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**PLANS ALLOWING PEOPLE TO KEEP HEALTH INSURANCE  
WILL NOT THREATEN NEW INSURANCE MARKETPLACES, STUDY FINDS**

Plans to allow people to keep their individual health insurance policies even if they don't meet the requirements of the federal Affordable Care Act are unlikely to send new health insurance marketplaces into a "death spiral," according to a new RAND Corporation study.

Although three options put forward to help people keep their old plans all would cause some disruption of the risk pools that are important to the insurance exchanges, none of the changes would be severe enough to threaten their viability, according to the study.

An option adopted by President Obama to allow state insurance commissioners to decide whether to extend old insurance policies is the least disruptive of the three policies examined by the RAND report. The study predicts the president's action will have only minimal effect on enrollment and premiums.

The most disruptive of the alternative proposals would both allow people to keep their old health plans and allow others to buy the policies as well. That option would lead to moderate price hikes and sharply lower enrollment in the new marketplaces, substantially increasing federal spending on subsidies for enrollees.

“Our analysis shows that plans to allow individuals to keep their old policies will not threaten the short-term viability of the new individual insurance marketplaces,” said Evan Saltzman, a the study’s lead author and a project associate at RAND, a nonprofit research organization. “However, the strategies put forward may increase federal spending and increase prices in the new individual marketplaces.”

After criticism arose over some consumers in the individual market losing their existing health insurance plans, President Obama in November announced rules that allow current nongroup enrollees to keep their existing health plans, provided their state’s health insurance commissioner permits such actions.

Two alternative proposals also were put forward in the Congress, but have stalled. One would require insurance companies to continue to offer non-compliant individual health plans indefinitely, but not allow new enrollees into these plans. A second bill would allow the non-compliant plans to continue and to be offered to new enrollees in the future.

Because each of the proposals would divert many young and healthy people away from the new health insurance marketplaces, there has been concern the changes could lead to a self-reinforcing cycle of increasing premiums and enrollment drops that could lead to the implosion of the marketplaces.

RAND researchers used an updated version of the RAND COMPARE microsimulation model, which predicts the effects of health policy changes at state and national levels, to estimate how the three approaches could affect the new marketplaces for individuals under the Affordable Care Act.

All three of the proposals are likely to increase the overall number of people with health insurance because many non-compliant insurance policies are likely to be less expensive than those offered in the new health insurance marketplaces. However, many of the non-compliant policies would likely offer fewer benefits than policies offered in the new marketplaces.

Saltzman and study co-author Christine Eibner found that opening the non-conforming plans to new enrollees would have the most-detrimental effect on the new insurance marketplaces. Such a

strategy would likely raise premiums in the marketplaces by as much as 10 percent and decrease enrollment by 3.2 million nationally.

In addition, such a plan would trigger an additional \$5 billion in federal spending on subsidies and tax credits in the individual marketplace in 2015. The two other strategies would result in far smaller cost increases.

The study, “Evaluating the ‘Keep Your Health Plan Fix:’ Implications for the Affordable Care Act Compared to Legislative Alternatives,” is available at [www.rand.org](http://www.rand.org).

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RAND Health is the nation’s largest independent health policy research program, with a broad research portfolio that focuses on health care costs, quality and public health preparedness, among other topics.

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