AARP Real Possibilities

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June 9, 2016

The Honorable Joe Pitts
Chairman
House Energy & Commerce
Subcommittee on Health
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Gene Greene
Ranking Member
House Energy & Commerce
Subcommittee on Health
2322A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Pitts and Ranking Member Greene:

Thank you for holding this week's hearing entitled, "Advancing Patient Solutions for Lower Cost and Better Care." AARP shares the subcommittee's desire to examine ways in which costs can be lowered and better care provided to all Americans. However, charging older Americans more for coverage purchased through the Affordable Care Act's (ACA) federal and state insurance marketplaces via relaxed age-rating will achieve neither of these goals. In fact, not only will seniors' costs rise dramatically, ample evidence suggests that relaxing restrictions on age rating bands could increase – rather than reduce – federal outlays on health care.

AARP, with its nearly 38 million members in all 50 States and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

The Affordable Care Act's (ACA) Impact on Older Adults

The ACA addressed key obstacles in availability of health coverage for Americans ages 50-64. The result has been stark and historic – implementation of the ACA has reduced by half the number of Americans 50-64 years old who are uninsured.

Prior to the ACA, health insurance coverage was out-of-reach for many older Americans not yet eligible for Medicare. Many paid more for less coverage than they do today and a great number of state laws permitted insurers to charge older

Americans five times or more than younger people for insurance coverage. In many instances, due to a pre-existing condition, coverage was not only unaffordable but also unavailable. In fact, for older adults without access to employer-based coverage, the average out-of-pocket costs for premiums and health care purchased on the individual market were typically two-and-a half times higher than those similar in age with employer coverage. The ACA's limit on age-rating of 3:1, combined with the law's coverage subsidies, are critical to ensuring that pre-Medicare eligible Americans can afford coverage.

Proposed Changes to Age Bands Would Increase Federal Spending

In September 2015, the Commonwealth Fund published an analysis entitled, "Charging Older Adults Higher Premiums Could Cost Taxpayers."

Commonwealth found that increasing rate bands to 5:1 would cost the federal government more tax dollars than the current 3:1. This is because older adults with low to moderate incomes (below 400 percent of poverty) would face cost increases that rise above premium contribution caps, making them eligible for increased subsidies.

Commonwealth concludes that "…the increase in premiums caused by 5-to-1 rate banding would be financed primarily by the federal government." In other words, if the coverage is more expensive, the federal government would pay for a large part of the difference. In addition, they also found that such a change would result in 400,000 older people losing health coverage altogether.

In short, changing the age rating bands in current law to 5:1 would make coverage for older Americans more expensive, come at an increased cost to the federal government and result in many older Americans losing coverage.

A 3:1 Age Band is More Price Efficient for the Market

According to a 2013 Urban Institute study, the 3:1 band, "results in age-based premiums that more accurately match age-related costs among likely purchasers than would a looser rate band." The Urban study goes on to say that higher rate bands "would significantly increase out-of-pocket rates" paid by older Americans and that a 5:1 band – as called for in one of the bills the subcommittee is examining today – tends to overcharge older adults relative to their actual health expenses.[1]

Relaxing age-related rate bands is therefore a bad deal for Americans aged 50-64 and leads to higher costs and reduced coverage. For these reasons, AARP strongly opposes efforts to expand age rating bands and shift more costs onto older Americans.

[1] Blumberg, Linda J. and Matthew Buettgens. *Why the ACA's Limits on Age-Rating Will Not Cause "Rate Shock": Distributional Implications of Limited Age Bands in Nongroup Health Insurance*. Washington DC: Urban Institute, 2013

Thank you for the opportunity to submit written testimony. If you have further questions, please feel free to contact me or have your staff reach out to Andrew Schwab of our Government Affairs staff at aschwab@aarp.org or 202-434-3770.

Sincerely,

Joyce A. Rogers

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