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February 1, 2017

Dear Chairman Burgess and Ranking Member Green:

Thank you for holding this week's hearing entitled "Patient Relief from Collapsing Health Markets." AARP shares the subcommittee's desire to examine ways in which health care costs can be lowered and better care can be provided to all Americans. However, we are concerned that the proposed *State Age Rating Flexibility Act of 2017* -- that would loosen age rating bands to allow insurers to charge older Americans significantly more for health insurance -- would severely limit, not expand, access to quality, affordable healthcare. In addition, ample evidence suggests that relaxing restrictions on age rating bands could increase -- not 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 the U.S. Virgin Islands, is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals into real possibilities, strengthens communities, and fights for the issues that matter most to families such as healthcare, employment & income security, retirement planning, affordable utilities and protection from financial abuse.

Impact on Older Americans

The Affordable Care Act (ACA) addressed key obstacles in availability and affordability of health coverage for older Americans not yet eligible for Medicare. The result has been a dramatic drop -- by half -- of the number of Americans age 50-64 who are uninsured.

The 3:1 age band restriction included in the ACA's market reforms ensured that older Americans could no longer be charged more than three times the amount charged to younger Americans. Prior to the ACA, health insurance coverage was simply unavailable or unaffordable for millions of 50-64 year olds not yet eligible for Medicare. Many paid much more for less coverage than they do today -- state departments of insurance permitted insurers to charge older Americans five times or more than younger people for the same insurance coverage. 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 of similar age with employer-sponsored coverage. This limitation, combined with coverage subsidies, is critical to ensuring that pre-Medicare eligible Americans can afford coverage.

Alabama | Alaska | Arizona | Arkansas | California | Colorado | Connecticut | Delaware | District of Columbia | Florida | Georgia | Hawaii | Idaho | Illinois | Indiana | Iowa | Kansas | Kentucky | Louisiana | Maine | Maryland | Massachusetts | Michigan | Minnesota | Mississippi | Missouri | Montana | Nebraska | Nevada | New Hampshire | New Jersey | New Mexico | New York | North Carolina | North Dakota | Ohio | Oklahoma | Oregon | Pennsylvania | Puerto Rico | Rhode Island | South Carolina | South Dakota | Tennessee | Texas | Utah | Vermont | Virgin Islands | Virginia | Washington | West Virginia | Wisconsin | Wyoming

Changes Would Increase Cost for Older Americans

Weakening or eliminating the 3:1 age band restriction would increase dramatically premiums for older adults, making coverage less affordable for 50-64 year olds. Meanwhile, such a change would provide only marginally lower costs for younger adults. Estimates show that changing the age rating limit to 5:1 would increase yearly premiums for an average 64 year old on a silver plan by \$2,100 (from \$8,500 to \$10,600), while reducing premiums for a 21 year old by only \$700 (from \$2,800 to \$2,100).

The even larger disparity created by a 5:1 age band fails to take into account the impact on affordability for seniors. Income analysis done prior to implementation of the ACA found that the median family income for uninsured 18-24 year olds was approximately \$28,500 while it was about \$30,000 for 50-64 year olds -- a difference of just over \$1500. Despite the small difference in income, seniors who already pay as much as \$5000 or more would be asked to pay as much as \$8000 more.

A September 2015 Commonwealth Fund analysis also found that such a change would result in 400,000 older Americans losing health coverage altogether. The study also found that the increase in premiums caused by 5-to-1 rate banding would be financed in large part by the federal government -- if the coverage is more expensive, it will necessitate higher subsidies to ensure affordability.

A 3:1 Age Band is More Price Accurate

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 study further concludes that higher rate bands would significantly increase out-of-pocket rates paid by older Americans and that a 5:1 band tends to overcharge older adults relative to their actual health expenses.

Relaxing the current 3:1 age band is a bad deal for Americans and will lead to higher costs and reduced coverage. For these reasons AARP strongly opposes the *State Age Rating Flexibility Act of 2017* and urges you to reject any efforts to expand age rating bands that shift large to older Americans.

Thank you for the opportunity to submit this letter. If you have further questions, please feel free to contact me or have your staff reach out to Brendan Rose of our Government Affairs staff at brose@aarp.org or 202-434-3770.

Sincerely,



Joyce A Rogers
Senior Vice President
Government Affairs

WEAKENING THE ACA LIMIT ON AGE RATING **WOULD HURT OLDER ADULTS**

What is the 3:1 Limit on Age Rating?

An important ACA protection for older adults that bars insurance companies from charging them more than **three times** the amount younger adults are charged for the same coverage. This important protection ensures older adults who are not yet Medicare-eligible have access to affordable health coverage.



Changing the Limit on Age Rating from 3:1 to 5:1 will only marginally lower premiums for younger adults, but will put a significant financial burden on older adults.

ANNUAL HEALTH INSURANCE PREMIUMS:

FOR A 21-YEAR-OLD

premiums would decrease by an average \$700 (from \$2,800 to \$2,100)*

↓ \$700

FOR A 64-YEAR-OLD

premiums would increase by an average \$2,100 (from \$8,500 to \$10,600)*

↑ \$2,100

* Estimates are average costs for a silver plan. Source: Christine Eibner and Evan Saltzman, "Technical Appendix: Rate Banding Analysis," in Charging Older Adults Higher Premiums Could Cost Taxpayers (Washington DC: Commonwealth Fund, September 15, 2015).

Even under 3:1, older adults already face significant out-of-pocket costs and can't afford to pay more.

Average annual medical spending for those not qualifying for subsidies:

OLDER ADULTS

\$15,620

YOUNGER ADULTS

\$5,820

Source: Linda Blumberg 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," The Urban Institute, Washington DC, March 2013.