ASPE
RESEARCH BRIEF

HEALTH INSURANCE PREMIUM INCREASES IN THE INDIVIDUAL MARKET SINCE THE PASSAGE OF THE THE AFFORDABLE CARE ACT

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Summary**:** The Affordable Care Act brings an unprecedented level of scrutiny and transparency to health insurance rate increases. Evidence suggests that the Affordable Care Act contributed to a reduction in the rate of increase in premiums in the individual market since 2010. The proportion of rate filings in which the requested increase was 10 percent or more declined from 75 percent in 2010 to 34 percent in 2012, consistent with the increased scrutiny that such requests now receive. Available data for 2013 suggest that this pattern of slower premium growth has been maintained so far in 2013, with only 14 percent of requested rates at 10 percent or more. In addition, the average premium increase in 2012 was 30 percent below that in 2010.

The Affordable Care Act brings an unprecedented level of scrutiny and transparency to health insurance rate increases. Thanks to the law, for the first time ever, insurance companies in all states cannot raise rates without accountability or transparency.[1] By requiring insurance companies to document, submit for review, and publicly justify rate increases of 10 percent or more, requests for rate increases above that level receive greater scrutiny than they had prior to the Affordable Care Act. While a number of the broader insurance reforms included in the Affordable Care Act are set to start in 2014, the Rate Review Program created under the law is already in effect and benefiting consumers by increasing standards for review of premium increases and overall insurance company transparency.

The Affordable Care Act requires all non-grandfathered policies renewing on or after September 23, 2010 to cover preventive services with zero cost-sharing, to guarantee availability to children without regard to pre-existing conditions, to phase out annual dollar limits on essential health benefits, and to provide a set of basic patient protections. In addition, the Affordable Care Act directs insurers offering products in the individual market to spend at least 80 percent of premiums on medical care, and starting September 1, 2011, requires that requests for rate increases of 10 percent or more for non-grandfathered policies be reviewed for reasonableness.

[1]Rate review applies to all non-grandfathered plans.

A Kaiser Family Foundation study of the effects of health insurance rate review concluded, "Our analysis of publicly available information about state rate review programs suggests that these programs have a material influence on premiums that ultimately get charged to individuals and small businesses."[2] Similarly, an HHS study analyzed requested rate increases of 10 percent or more, and found that the rates implemented were 2.8 percentage points lower than requested, and that among all rate increases in 2011 (including those above and below 10 percent), the average rate increase implemented was 1.4 percentage points below the rate requested.[3] The study also found that, among the rate requests for 10 percent or more that had been finalized as of the date of the study, more than 50 percent resulted in consumers receiving either a lower rate increase than requested or no increase at all.

Methods

There is no comprehensive source of data on premiums in the individual market, although data being gathered by the Centers for Medicare & Medicaid Services (CMS) will fill this gap in the future. By contrast, there is a consistent source of longitudinal, nationally representative data on premiums for employer-sponsored group insurance, the Medical Expenditure Panel Survey-Insurance Component (MEPS-IC) conducted by the Agency for Healthcare Research and Quality (AHRQ) and the National Center for Health Statistics (NCHS).[4]

This policy brief analyzes data on rate increases in the individual market from 2009 to 2013, using data available on state insurance websites and data obtained directly from states. We analyze data from 9 states in 2009, 11 states in 2010, and 15 states in 2011 and 2012. Preliminary data from 10 states are available for 2013. The analytic sample includes approximately 300 rate filings in 2011 and 2012, covering 2.6 to 2.7 million policyholders, or over 35 percent of all non-group policyholders in the country. The analytic sample is not a random sample of all non-group policies – results in states without public websites might be different than those results in the states with available data. All results in this brief are weighted by the number of policyholders. Details on methods are in the Appendix.

We use two methods to assess the effects of the Affordable Care Act on rate increases in the individual market. First, we analyze trends over time in the proportion of filings that requested an increase of 10 percent or more. It is plausible that insurers seeking to avoid scrutiny of their rate increase requests would have been more circumspect in proposing increases of 10 percent or more after implementation of the rate review requirement in September 2011 than prior to implementation. Second, we compare the rate of increase in 2011, 2012, and 2013 to increases in 2009 and 2010. If the Affordable Care Act is causing the rate of premium growth to decrease (or increase), then the rate of premium growth post-Affordable Care Act should be lower (or

[2] "Quantifying the Effects of Health Insurance Rate Review". Kaiser Family Foundation 2012. (Accessed at http://www.kff.org/healthreform/8376.cfm.)

[3] "2012 Annual rate Review Report: Rate Review Saves Estimated $1 Billion for Consumers", Department of Health and Human Services, 2012. (Accessed at http://www.healthcare.gov/news/reports/rate-review09112012a.html.)

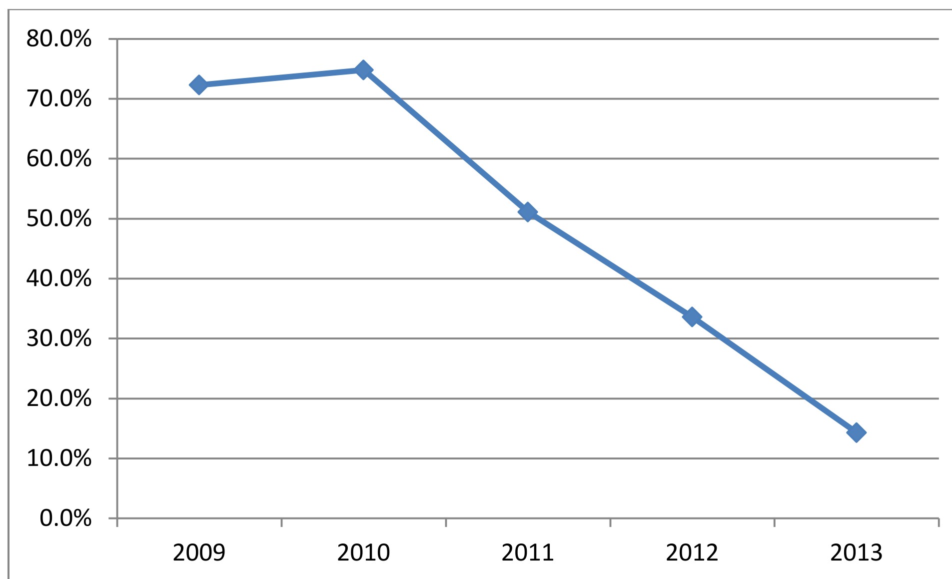
[4] "Medical Expenditure Panel Survey – Insurance Component (MEPS-IC). Department of Health and Human Services. (Accessed at http://meps.ahrq.gov/mepsweb/survey_comp/Insurance.jsp.)

higher) than prior to implementation of the Affordable Care Act. However, decreases (or increases) in premium growth might be due to factors other than the Affordable Care Act. To control for general trends in health care costs, which have moderated substantially over the past few years, we compare the rate of increase in premiums in the individual market to the rate of increase in the market for employer sponsored insurance (ESI), using data from the MEPS-IC.

Results

Since 2010, there has been a decline in the proportion of rate filings in which the requested increase is at or above the Affordable Care Act threshold of 10 percent. In 2010, 75 percent of rate filings requested increases of 10 percent or more, a proportion that dropped to 34 percent in 2012 (See Figure 1).[5] The sharp drop in requests for increases of 10 percent or more is most likely the result of the increased scrutiny that rate increases of 10 percent or more now receive.

Figure 1
Percentage of Individual Market Rate Filings with
Rate Change Requests of 10 Percent or More
For Selected States, 2009-2013



Source: Data from 9 states with 213 filings in 2009, 11 states with 238 filings in 2010, 15 states with 307 filings in 2011, 15 states with 283 filings in 2012, and 10 states with 77 filings in 2013. The 2013 results are incomplete for the 10 states that are included.

Although results for 2013 are still preliminary, the available data suggest that the slowdown in rate increases seen from 2010 to 2012 has continued into 2013. The proportion of policies with rate increases of 10 percent or more is much lower, 14 percent in 2013, than in any previous year

[5] Similarly, the proportion of policyholders enrolled in policies in which the requested rate increase was 10 percent or more decreased from 69 percent in 2010 to 37 percent in 2012.

(see Figure 1).[6] Further, the average increase for policies in 2013 in the data available to date was slightly below the level in 2012 (7.9 percent for 2013 compared to 8.1 percent in 2012), providing no indication of an acceleration in the rate of growth of 2013 premiums, although these results are based on incomplete data.

In the individual market in 2012 the average rate increase implemented in the analytic sample was 8.1 percent, 30 percent (or 3.5 percentage points) lower than the 11.6 percent average in 2010. By contrast, rate increases in the group market have been relatively stable from 2009 to 2011 (data from the 2012 MEPS-IC is not yet available).[7] These results are consistent with the hypothesis that, on net, the Affordable Care Act contributed to a decrease in the rate of premium growth in the individual market.

Discussion

In addition to slowing the rate of premium growth in the individual market, the Affordable Care Act has increased the availability and accessibility of information about health insurance rate changes. The Affordable Care Act established the Rate Review Grants Program, awarding states $250 million over five years to strengthen and improve their rate review processes, monitor rate increases, and make health insurance rates understandable for consumers.[8] Of the 44 states receiving rate grants for 2010-2012, 40 states reported enhancements to their rate review websites, including searchable rate filings, new public comment options, live streaming of rate hearings, and plain language explanations of rate review and rate filings.[9]

[6] As described in the Appendix, 2013 results are available for 10 states and include policies with approximately 35 percent of the policyholders in the 2012 analysis.

[7] Data from the MEPS-IC surveys show that the average increase in individual premiums per enrollee was 6.5 percent in 2009, 5.8 percent in 2010, and 5.7 percent in 2011. (Accessed at http://meps.ahrq.gov/mepsweb/survey_comp/Insurance.jsp.)

[8] 2012 Annual rate Review Report: Rate Review Saves Estimated $1 Billion for Consumers", Department of Health and Human Services, 2012. (Accessed at http://www.healthcare.gov/news/reports/rate-review09112012a.html.)

[9] "Rate Review Grants". Department of Health and Human Services. (Accessed at http://cciio.cms.gov/archive/grants/rate-review-grants-map.html.)

Appendix

This issue brief analyzes health insurance premium rate increases for comprehensive major medical policies and HMOs in the individual market. States were included in the analysis if data were available on rate change requests, rate changes implemented, and the number of policyholders or members affected by the rate change for at least 2 full years. Requests that were submitted for new state or federal coverage mandates were not included. Most of the data were collected from state insurance websites. Data from Minnesota, New Jersey, and Washington State were obtained directly from state officials for 2009 to 2011. The analysis includes data from 9 states in 2009, 11 states in 2010, 15 states in 2011 and 2012, and 10 states in 2013 (see Table A-1). A number of states have data available from 2012 on but not complete data for earlier years so trends over time could not be analyzed. Most of these states are prior approval states for the individual market except California, New Jersey, and Wisconsin, which are file and use states.

Most states now use the National Association of Insurance Commissioners' (NAIC) System of Electronic Rate and Form Filing (SERFF). The disposition page on SERFF has the implementation date, insurance company name, overall percentage rate impact (requested), the number of policyholders affected, and the overall percentage rate change approved. The overall percentage rate approved is the statewide average percentage change approved to the current rates for the benefit plans included in the rate filing. The rate filing may include different rate changes by age category, geographic area, and/or benefit coverage (deductibles, cost-sharing, and specific benefits such as prescription drugs).

Results regarding average premium increases are a weighted average, where the weights are proportional to the number of policyholders covered by each rate filing. Although insurers were instructed to provide information on the number of policyholders, some insurers submitted information on the number of members, which includes dependents. We used a number of methods to identify instances where members were substituted for policyholders, and to correct the data to get a consistent count of policyholders. The insurers may not have labeled the number of members correctly on the disposition page, but we were able to ascertain from other parts of the rate filing whether the number was for members or policyholders. Some state insurance websites did not post actual rate filings but summarized the data which may include the number of policyholders or the number of members. We used information on the ratio of policyholders to members to convert estimates of the number of members to the number of policyholders. Information on the number of policyholders and members is provided for most rate filings in four states. The number of members per policyholder was 1.44 for California major medical policies, 1.51 for California HMOs, 1.66 for Minnesota, 1.55 for Rhode Island, and 1.61 for Washington State, for an average of 1.48 overall (or 0.67 policyholders for each member) across these states. Where it was necessary to estimate the number of policyholders, the state-specific factor was used (for some California major medical policies, some California HMOs, some Minnesota policies, and some Washington State rate filings) . The overall factor of 0.67 was used to estimate the number of policyholders for Delaware, New Jersey, and Oregon. The state insurance websites are shown in Table A-2.

Table A-1
Number of Policyholders and Rate Filings Included in the Analysis

State	2009 Policyholders	2010 Policyholders	2011 Policyholders	2012 Policyholders	2013 Policyholders
AR	61,594	52,894	46,654	38,357	41,162
CA[1]	no data	no data	879,031	1,056,924	166,485
CT	no data	no data	76,600	60,371	34,783
DE	no data	no data	7,935	1,481	no data
FL	402,708	366,011	379,540	397,064	no data
IN	no data	no data	162,967	130,214	172,275
ME	11,028	17,259	17,387	9,615	no data
MN	no data	150,097	147,679	154,543	102,244
NC	145,465	225,038	246,685	264,120	238,635
NJ[1]	74,624	78,973	83,871	72,668	no data
OR	130,995	119,808	139,568	112,140	21,341
PA	no data	118,288	125,175	183,664	93,411
RI	9,100	9,425	9,425	9,808	no data
WA	178,711	184,371	176,863	172,477	71,403
WI[1]	105,843	124,541	88,683	51,486	5,020
Total	1,120,068	1,446,704	2,588,062	2,714,932	946,759

State	2009 Filings	2010 Filings	2011 Filings	2012 Filings	2013 Filings
AR	19	19	10	8	5
CA[1]	no data	no data	23	25	4
CT	no data	no data	12	15	7
DE	no data	no data	6	5	no data
FL	68	52	58	48	no data
IN	no data	no data	42	23	10
ME	5	8	4	5	no data
MN	no data	11	9	15	5
NC	21	20	9	18	4
NJ[1]	17	21	17	11	no data
OR	33	25	30	26	6
PA	no data	21	27	40	25
RI	1	1	1	1	no data

WA	14	14	13	9	3
WI[1]	35	46	46	34	8
Total	213	238	307	283	77

[1]States without prior approval authority

Source: State insurance websites except directly from MN, NJ, and Washington State for 2009-2011

Table A-2
State Insurance Websites with Rate Change Information

State	Summary of Rate Changes or Rate Filings
AR	http://www.insurance.arkansas.gov/LH/FlgShpage/Filings.htm
CA	http://www.insurance.ca.gov/0250-insurers/HlthRateFilings/index.cfm http://wpso.dmhc.ca.gov/RateReview/
CT	www.catalog.state.ct.us/cid/portalApps/RateFilingDefault.aspx
DE	http://www.delawareinsurance.gov/departments/rates/MedWebRate2011_2012.pdf http://delawareinsurance.gov/departments/rates/ratefilings.shtml
FL	http://www.floir.com/Office/DataReports.aspx http://www.floir.com/edms/
IN	http://www.in.gov/idoi/files/SerffReportIDOI113010_(4).pdf http://www.in.gov/idoi/ratewatch/
ME	http://www.maine.gov/pfr/insurance/PPACA/HFAI.htm#
MN	http://mn.gov/commerce/insurance/topics/medical/Access-Filing/access-filings-overview.jsp#
NC	http://infoportal.ncdoi.net/filelookup.jsp?divtype=3
NJ	http://www.state.nj.us/dobi/lifehealthactuarial/rateinfo/ratefilings_ihc.html
OR	http://www.oregoninsurance.org/insurer/rates_forms/health_rate_filings/health-rate-filing-search.html
PA	http://www.portal.state.pa.us/portal/server.pt/community/industry_activity/9276

RI	http://www.ohic.ri.gov/Insurers_RegulatoryActions.php
WA	https://fortress.wa.gov/oic/onlinefilingsearch/
WI	https://ociaccess.oci.wi.gov/Companyfilings/jsp/rfsearch.oci