgia	\$209	\$431	\$222	106%
Hawaii	\$268	\$477	\$209	78%
Illinois	\$248	\$517	\$269	108%
Indiana	\$242	\$420	\$178	74%
Iowa	\$251	\$526	\$275	110%
Kansas	\$231	\$476	\$245	106%
Kentucky	\$232	\$406	\$174	75%
Louisiana	\$248	\$552	\$304	123%
Maine	\$335	\$518	\$183	55%
Michigan	\$212	\$402	\$190	90%
Mississippi	\$211	\$455	\$244	116%
Missouri	\$197	\$483	\$286	145%
Montana	\$249	\$581	\$332	133%
Nebraska	\$235	\$595	\$360	153%
Nevada	\$204	\$379	\$175	86%
New Hampshire	\$302	\$399	\$97	32%
New Jersey	\$428	\$479	\$51	12%
New Mexico	\$186	\$366	\$180	97%
North Carolina	\$240	\$662	\$422	176%
North Dakota	\$278	\$399	\$121	44%
Ohio	\$222	\$413	\$191	86%
Oklahoma	\$206	\$620	\$414	201%
Oregon	\$220	\$462	\$242	110%
Pennsylvania	\$242	\$533	\$291	120%
South Carolina	\$233	\$512	\$279	120%
South Dakota	\$242	\$541	\$299	124%
Tennessee	\$213	\$587	\$374	176%
Texas	\$222	\$404	\$182	82%
Utah	\$159	\$319	\$160	101%
Virginia	\$229	\$405	\$176	77%
West Virginia	\$261	\$702	\$441	169%
Wisconsin	\$266	\$514	\$248	93%
Wyoming	\$297	\$614	\$317	107%

Appendix B. Average Monthly Premiums in the Individual Market for Healthcare.gov states



Note: Earned premiums are equal to premium revenue collected by issuers. Individual market calculations are based on Medical Loss Ratio (MLR) data from 2013 to 2015. These data represent the entire individual market – including on- and off-exchange plans, as well as ACA-compliant and non-ACA-compliant plans. Healthcare.gov calculations are based on enrollee plan selections during the annual Open Enrollment Periods from 2014 to 2017. These data do not take into account premium tax credits.

Source: ASPE analysis of CMS MLR data, 2013-2015, and CMS MIDAS data, 2014-2017.