



**The Oversight Series**  
 Accountability to the American People

# The Looming Premium Rate Shock

Estimated 2014 Premium Rate Changes due to PPACA

| PPACA Item  | INDIVIDUAL BUSINESS |                                     |      |
|---|---------------------|-------------------------------------|------|
|   | New Business        | Existing Non-Grandfathered Business |      |
| Essential Health Benefits (EHBs) and Cost-Sharing Rules       | 15.0%               | 15.0%                               |      |
| Minimum Bronze Level  | 10.0%               | 8.0%                                |      |
| Guarantee Issue, Removal of Underwriting Actions              | 65.0%               | 10.0%                               |      |
| Insurer Fees  | 2.3%                | 2.3%                                |      |
| Reinsurance Recovery*   | -10.0%              | -10.0%                              |      |
| Risk Adjustment Transfer Payment **                           | 0.0%                | 35.0%                               |      |
| Reinsurance, Risk Adjustment Fees (\$5.33 pmpm)               | 1.8%                | 1.8%                                |      |
| Secondary Effect - Small Employer Market Dropout              | n/a                 | n/a                                 |      |
| Average Starting Premium Per Member Per Month                 | \$ 158              | \$ 179                              |      |
| + Essential Health Benefits (EHBs) and Cost-Sharing Rules     | \$ 182              | \$ 206                              |      |
| + Minimum Bronze Level  | \$ 200              | \$ 222                              |      |
| + Guarantee Issue, Removal of Underwriting Actions            | \$ 330              | \$ 245                              |      |
| + Insurer Fees  | \$ 337              | \$ 250                              |      |
| + Reinsurance Recovery*                                       | \$ 304              | \$ 225                              |      |
| + Risk Adjustment Transfer Payment **                         | \$ 304              | \$ 304                              |      |
| + Reinsurance, Risk Adjustment Fees (\$5.33 pmpm)             | \$ 309              | \$ 309                              |      |
| + Secondary Effect - Small Employer Market Dropout            | \$ 309              | \$ 309                              |      |
| <b>Total Average Change Due to 2014 PPACA-Related Impacts</b> | <b>96%</b>          | <b>73%</b>                          |      |
| <b>Potential Rate Change Ranges*** due to:</b>                |                     |                                     |      |
| (1) Age   | Low -25%            | 47%                                 | 30%  |
|   | High 52%            | 197%                                | 163% |
| (2) Minimum Bronze Plan                                       | Low 0%              | 78%                                 | 60%  |
|   | High 90%            | 238%                                | 204% |
| Both (1) & (2)  | Low -25%            | 33%                                 | 20%  |
|   | High 189%           | 413%                                | 362% |

*Actual Average Company Analysis*

How much could Obamacare cost YOU?

**96% MORE**  
for those getting a new plan

**73% MORE**  
for those keeping their insurance

as much as  
**413% MORE**  
based on age and Obamacare plan mandates

\* Reinsurance recoveries could range from 5% - 15%, with larger variances at the state level based on the block size.  
 \*\* Risk adjustment transfer payment is based on internal data comparisons. While 35% is shown for existing business impact, actual transfer will differ. Additional analysis pending. We expect the risk adjustment transfer to be a payment from Existing Non-Grandfathered Business, since the existing business is largely an underwritten block with lower average morbidity.  
 \*\*\* Ranges do not account for additional variation due to Area Factor and Underwriting Rating changes.  
 \*\*\*\* Premium for Individual book of business is not directly comparable to premium for Small Group book of business in this example due to different inherent benefit levels, geographic mix, and other factors

Material produced to the U.S. House of Representatives Committee on Energy and Commerce in response to 03/14/13 request. The analyses are not a comprehensive summary of all PPACA-related premium impacts. There may be other factors that impact premiums that are not reflected in the material.

Prepared by the Energy and Commerce Committee, Majority Staff

## *Introduction*

Affordability. It was a central premise – and promise – of the Patient Protection and Affordable Care Act (PPACA) when the law was debated in Congress throughout 2009 and signed into law on March 23, 2010. In his remarks that day, President Barack Obama stated: “This legislation will also lower costs for families and businesses . . . .”<sup>1</sup> Over three years later, the White House continues to state that the PPACA will lower costs.<sup>2</sup>

**“...and for the 85 to 90 percent of Americans who already have health insurance, they’re already experiencing most of the benefits of the Affordable Care Act even if they don’t know it.”**

-President Barack Obama,  
Apr. 30, 2013

As part of its responsibility to conduct oversight of the programs, spending, and matters within its jurisdiction, the Committee on Energy and Commerce is conducting a multi-faceted investigation of PPACA and its consequences. The following report chronicles the massive premium increases awaiting Americans when full implementation of the PPACA occurs in eight months, definitively contradicting the promise that the law will lower costs. As this report demonstrates, consumers purchasing health insurance on the individual market may face premium increases of nearly 100 percent on average, with potential highs eclipsing 400 percent. Meanwhile, small businesses can expect average

premium increases in the small group market of up to 50 percent, with potential highs over 100 percent.

On March 14, 2013 the committee sent [letters](#) to 17 of the nation’s largest health insurance companies requesting analyses of the effect of PPACA’s policies, mandates, taxes, and fees on premiums.<sup>3</sup>

The materials submitted by the health insurance companies show that the PPACA will increase premiums significantly for most Americans. One company stated: “...consumers in about 90% of all states would likely face significant premium increases.”<sup>4</sup> Another insurer wrote that they “expect

**“Overall, the findings showed that individual consumers in about 90% of all states would likely face significant premium increases.”**

-Letter from Health Insurer,  
Apr. 1, 2013<sup>4</sup>

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<sup>1</sup> President Barack Obama, Statement on the Signing of the Patient Protection and Affordable Care Act (Mar. 23, 2010), *available at* <http://www.whitehouse.gov/photos-and-video/video/president-obama-signs-health-reform-law#transcript>.

<sup>2</sup> *See* Health Insurance Reform Reality Check, THE WHITE HOUSE, <http://www.whitehouse.gov/realitycheck/> (last visited May 11, 2013) (The PPACA “lower[s] health care costs.”); *See also* Get the Facts Straight on Health Reform, THE WHITE HOUSE, <http://www.whitehouse.gov/healthreform/myths-and-facts> (last visited May 11, 2013).

<sup>3</sup> An explanation of the information requested, the materials produced, and the redactions of these materials is [available here](#).

<sup>4</sup> Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce (Apr. 1, 2013) [hereinafter: “Exhibit C”].

significant increases in premiums for a large percentage of our membership depending on their current health plan product and their specific circumstances.”<sup>5</sup>

As the documents provided by the insurers indicate, the primary reason costs will increase is that the PPACA requires insurers to provide increased services and benefits while, at the same time, it limits their ability to charge consumers based on age or health status. The minimum coverage requirements will increase premiums for those who had previously purchased less robust coverage, while “the infusion of less healthy individuals into the risk pool” will compound premium increases.<sup>6</sup> While the end of gender rating may decrease premiums for younger women, other populations including older women and men will see rates go up even with narrower age rating bands.<sup>7</sup> Meanwhile, insurers’ inability to offer younger and healthier individuals lower priced plans will result in dramatic premium increases for young adults.

Furthermore, a survey provided by one insurer indicated that insurers may be providing services that their customers do not want. According to materials submitted to the committee, 50 percent of shoppers in a simulated PPACA healthcare exchange would choose a product based on price.<sup>8</sup> No more than 15 percent of respondents indicated that a coverage or benefit issue would influence their decision. For example, only 15 percent of respondents indicated that “level of service” would influence their choice of insurance product.<sup>9</sup>

### *The Individual Market*

Individuals who do not receive health coverage through an employer or spouse often purchase coverage directly from insurers on the non-group market, otherwise known as the individual market.

The materials insurers provided to the committee indicate that consumers who purchase insurance in the individual market after full implementation of the PPACA will be hit with substantial premium increases. One insurer noted that 45 states and the District of Columbia “will see significant premium increases.”<sup>10</sup>

**“But, the bottom line is that the PPACA does not contain many provisions that will reduce costs and improve affordability, especially in the short term.”**

-Letter from Health Insurer,  
Apr. 1, 2013<sup>5</sup>

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<sup>5</sup> Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 2 (Apr. 1, 2013) [hereinafter “Exhibit A”].

<sup>6</sup> Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 2 (Apr. 1, 2013) [hereinafter “Exhibit D”].

<sup>7</sup> *Id.* See also Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 7-11 (Apr. 1, 2013) [hereinafter “Exhibit H”].

<sup>8</sup> See Exhibit D, *supra* note 6, at 6.

<sup>9</sup> *Id.* In fact, the top 6 responses were all related to cost (Price, low copays, low deductible, low out of pocket costs, low co-insurance, low copay for generic drugs).

<sup>10</sup> Exhibit C, *supra* note 4, at 24.

The following is a selection from a chart submitted by one leading national insurer to the committee forecasting anticipated average premiums in the individual market. According to that insurer it “illustrates the estimated premium impact of the various 2014 PPACA provisions. . . .”<sup>11</sup>

| <b>INDIVIDUAL BUSINESS</b>                                    |      |      |                     |                 |
|---|------|------|---------------------|-----------------|
| <b>Existing Non-Grandfathered</b>                             |      |      |                     |                 |
|   |      |      | <b>New Business</b> | <b>Business</b> |
| <b>Total Average Change Due to 2014 PPACA-Related Impacts</b> |      |      | <b>96%</b>          | <b>73%</b>      |
| <b>Potential Rate Change Ranges*** due to:</b>                |      |      |                     |                 |
| (1) Age   | Low  | -25% | 47%                 | 30%             |
|   | High | 52%  | 197%                | 163%            |
| (2) Minimum Bronze Plan                                       | Low  | 0%   | 78%                 | 60%             |
|   | High | 90%  | 238%                | 204%            |
| Both (1) & (2)  | Low  | -25% | 33%                 | 20%             |
|   | High | 189% | 413%                | 362%            |

The total average change due to the PPACA for new business in the individual market will be a 96 percent increase in premiums.<sup>12</sup> Existing customers can expect an average increase of 73 percent.<sup>13</sup> Note that these are only the *average* expected changes because of the PPACA. As is shown above, new business in the individual market could see a premium increase of 413 percent when new requirements on age rating and required benefits are taken into account.<sup>14</sup>

In dollars, this is a large hit to every American’s pocketbook. The average yearly cost for a new customer in the individual market grows from \$1,896 to \$3,708 -- a \$1,812 cost increase.

Another insurer provided materials showing that the average increase would be much higher for a young, healthy male.

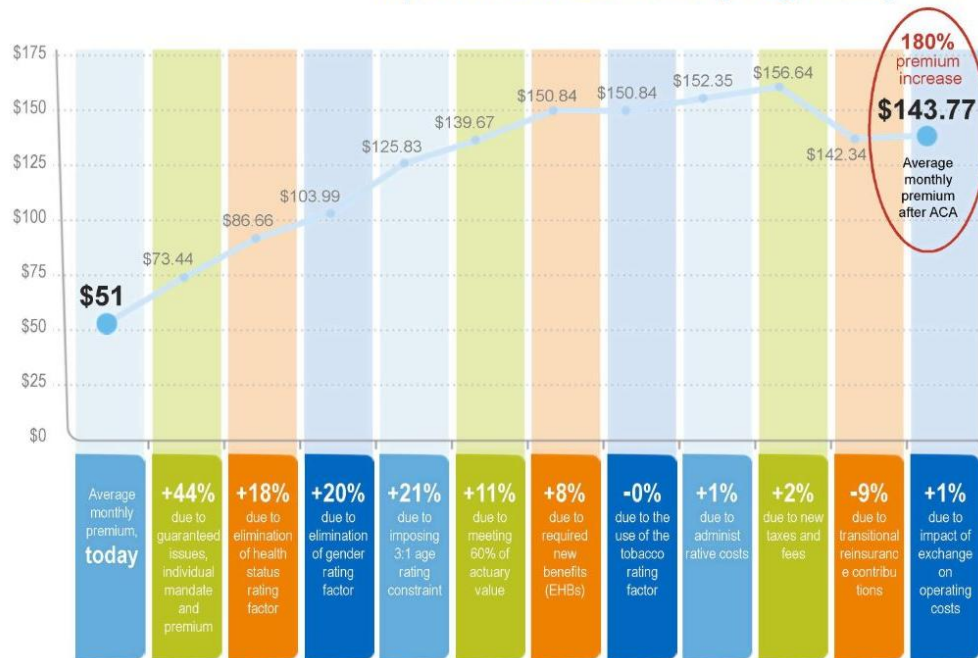
<sup>11</sup> Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 2-3 (Apr. 1, 2013) [hereinafter “Exhibit E”].

<sup>12</sup> *Id.* at 3.

<sup>13</sup> *Id.* The distinction between new and existing business was described to Committee staff as a company-specific decision because this insurer can more accurately predict the insurance pool for people already in it. Premiums for new business increase further because they are expecting additional individuals to join who may be less healthy than the current pool.

<sup>14</sup> *Id.* Existing business could see premiums spike as much as 362 percent. Potential increases of 400 percent were also seen in another insurer’s materials. Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 47 (Apr. 1, 2013) [hereinafter “Exhibit F”].

## Rate Shock Chart – Impact on individual market: young, healthy male



As the chart<sup>15</sup> suggests, the PPACA could lead to a 180 percent premium increase.

The materials obtained by the committee demonstrate that substantial premium increases are likely to occur nationwide. Following is a selection of premium analyses in the individual market for states for which more than one insurer submitted materials.

**Arizona Individual Market:** Materials provided by one insurer show an average increase of 30 percent.<sup>16</sup> One insurer provided analysis showing that the male population could face increases ranging from 38 percent to 59 percent.<sup>17</sup> Another insurer produced materials showing potential Arizona premium increases ranging from 24 percent to 26 percent, depending on the region of the state.<sup>18</sup>

<sup>15</sup> Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 2 (Apr. 1, 2013) [hereinafter “Exhibit B”]. This chart has been formatted to fit here, the full version, [available online](#), describes this example as based on “a survey conducted by the American Action Forum of major insurers representing the vast majority of covered individuals in the U.S. and asking the likely impact of the [ACA] on premiums in the individual and small group markets.”

<sup>16</sup> Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 11 (Apr. 1, 2013) [hereinafter “Exhibit G”].

<sup>17</sup> See Exhibit C, *supra* note 4, at 28-30. This insurer provided a substantial amount of analysis of the effect of the PPACA on individual markets in a variety of states. As each chart makes clear, this is for a “representative plan in the market”, not necessarily a plan offered by that insurer. In a conversation with Committee staff representatives from the insurer indicated that they chose a popular plan in each state and applied their expertise to how that plan would be changed by the PPACA to come at their best estimate of the impact. Representatives from the insurer indicated that they believe they are within the range of PPACA impact and that they stand behind this analysis.

<sup>18</sup> Letter from INSURER REDACTED to Representative Fred Upton, Chairman, House Committee on Energy and Commerce, at 3 (Apr. 1, 2013) [hereinafter “Exhibit I”]. This insurer informed the Committee that the totals



**California Individual Market:** One insurer noted that average premiums after the PPACA’s implementation will increase 23 percent to 66 percent. Furthermore, families earning more than 400 percent above the federal poverty level “will likely be subject to large rate increases” because they do not qualify for the PPACA’s subsidies.<sup>19</sup> Another insurer provided documents showing that the male population in the California individual market could face increases of approximately 40 percent.<sup>20</sup>

**Colorado Individual Market:** One insurer produced materials showing potential Colorado premium increases ranging from 23 percent to 25 percent, depending on the region of the state.<sup>21</sup> Another insurer estimated that males could face premium increases ranging from 49 percent to 66 percent.<sup>22</sup>

**Florida Individual Market:** One insurer produced materials showing that current policy holders who are enrolled in plans with less comprehensive benefits will see larger premium increases than those in plans with more comprehensive benefits. Therefore, a 21-year-old-male or female could see increases of 122 percent or 101 percent respectively if they are currently enrolled in a plan with fewer benefits. Those covered by the more comprehensive plan would see increases of 43 percent and 25 percent respectively.<sup>23</sup> The gender difference flips, however, for older females. A 64-year-old-male and female in the lower cost plan could see increases of 34 percent or 62 percent respectively while those in the more comprehensive plan would see increases of 12 percent and 16 percent.<sup>24</sup>

Another Florida insurer estimated that the products they offer could see premium increases as small as 6.7 percent and as high as 37.5 percent depending on the region of the state.<sup>25</sup> Finally, according to one insurer, males in the Florida market could see premium increases from 59 percent to 82 percent.<sup>26</sup>

**Georgia Individual Market:** One insurer produced materials showing that males could face increases ranging from 54 percent to 145 percent.<sup>27</sup> Another insurer in the Georgia market predicted potential premium increases ranging from 48 percent to 63 percent, depending on the region of the state.<sup>28</sup>

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reported in the individual market represent the average change in the new business rate for on-exchange products from Q4 2013 to Q1 2014. See Note on Information Provided, [available here](#), at Statement F.

<sup>19</sup> Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 6 (Apr. 2, 2013) [hereinafter “Exhibit P”].

<sup>20</sup> See Exhibit C, *supra* note 4, at 33-35.

<sup>21</sup> See Exhibit I, *supra* note 18, at 3.

<sup>22</sup> See Exhibit C, *supra* note 4, at 38-40.

<sup>23</sup> See Exhibit H, *supra* note 7, at 9. Please note: “These calculations do not reflect the effect of annual medical trend increases over year which for 2013 is estimated at between 9% and 11%.” *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> See Exhibit I, *supra* note 18, at 2.

<sup>26</sup> See Exhibit C, *supra* note 4, at 48-50.

<sup>27</sup> *Id.* at 54-56.

<sup>28</sup> See Exhibit I, *supra* note 18, at 2.

**Illinois Individual Market:** One insurer produced materials showing potential Illinois premium increases ranging from 27 percent to 61 percent, depending on the area of the state.<sup>29</sup> Another insurer estimated that males could face premium increases ranging from 29 percent to 48 percent.<sup>30</sup>

**Michigan Individual Market:** The materials submitted to the committee show a broad range of impact within the Michigan individual market. While one insurer indicated that premium changes for a variety of age groups could vary greatly,<sup>31</sup> another estimated that males could face increases ranging from 25 percent to 88 percent.<sup>32</sup> Yet another insurer predicted that their Michigan individual market premiums would see a decrease of 5 percent.<sup>33</sup>

**New Jersey Individual Market:** The materials submitted to the committee show a range of potential cost outcomes. One insurer predicted a 19 percent increase<sup>34</sup> for a young male in the New Jersey market, while another predicted a young male could benefit from a 25 percent decrease.<sup>35</sup> Similarly, those insurers also found an older male could potentially see a 6 percent premium increase,<sup>36</sup> or a 23 percent premium decrease.<sup>37</sup>

**Ohio Individual Market:** One insurer produced materials estimating that males could face increases ranging from 32 percent to 52 percent.<sup>38</sup> Another insurer estimated that the products they offer could see premium increases ranging from 14 percent to 20 percent depending on the region of the state.<sup>39</sup>

**Pennsylvania Individual Market:** One insurer predicted an average increase of 30 percent for the individual market.<sup>40</sup> Another predicted that males could face premium increases ranging from 11 percent to 63 percent.<sup>41</sup>

**Tennessee Individual Market:** One insurer estimated that the products they offer could see premium increases ranging from 49 percent to 54 percent, depending on the region of the state.<sup>42</sup> Another estimated that males could face premium increases ranging from 28 percent to 45 percent.<sup>43</sup>

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<sup>29</sup> *Id.* at 2.

<sup>30</sup> See Exhibit C, *supra* note 4, at 14-16.

<sup>31</sup> Letter from INSURER REDACTED Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce (Apr. 1, 2013) [hereinafter "Exhibit J"].

<sup>32</sup> See Exhibit C, *supra* note 4, at 68-70.

<sup>33</sup> See Exhibit I, *supra* note 18, at 4.

<sup>34</sup> Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce (Mar. 29, 2013) [hereinafter "Exhibit K"].

<sup>35</sup> See Exhibit C, *supra* note 4, at 19.

<sup>36</sup> See Exhibit K, *supra* note 34.

<sup>37</sup> See Exhibit C, *supra* note 4, at 21.

<sup>38</sup> *Id.* at 80-82.

<sup>39</sup> See Exhibit I, *supra* note 18, at 4.

<sup>40</sup> Letter from INSURER REDACTED to Representative Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce at 4 (Apr. 2, 2013) [hereinafter "Exhibit L"].

<sup>41</sup> See Exhibit C, *supra* note 4, at 85-87.

<sup>42</sup> See Exhibit I, *supra* note 18, at 3.

<sup>43</sup> See Exhibit C, *supra* note 4, at 90-92.

**Texas Individual Market:** One insurer estimated that the products they offer could see premium increases as small as 5 percent and as high as 43 percent depending on the area of the state.<sup>44</sup> Another insurer estimated that males could face premium increases ranging from 28 percent to 99 percent.<sup>45</sup>

A full list of the individual market materials provided to the committee is [available here](#).

### *The Small Group Market*

Small employers can purchase health insurance coverage for their employees directly from insurers in the small group market. The following is a selection from a chart submitted by one insurer to the committee showing anticipated premiums in the small group market. According to that insurer it is a “high level summary provided to brokers and external constituents illustrating the wide premium impact PPACA may have . . . .”<sup>46</sup>



<sup>44</sup> See Exhibit I, *supra* note 18, at 2.

<sup>45</sup> See Exhibit C, *supra* note 4, at 9-11.

<sup>46</sup> Exhibit E, *supra* note 11, at 2.



According to materials submitted by one insurer, small businesses in “nearly all states will see premium increases.”<sup>47</sup> While these increases will not likely be as high as those in the individual market, the incentives provided in the law to assist small businesses by reducing costs may be inadequate. For example, one insurer that offers small group plans observed that “[t]he ACA’s small group health tax credit incentive program is temporary and very small.”<sup>48</sup> To make matters worse, due to the administration’s inability to “meet tight deadlines,” the PPACA program “intended to provide affordable health insurance to small businesses and their employees” has been delayed.<sup>49</sup>

As the prior chart demonstrates, purchasers of small group plans can expect premium increases of up to 50 percent.<sup>50</sup> The insurer that produced this chart estimated that a plurality, 35 percent of the small group market, can expect premium increases over 30 percent.<sup>51</sup> An additional 23 percent of small group purchasers can expect increases ranging from 20 percent to 30 percent.<sup>52</sup>

Insurers submitted the following information regarding expected premium costs for their small group market plans. This information was provided by a variety of insurers and may not paint a complete picture of each state’s premium costs. Since small group plans can cover anywhere from a handful of employees to fifty, the potential variations will be determined by the unique nature of each employer.

**Arizona Small Group Market:** Projected 30 percent premium increase.<sup>53</sup>

**California Small Group Market:** Projected 37 percent premium increase.<sup>54</sup>

**Colorado Small Group Market:** Projected 17 percent premium increase.<sup>55</sup>

**Connecticut Small Group Market:** Projected 36 percent premium increase.<sup>56</sup>

**Florida Small Group Market:** One insurer estimated a 75 percent premium increase.<sup>57</sup> Another insurer estimated a small group average increase of 13 percent, explaining that “some employers

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<sup>47</sup> Exhibit C, *supra* note 4, at 7.

<sup>48</sup> *Id.*

<sup>49</sup> Robert Pear, *Small Firms Offer of Plan Choices Under Health Law Delayed*, NY TIMES, Apr. 1, 2013 at A12.

<sup>50</sup> Exhibit E, *supra* note 11, at 4.

<sup>51</sup> *See id.*

<sup>52</sup> *See id.*

<sup>53</sup> *See* Exhibit C, *supra* note 4, at 32. This insurer provided a substantial amount of analysis of the effect of the PPACA on small group plans in a variety of states. As each chart makes clear, this is for a “representative plan in the market”, not necessarily a plan offered by that insurer. In a conversation with Committee staff the insurer explained that they based their calculations on a popular plan in a particular state’s small group market with five employees. They assumed average health risk, average age, and the current average price in the market as of the latter half of 2012.

<sup>54</sup> *See id.* at 37.

<sup>55</sup> *See id.* at 42.

<sup>56</sup> *See id.* at 47.

<sup>57</sup> *See id.* at 52.

are estimated to have significant rate increases and a smaller number are estimated to have actual rate decreases.<sup>58</sup>

**Georgia Small Group Market:** Projected 25 percent premium increase.<sup>59</sup>

**Idaho Small Group Market:** Insurers did not provide an overall average premium increase, but one insurer identified that approximately 50 percent of their existing business faces premium increases.<sup>60</sup>

**Indiana Small Group Market:** One example provided by an insurer showed a 101 percent increase.<sup>61</sup>

**Illinois Small Group Market:** Projected 25 percent premium increase.<sup>62</sup>

**Maine Small Group Market:** Projected 55 percent premium increase.<sup>63</sup>

**Maryland Small Group Market:** Projected 19 percent premium increase.<sup>64</sup>

**Michigan Small Group Market:** One insurer provided materials showing a potential 24 percent premium increase.<sup>65</sup> Another insurer estimated that the impact on small groups in Michigan would be “fairly evenly distributed,” with approximately 44 percent of small group plans receiving a premium decrease and 56 percent receiving a premium increase.<sup>66</sup>

**Nevada Small Group Market:** Projected 31 percent premium increase.<sup>67</sup>

**New Jersey Small Group Market:** Projected 16 percent premium increase.<sup>68</sup>

**Ohio Small Group Market:** Projected 28 percent premium increase.<sup>69</sup>

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<sup>58</sup> Exhibit H, *supra* note 7, at 4, 12.

<sup>59</sup> See Exhibit C, *supra* note 4, at 57.

<sup>60</sup> Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 2 (Apr. 1, 2013) [hereinafter “Exhibit M”]. Note, the insurer that provided the materials contained in Exhibit M informed the Committee shortly before this report was issued that new federal and state rules, guidance and legislation caused some pricing analysis they had done in the individual market to be modified. Projected increases were modified downward due to lower than expected claims trends, changes to networks, and changes in operating expenses.

<sup>61</sup> See Exhibit B, *supra* note 15, at 4.

<sup>62</sup> See Exhibit C, *supra* note 4, at 17.

<sup>63</sup> See *id.* at 62.

<sup>64</sup> See *id.* at 67. This prediction is similar to the proposed average increase of 15 percent recently made by CareFirst BlueCross BlueShield, who was not subject to the Committee’s inquiry. See Andrea K. Walker, *CareFirst proposes 25 percent rate increase under health care reform*, BALTIMORE SUN, Apr. 24, 2013 available at [http://articles.baltimoresun.com/2013-04-24/health/bs-hs-insurance-rate-hike-20130424\\_1\\_health-care-reform-chet-burrell-health-insurance-plans](http://articles.baltimoresun.com/2013-04-24/health/bs-hs-insurance-rate-hike-20130424_1_health-care-reform-chet-burrell-health-insurance-plans).

<sup>65</sup> See Exhibit C, *supra* note 4, at 72.

<sup>66</sup> Exhibit J, *supra* note 31, at 8.

<sup>67</sup> See Exhibit C, *supra* note 4, at 77.

<sup>68</sup> See *id.* at 22.

<sup>69</sup> See *id.* at 84.

**Oregon Small Group Market:** Over 35 percent of one insurer’s current customers will face either no change or an increase up to 10 percent.<sup>70</sup>

**Pennsylvania Small Group Market:** Projected 27 percent premium increase.<sup>71</sup>

**Tennessee Small Group Market:** Projected 35 percent premium increase.<sup>72</sup>

**Texas Small Group Market:** Projected 23 percent premium increase.<sup>73</sup>

**Utah Small Group Market:** One insurer provided materials showing that approximately 50 percent of their small group market business will face increases ranging from 5 percent to 45 percent.<sup>74</sup>

**Virginia Small Group Market:** Projected 31 percent premium increase.<sup>75</sup>

**Washington Small Group Market:** Over 70 percent of one insurer’s current customers will face either no change or an increase of up to 10 percent.<sup>76</sup> 20 percent of current customers will see an increase ranging from 10 percent to 20 percent.<sup>77</sup>

A full list of the small group market materials provided to the committee is [available here](#).

### *The Large Group Market*

Although many large employers self-insure, some purchase coverage from health plans through the large group market, which includes plans covering more than 50 lives. Most of the insurers contacted by the committee had not conducted an analysis on the PPACA’s effects on the large group market. One insurer that did, however, estimated a premium increase for the large group market at 20 percent to 25 percent.<sup>78</sup>

Another insurer provided the following chart showing estimated premium increases in the large group market ranging from 15 percent to 20 percent.<sup>79</sup>

**“Overall, of course, rates will go up due to the insurer taxes.”**

-Letter from Health Insurer,  
Apr. 1, 2013<sup>6</sup>

<sup>70</sup> See Exhibit M, *supra* note 60, at 4.

<sup>71</sup> See Exhibit C, *supra* note 4, at 89.

<sup>72</sup> See *id.* at 94.

<sup>73</sup> See *id.* at 12.

<sup>74</sup> See Exhibit M, *supra* note 60, at 3.

<sup>75</sup> See Exhibit C, *supra* note 4, at 99.

<sup>76</sup> See Exhibit M, *supra* note 60, at 5.

<sup>77</sup> See *id.*

<sup>78</sup> See Exhibit B, *supra* note 15, at 5.

<sup>79</sup> See Exhibit E, *supra* note 11, at 4. This document was described to the Committee as a “high level summary provided to brokers and external constituents illustrating the wide ranging premium impact PPACA may have in connection with the individual, small group, and large group markets.” *Id.* at 2.



In addition to the new services and benefits insurers are required to provide and the new rating and operation rules they are required to follow, the PPACA contains a number of taxes and fees<sup>80</sup> that will be passed on to the consumer, not only in the private market but also in government programs run through insurance companies like Medicare and Medicaid. Across the board, the taxes and fees will result in premium increases.<sup>81</sup> In fact, one insurer provided a presentation titled, “ACA Tax Will Increase Premiums” that bluntly states: “[c]onsumers may no longer be able to afford their primary insurance choice because of this tax inequity.”<sup>82</sup>

Most of the insurers provided similar responses regarding the impact of the fees and taxes on the cost of insurance premiums. Responses indicated that the tax on insurers could increase premiums from 2.3 percent<sup>83</sup> to 2.5 percent<sup>84</sup> in 2014 in the individual, small, and large group markets. This tax could increase premiums an additional 3 percent to 4 percent in future years.<sup>85</sup> Other insurers, by grouping the fees and taxes together, found premium increases ranging from 4 percent to 8 percent.<sup>86</sup>

<sup>80</sup> While each insurer did not uniformly categorize these, they were typically the tax on health insurers, and the fees for Reinsurance, Risk Adjustment and to operate the Exchanges.

<sup>81</sup> Exhibit C, *supra* note 4, at 27.

<sup>82</sup> Letter from INSURER REDACTED Corporation to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 3, 7 (Apr. 4, 2013) [hereinafter “Exhibit N”].

<sup>83</sup> See Exhibit E, *supra* note 11, at 6.

<sup>84</sup> See Exhibit A, *supra* note 5, at 6. See also, Exhibits F, N, E, and C.

<sup>85</sup> See Exhibit N, *supra* note 82, at 11.

<sup>86</sup> See *id.* at 22. See also Exhibit P, *supra* note 19.

Many insurers voiced concern with the non-deductibility of the PPACA Health Insurer Tax. As described by one health insurance company, “[national insurance companies] must collect \$1.54 from customers to pay \$0.54 in income tax and \$1.00 in ACA tax,” whereas tax exempt plans need only collect “\$1.00 for every \$1.00 in ACA tax because they do not pay income taxes.”<sup>87</sup> Another insurer informed the committee, “. . . the tax will impact the cost of coverage for individuals and small businesses most significantly. Moreover, because the tax is non-deductible—rare as a matter of public policy—it has the effect of layering a tax upon [a] tax, which serves to increase the impact on consumers. It is widely understood that taxing the provision of health insurance will only make health insurance more costly for consumers, employers, and public program beneficiaries.”<sup>88</sup> That same insurer provided materials indicating that if they do not adjust for the fees and taxes in 2015, their tax rate would hit 96.3 percent.<sup>89</sup>

### *Decreases*

Based on the documents produced to the committee, individuals in some states may have their premiums decrease, although a far greater number of individuals will face premium increases under the PPACA. As one insurer estimated, “Only consumers in 5 states [are] likely to see decreases.”<sup>90</sup> These states where individuals will have decreases are typically those with an insurance market that is already heavily regulated.<sup>91</sup> One insurer identified five states that may experience premium decreases due to the fact that their markets already require guaranteed issue and have rating restrictions: Maine,<sup>92</sup> Massachusetts,<sup>93</sup> New Jersey,<sup>94</sup> New York,<sup>95</sup> and Vermont.<sup>96</sup>

These outliers aside, one insurer explicitly stated that “[M]ore rates will go up as a result of PPACA than will come down . . . .”<sup>97</sup>

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<sup>87</sup> Exhibit N, *supra* note 82, at 7.

<sup>88</sup> Exhibit G, *supra* note 16, at 3.

<sup>89</sup> *See id.* at 17.

<sup>90</sup> Exhibit C, *supra* note 4, at 6.

<sup>91</sup> Based on the materials provided, there was one state not typically associated with high insurance costs that is predicting a premium decrease in its individual market: West Virginia. One insurer provided information that they expect a decrease ranging from 1 percent to 19 percent for 60 percent of their individual market. However, this calculation did not measure the impact of the taxes, fees, guaranteed issue, community rating, which could obviously increase the price. In fact, research by the Society of Actuaries places West Virginia’s individual market premium increases between 30 percent and 40 percent. Letter from INSURER REDACTED to Rep. Fred Upton, Chairman, H. Comm. on Energy & Commerce, at 4 (Mar. 29, 2013) [hereinafter “Exhibit O”].

<sup>92</sup> A 6 percent to 15 percent decrease for males from 21 years of age to 60. *See* Exhibit C, *supra* note 4, at 58-60.

<sup>93</sup> *See* Exhibit C, *supra* note 4, at 24.

<sup>94</sup> Approximately 23 percent to 25 percent decreases. *See id.* at 19-21. Yet, another insurer predicted an increase of 19 percent premium increase for a 21 year old male and 6 percent premium increase for a 60 year old male. *See* Exhibit K, *supra* note 34, at 2.

<sup>95</sup> One company projected a 63 percent decrease for a 40 year old male. *See* Exhibit C, *supra* note 4, at 78.

<sup>96</sup> *See id.* at 24.

<sup>97</sup> Exhibit D, *supra* note 6, at 4.

## *Conclusion*

The internal documents provided by the insurance industry confirm many of the concerns voiced over PPACA: despite promises that the law will lower costs, the PPACA will in fact cause the premiums of many Americans to spike substantially. The broken promises are numerous, and the data reveals that many Americans, from recent college graduates to older adults, will not be able to afford the law's higher costs. One of the nation's leading insurance companies that insures millions of Americans predicts premiums will nearly double for individuals getting a new plan, those keeping their insurance will see an average increase of 73 percent, and some individuals could see increases of as much as 413 percent. These figures forecast looming financial hardships when the law takes effect on January 1, 2014.