



# THE COMMITTEE ON ENERGY AND COMMERCE

## MEMORANDUM

March 5, 2013

To: Health Subcommittee

From: Energy and Commerce Committee Majority Staff

Re: Hearing entitled “Unaffordable: Impact of Obamacare on Americans’ Health Insurance Premiums”

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On Thursday, March 7, 2013, at 9:45 a.m., the Subcommittee on Health will hold a hearing in 2123 Rayburn House Office Building entitled “Unaffordable: Impact of Obamacare on Americans’ Health Insurance Premiums.”

The focus of this hearing is to review analyses and estimates of the impact of the Patient Protection and Affordable Care Act (PPACA or Obamacare) on health insurance premiums. The Subcommittee will hear expert testimony on how the law will affect the affordability of health insurance premiums in State individual and small group markets, as well as the cost of health coverage in newly-formed exchanges authorized by PPACA.<sup>1</sup> The memorandum provides background on the witnesses and health insurance premiums.

### I. WITNESSES<sup>2</sup>

Douglas Holtz-Eakin  
Former Director  
Congressional Budget Office

Christopher Carlson  
Actuarial Principal  
Oliver Wyman

Wendell Potter  
Senior Analyst  
The Center for Public Integrity

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<sup>1</sup> Some Americans who do not receive health coverage through their employer or the government buy coverage directly from insurers as individuals in the non-group market, otherwise known as the individual market. Some small employers who do not self-insure buy coverage from insurers directly through what is known as the small group market. While PPACA imposes substantial requirements across the health care sector, the hearing will focus on the law’s provisions affecting premiums in the individual market, small group market and exchanges.

<sup>2</sup> Additional witnesses may be added.

## II. HEALTH INSURANCE PREMIUMS

Studies and analyses from the Congressional Budget Office,<sup>3</sup> independent actuaries, State insurance commissioners, health insurance plans and health benefit consultants have estimated the projected impact of PPACA on health insurance premiums in the individual and small group market, as well as the price of coverage in PPACA exchanges. While estimates vary, the general consensus is that the law will increase premiums in State insurance markets.

For example, a survey of health insurance plans show some Americans could face premium increases of 203 percent because of the law.<sup>4</sup> A study by actuarial firm Oliver Wyman suggests premiums in the individual market could increase by an average of 40 percent.<sup>5</sup> Despite nearly \$1 trillion in premium subsidies included in PPACA, Americans earning as little as \$25,000 could pay more out of pocket for coverage because of the law's requirements and regulations.<sup>6</sup>

At the beginning of 2014, additional PPACA provisions will go into effect, and they could have an impact on the cost of health care coverage. Some of these provisions include:

- **Guaranteed Issue and Community Rating**

These requirements force plans to accept all applicants and compel individuals to pay similar premiums regardless of future anticipated medical expenses. A study issued by actuarial firm Oliver Wyman concluded that, because of these PPACA provisions, “most people under the age of 50 will see their rates increase significantly.”<sup>7</sup>

- **Essential Health Benefits**

PPACA included “essential health benefit” requirements that dictate the kind of health insurance that individuals are allowed to purchase. These requirements include coverage for certain categories of benefits (for example, coverage for preventive and wellness services, chronic disease management, rehabilitative and habilitative services). Under the requirements, the health insurance also must cover at least 60 percent of medical costs with limited cost-sharing. CBO found that these requirements could increase premiums because plans “would cover a substantially larger share of enrollees’ costs for health care (on average) and a slightly wider range of benefits.” A study by the Council for Affordable Health Insurance (CAHI) found that in some State markets, mandated benefits increased premiums by as much as 50

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<sup>3</sup> [Congressional Budget Office \(CBO\). \*An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act\*. November 30, 2009.](#)

<sup>4</sup> [American Action Forum. \*Insurance Premiums in 2014 and the Affordable Care Act: Survey Evidence\*. January 2013.](#)

<sup>5</sup> [Gisea, Kurt and Carlson, Chris. \*My Generation\*. Contingencies. January 2013.](#)

<sup>6</sup> Ibid.

<sup>7</sup> [Oliver Wyman. \*Impact of the Patient Protection and Affordable Care Act on Costs in the Individual and Small-Employer Health Insurance Markets\* \(December 2009\).](#)

percent.<sup>8</sup> One State estimates that essential health benefits will increase premiums by 33 percent for their residents.<sup>9</sup>

- **Taxes and Fees on Plans, Drugs, and Medical Devices**

PPACA imposed \$165 billion in new taxes and fees on health insurance plans, drug manufacturers and device makers. As noted by CBO in the case of plans and devices, these “fees would be largely passed through to consumers in the form of higher premiums.”<sup>10</sup> One study has found that the law’s health insurance tax will increase premiums over \$2,636 and \$7,186 over a decade.<sup>11</sup> The Department of Health and Human Services (HHS) recently announced that plans sold on federal exchanges would also be assessed a 3.5 percent fee on sales.<sup>12</sup> Calculating the fee based on CBO’s premium projections, the annual cost of this fee alone is \$180 for individual and \$500 for families.

### **III. STAFF CONTACTS**

For further information on this hearing, please contact Paul Edattel or Clay Alspach at (202) 225-2927.

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<sup>8</sup> [Council for Affordable Health Insurance. \*Health Insurance Mandates in the States 2011\*. January 2011.](#)

<sup>9</sup> [Gorman Actuarial, et al., \*The Impact of the ACA on Maine’s Health Insurance Markets\*. May 31, 2011.](#)

<sup>10</sup> Above, n. 3.

<sup>11</sup> [Oliver Wyman. \*Estimated Premium Impacts of Annual Fees Assessed on Health Insurance Plans\*. October 2011](#)

<sup>12</sup> [HHS. \*HHS Notice of Benefit and Payment Parameters for 2014\*. March 2013.](#)