



The Committee on Energy and Commerce

Memorandum

May 17, 2013

To: Members, Subcommittee on Oversight and Investigations

From: Majority Subcommittee on Oversight and Investigations Staff

Subject: Hearing entitled “Health Insurance Premiums Under the Patient Protection and Affordable Care Act”

On Monday, May 20, 2013, at 4:00 p.m. in room 2123 of the Rayburn House Office Building, the Subcommittee on Oversight and Investigations will hold a hearing examining the Patient Protection and Affordable Care Act’s (PPACA) impact on health insurance premiums.

I. Witnesses

Cori E. Uccello
Senior Health Fellow
American Academy of Actuaries

Chris Carlson
Actuarial Principal
Oliver Wyman Group

Daniel T. Durham
Executive Vice President
Policy and Regulatory Affairs
America’s Health Insurance Plans

Topher Spiro
Vice President, Health Policy
Center for American Progress

II. Background

This hearing will examine the opinions of actuaries and health care industry professional on the impact the PPACA will have on health insurance premiums nationwide. The PPACA contains a number of provisions that may affect premium costs:

- **Age Rating Restrictions:** The PPACA limits age rating for insurers to 3:1. Previously some insurers were permitted to vary the price differences between the young and old by a greater amount, depending on the State in which they operate.
- **Guaranteed Issue and Community Rating:** The PPACA requires the guaranteed issue of health insurance, along with the inability to rate premiums higher because of health status.
- **Essential Health Benefits and Actuarial Value:** The PPACA requires insurers to cover a number of “essential health benefits” while requiring an actuarial value of 60 percent.
- **Taxes and Fees:** The PPACA is financed by a number of taxes and fees that may result in increased premiums.
- **Reinsurance, Risk Adjustment, and Risk Corridors:** Reinsurance provides insurers funding if they incur high claims costs, while risk adjustment and corridors permit the transfer of funds from low risk plans to high risk plans while limiting insurer losses by protecting against inaccurate rate settings.

On March 14, 2013, the Committee sent letters to 17 of the nation’s largest insurance companies requesting analysis of the effect of these policies on premiums. The materials submitted by the health insurance companies indicated that many of them are planning for premium increases as a result of the PPACA. The documents provided indicate that the primary reason for these increases is because of the PPACA requirements described above -- insurers must provide increased services while limiting their ability to charge consumers based on age or health status.

The materials provided by the insurance industry typically show that premium increases will happen in a majority of States, while five States that are currently more heavily regulated (Maine, New York, Massachusetts, Vermont, and New Jersey) could have some premium decreases. Of course, the question of an increase or decrease depends on the circumstances of an individual and the insurance market being utilized. In the individual market, premiums are likely to change more substantially based on a consumer’s age and the type of insurance currently purchased. In the small group market, premiums are dependent on the member composition of each plan. Since small group plans can have anywhere from two to 50 individuals, the impact of the PPACA will vary depending on the plan. Finally, in the large group market the impact of the PPACA could be the smallest, yet insurers did inform the Committee that, due to the taxes and fees, premiums could increase as much as 25 percent.

The witnesses for this hearing include two actuaries and representatives from America’s Health Insurance Plans (AHIP) and the Center for American Progress. Ms. Uccello recently authored a study on the changes to health insurance premiums stemming from the PPACA, [available here](#). AHIP recently published a report from Milliman, Inc. on the PPACA factors that will affect premiums, [available here](#).

III. Issues

The following issues will be examined at the hearing:

- What do the witnesses believe will happen to premiums under the full implementation of the PPACA?
- What specific policies in the PPACA will increase or lower premiums, and how is the industry preparing for these changes?
- How will premium changes under the PPACA be dispersed by market (individual, small group, large group) and State?

IV. Staff Contacts

If you have any questions regarding the hearing, please contact Sean Hayes at (202) 225-2927.