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Report finds lower insurance premiums, more choices in 2014 for families, businesses under Affordable Care Act

New HHS report shows some families can save up to \$14,900 annually, tax credits will save small businesses \$6 billion over two years

Secretary of Health and Human Services Kathleen Sebelius today released a new report showing how much families and businesses can save on health insurance premiums and out-of-pocket costs under the Affordable Care Act in 2014 – each year, a low-income family of four could save up to \$14,900 and businesses will benefit from the savings and tax credits in the new law.

“For too long, skyrocketing health care costs have made it hard for businesses to provide coverage for employees and have made it difficult for families to afford coverage,” said Sebelius. “The Affordable Care Act is providing families and businesses with more freedom, choices, and savings in their health care coverage. Without the Affordable Care Act, consumers and businesses would face higher premiums, fewer insurance choices, and rapidly rising health care costs.”

The report finds that, compared to what they would have paid without the law:

- Middle-class families purchasing private insurance in the new State-based Health Insurance Exchanges could save as much as \$2,300 per year in 2014.
- Tax credits provided by the Affordable Care Act will lead to even greater savings. For example, in 2014, a family of four with an income of \$33,525 could save as much as \$14,900 per year since they will also qualify for tax credits and reduced cost sharing.
- In 2014, Small businesses, on average, could save up to \$350 per family policy and many may be eligible for tax credits of up to 50 percent of their premiums.
- The tax credits are already available to small businesses, and cover 35 percent of their premiums. For example, a firm with 10 workers who earn an average of \$20,000 annually could currently receive credits of \$35,000 annually. These tax credits could save small businesses \$6 billion in 2010 and 2011.
- All businesses will likely see lower premiums of \$2,000 per family by 2019, which could generate millions of dollars in savings.

These savings are in sharp contrast to the rising insurance costs families and businesses have experienced over the previous decade. From 1999 to 2009 premiums more than doubled, rising by over \$7,500 for the average family that gets insurance through an employer. The high cost of health care made it difficult for many small businesses to offer insurance to their workers. The percentage of small employers offering health insurance dropped from 65 to 59 percent between 1999 and 2009.

The report outlines several of the provisions of the Affordable Care Act that HHS has already begun to implement that will help create these savings, including provisions to increase transparency in the health insurance marketplace. In 2011, most health insurance companies will be required to spend at least 80 percent of premium dollars on health care and quality improvements, rather than overhead

and administrative costs. States have received new resources to improve review of proposed health insurance premium rate increases, and HHS has proposed that, in 2011, any proposed rate increase above 10 percent should be reviewed.

In addition, businesses are receiving new resources to help meet rising health care costs for employees and retirees. Many small businesses are already eligible for tax credits that cover up to 35 percent of insurance costs for their employees. And more than 5,000 sponsors have been accepted into the Early Retiree Reinsurance Program, which is designed to provide financial relief to help early retirees and their families continue to have quality, affordable health coverage.

The report also emphasizes the important changes coming in the future. Starting in 2014, State-based Exchanges will make it easier for people to compare benefits and services and enable individuals and small businesses to pool together and use their market strength to buy coverage at a lower cost.

The report can be found at: <http://www.healthcare.gov/center/reports/premiums01282011a.pdf>

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