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Understanding Insurance Premiums Under The Affordable Care Act
Kaiser Family Foundation
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OPERATOR: It is now my pleasure to turn the conference over to Penny Duckham, Executive Director of the Media Fellowships Program at the Kaiser Family Foundation. Please go ahead.

PENNY DUCKHAM: Well, welcome everybody and today, we're going to spend time looking at insurance premiums under the Affordable Care Act. I'm Penny Duckham. I run the Kaiser Foundation's Media Fellowships Program, and I think you know this is the second in a series of online webinars looking in detail at different aspects of the ACA in an exclusive series for journalists. The whole objective of this is for you to ask questions and there'll be plenty of time for that. Just as a reminder, this will then be posted online. You can look at the slides online, and indeed, if you missed the first webinar on August the 28th, that's available online too.

Without further ado, I am going to turn over to my two colleagues, Gary Claxton and Larry Levitt, the co-directors of the Kaiser Foundation's Program for the Study of Health Reform and Private Insurance.

GARY CLAXTON: Excuse me. Hello everyone. It's Gary Claxton. Larry and I are going to briefly discuss how premiums are determined for new coverage under the Affordable Care Act. I'm going to go through the new rules that take effect in January of 2014, and Larry is going to run through some of the

premiums and some of the differences in premiums we see across different states.

Looking at the first slide, just to briefly walk through the new rules. The Affordable Care Act revamps the rules for health insurers selling coverage in the non-group market. These rules apply to new coverage that takes effect on or after January 1st of 2014. These rules apply to non-group coverage offered inside of exchanges or marketplaces and outside of exchanges. Most of these rules do not apply to people in grandfathered plans. Grandfathered plans are insurance plans that people had in March of 2010 when the law was passed and which have not changed materially since then.

To look at some of the new rules, insurers must accept applicants for nongroup coverage regardless of their health during an annual open enrollment period and during special enrollment periods. People are provided a special enrollment period when they experience changes that affect their eligibility for other coverage, for example, when they lose a job or they change from being eligible for a public program.

Premium rates are determined for defined rating areas in each state. Inside a rating area, premiums per person can vary only for a limited number of reasons. One is the age of a person with a 3-1 limit. This means that the difference between the rate for a 21-year-old and the rate for a 64-year-old for the same plan cannot be more than 300-percent. Rates

can vary for the level of coverage which we'll talk about a bit more. Rates can also vary depending on whether or not a person uses tobacco. The law permits insurers to apply a surcharge of up to 50-percent of the premium for tobacco use, but the rates we've seen in the market have surcharges that are generally lower than that. If people apply as a family, the premium is calculated for each family member and then added up. However, only three children under the age of 21 are counted in the calculation.

Looking at the benefit, the plans are all offered in one of five coverage tiers, catastrophic, bronze, silver, gold, or platinum. Plans at all tiers generally cover the same essential health benefits which are defined in the law and are fairly comprehensive set of benefits that you would see most insurance plans. The differences among the tiers are not in benefits, but they are in the amount of out-of-pocket costs people face when they seek care. Catastrophic plans have the highest cost-sharing and are available mainly to people under age 30. There are also some other new rules. We won't get through all of them but for example, there is no longer lifetime or annual dollar limits allowed for covered benefits, and cost-sharing is not allowed for recognized preventive care.

A very important part of the new law which we'll spend some time on is premium tax credits which help people to afford coverage. People and families with incomes between 100-percent

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and 400-percent of the federal poverty line may be eligible for premium tax credits which will reduce the amount of premium that they have to pay. For your reference, federal poverty is $11,490 for a single person and $23,550 for a family of four.

Turning to the next slide if I can figure out how to do it, there we go. This slide provides some examples of the amount of cost-sharing that people may face in the different coverage tiers. You can see the bronze, silver, gold, platinum, and catastrophic here. For the bronze to the gold tiers, they are defined by the actuarial value. An actuarial value is the percentage of medical expenses that a plan is expected to pay for for an average group of people. For example, bronze plans are expected to cover about 60-percent of the medical cost of all the people who enroll in them and then people are expected to cover the additional 40-percent and out-of-pocket cost-sharing like copayments and deductibles. Actuarial value is calculated for the group, not for each individual. The amount an individual must pay at the point of using services is determined by the deductible, copayments, and coinsurance for the plan that they choose up to the out-of-pocket limit for the plan. You can see for an example here a bronze plan may have a deductible of around $5,000. It could be lower than that. It could be a little higher than that. A silver plan may have a deductible between $1,500 and $2,500 for example in some of the plans we've seen. People in families

with incomes below 250-percent of poverty also are eligible for subsidies that will reduce the cost-sharing that they face if they enroll in a plan in the silver tier.

Turning to the next slide. As I noted, people may be eligible for premium tax credits to reduce their premium. This slide provides an example of how they work. For people and families with incomes between 100- and 400-percent of poverty, the Affordable Care Act limits the percent of that income that the family must pay for coverage. The percent limits vary with income so that people with income of 100-percent of poverty must pay up to 2-percent of their income while people at 400-percent of poverty must pay up to 9.5-percent of their income. The limit applies to the coverage that they can get in a benchmark plan, and a benchmark plan is the second lowest cost silver plan in the rating area. Note that a person never has to pay more than the actual premium for the plan. If the benchmark plan costs less than 9.5-percent of their income, they may actually pay in full premium if they have high enough income.

Looking at the example that is provided here, take a 40-year-old in Seattle with income of 250-percent of poverty which is a bit under $29,000. Under the act, she must contribute just a little over 8-percent of her income or $2,312 for the benchmark silver plan in the area. Her tax credit is the difference between the full premium which is $3,396 and the

$2,312 she must contribute for the benchmark plan so her tax credit is $1,084. She can enroll in the benchmark plan and pay the $2,312 or she can apply the tax credit to a different plan. If she chooses a different plan, her cost is the full premium for the plan she chooses minus the tax credit amount. In the example here, she chooses the lower cost bronze plan in the premium of $2,556. After applying the tax credit, her cost is $1,472 which is about $123 per month. One caveat here is that the tax credits cannot be used for catastrophic coverage. I'm just going to finish up my portion with a few quick notes on process and timelines.

The premiums that insurers are charging are generally regulated at the state level. States continue to be the primary regulators for premiums for nongroup coverage. In most cases, the premiums and the benefit plans that go with them are filed with the states to review and sometimes for approval. Exchanges may also be looking at the rates or other factors in determining whether or not to accept an insurer or its plans for coverage and in exchange. People will be able to get coverage during the first open enrollment period which begins in October and runs through March of next year. Open enrollment applies to plans available through exchanges and outside of exchanges.

A limited number of states have made their rates available so far. We have seen different sort of announcements

in different states but based on what we were able to find, we issued a brief last week which reviewed rates in 17 states and the District of Columbia. We do expect that all the rates will be available in all the states by October 1st.

Larry is now going to walk you through some examples and show how rates vary across the 18 jurisdictions we looked at.

LARRY LEVITT: Thanks Gary. This is Larry Levitt and as Gary mentioned, we released the study last week presenting actual exchange rates in 17 states plus the District of Columbia which were the only states as of the end of August that had released comprehensive data on premiums. As Gary noted, one of the reasons why premiums vary is based on where you live and that is true not only across states but also within states as well since many states have multiple and in some cases many rating areas within the state.

To illustrate tangible premiums to people, we selected the largest city in each state to illustrate what people in different circumstances would pay. Let me show you some examples of that.

This first chart shows premiums for a 40-year-old in each of the cities we've selected and again, the largest cities in each state. What we're looking at here is the actual premium that people will pay in exchanges for the second lowest cost silver plan in those exchanges. The reason the second

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lowest cost silver plan is significant as Gary talked about is that it is the plan that serves as the benchmark for the tax credits that are provided to low- and middle-income people in the exchanges.

These premiums you see here are what I think are the sticker prices so the prices that either people who are not eligible for tax credits would pay or what they would pay before any tax credits are applied for those who are eligible. As you can see, the range is quite substantial for these sticker prices ranging from $201 in Portland, Oregon for example to about $400 in New York City and Burlington, Vermont. The range narrows a bit if you throw out Vermont and New York not because they're unimportant states, of course, but before they are somewhat unique and that those two states had put in place insurance market reforms that guaranteed coverage and limited the variation in premiums, the kind of roles that Gary was talking about. Vermont and New York had put in place those reforms previously but without requirement that everyone have coverage or subsidies to make that coverage more affordable for people.

One way to look at these premiums not only at how much they vary across states but in terms of how they compare to what may have been expected and one benchmark for that expectation are the premium estimates that the congressional budget office have released and the CBO, as many of you know,

is it's kind of the referee for these things at least in Washington budget debates.

What we did is we took CBO's premium projection, their most recent projections from last year and translated those into a comparable number here so what a 40-year-old would pay in 2014. As you can see from this orange line, CBO's projection suggests a premium for a 40-year-old of $320 a month. As you can see, the vast majority of the states here, in fact, all the three states have premiums that will be lower than what CBO projected. What this means is that people will be paying less than what CBO had expected. It also means that the federal budgetary cost of the Affordable Care Act to subsidize premiums through the tax credits that Gary talked about, that federal budgetary cost will be lower than what was originally projected by CBO.

Now, if we look at what the effects of those tax credits would be, in our report, we look at people in a variety of different circumstances and compare those across states. Here, we are showing one example which is a 40-year-old with income at 250-percent of the poverty level and as Gary's example showed, that's about $29,000 a year in income for a single person. What you see here is what people would pay after the tax credit. As Gary's example showed, the way the subsidies work is they cap the amount that people who are eligible for tax credits would have to pay for a second lowest

cost silver plan as a percent of their income and that percentage ranges on a sliding scale basis from 2-percent of income for the lowest income people to 9.5-percent of income for people between 300- and 400-percent of the poverty level. What that means is that people who are eligible for subsidies will generally pay the same amount for the second lowest cost silver plan at a given income level no matter where they live, and you can see that here for this 40-year-old making $29,000 a year. He or she would pay $193 for the second lowest cost silver plan after taking the tax credits into account no matter where they live. That amount would be the same in each of these cities across the country. What varies is how much the government has to pay through the tax credits to subsidize their coverage and you can see that in the lightly shaded blue lines and that obviously does vary from city to city because the government is making up the difference between the full premium and that $193 that the individual is paying.

Now, if we look as in Gary's earlier example at what someone is to pay for a plan other than the second lowest cost silver plan, we can see what happens when the tax credits are in some sense portable. In other words, when an individual takes the tax credit here she is eligible for and applied it to a plan other than the second lowest cost silver plan and in this case, we're showing the lowest cost bronze plan in each of these cities. I think this is significant in that this is the

least amount that this individual could pay and still satisfy the so-called individual mandate. In other words, this is the minimum premium for the most basic plan that the individual could enroll in. Unlike with the second lowest cost silver plan, this amount after tax credits does vary by city. It ranges from under $100 in Hartford, Connecticut for example to $168 in Sioux Falls, South Dakota. How much this amount is is going to depend on how high the second lowest cost silver plan is in the area which determines the level of the tax credit and then it's also going to depend on the difference between the lowest cost bronze plan in that city and the second lowest cost silver plan so in other words, how much the individual could save by enrolling in that lowest cost bronze plan. Of course, tax credits are fully portable except for catastrophic plans so if someone could take that tax credit and enroll in another silver plan, that is more less expensive than the second lowest cost silver plan or a gold or platinum plan, though I think no one expects very many people to enroll in platinum plans because they're quite expensive.

I would note that while affordability is in many ways in the eyes of the beholder, I think in many cases, these premiums for the lowest cost bronze plans are quite low and lower than what I think a lot of people would expect, but people would want to carefully consider their options when they are going through the open enrollment period starting October

1st and look at the tradeoffs involved. Bronze plans, as these numbers show, will often come with very low premiums, but they will also come with higher deductibles, often the difference between a $1,500 to $2,000 deductible for a silver plan upwards to the $6,000 deductible per person for bronze plans. In addition, people with incomes up to 250-percent of the poverty level, so up to this $29,000 a year for a single person, will be eligible for cost-sharing subsidies that lower their deductible and their copays but those cost-sharing subsidies are only available in silver plans, not in bronze plans.

In addition to looking at the premiums in these exchanges in 17 states plus the District of Columbia, we also looked at the number of insurers that will be participating, so in other words, the number choices available to people and I won't spend a lot of time here but simply point out that in all the cities we looked at, there will be at least two insurers in the exchanges and in many cases, much more than that. Each of these insurers is often offering multiple plans as well, plans in different tiers and so there's bronze, silver and gold, and then often multiple options even within a tier. In much of the country, it's looking like there will be enough insurers to both drive price competitions in these exchanges and we've certainly seen some evidence of that and to offer broad choices to consumers.

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Now just finishing up before we turn to questions, I know many people and we are certainly asked often how premiums in the exchanges will compare to what people are paying today in the individual insurance market, and we have not done that in this report and we have not done it for a couple of reasons. One is because I think it can be misleading and in effect comparing apples and oranges. The individual market today excludes people with pre-existing conditions which will not be the case under the ACA and insurers routinely exclude benefits like maternity care and mental health or limit certain benefits like prescription drugs that all plans will be required to cover under the ACA. We are comparing insurance covering very different things before and after the ACA and also covering a very different pool of people.

The other reason we haven't done that is that I just don't think the data exists publicly to do the calculations without having to make some very speculative assumptions. There is not good information about what people pay in the individual insurance market today, and we certainly don't know what types of plans people are going to choose after reform.

I thought it would be useful to run through some of the reasons why premiums will both increase and decrease before and after reform to understand some of the ways in which individuals will be affected. In running through this, first probably the biggest factor here is that premiums will tend to

increase as people with preexisting conditions get insurance. In other words, today, people with preexisting conditions who tend to have higher medical expenses are systemically excluded from insurance. They will be included—they are guaranteed to be offered coverage under the ACA, so the pool of people being covered is likely to be sicker. This, of course, may be offset by greater enrollment among young and healthy people who will be both encouraged to buy insurance through the availability of the tax credits and also through the state of the individual mandate.

Premiums will also tend to increase because coverage will get better for some people. As I mentioned, coverage today in the individual market almost always excludes maternity care and mental health care and often limits prescription drug coverage and other benefit. Those all will be required to be covered under the ACA, and there will be a minimum threshold that coverage has to meet in terms of cost-sharing, namely a bronze plan like Gary talked about. Some people in the individual market are buying plans that are more comprehensive than that today but some are buying plans that don't meet that minimum threshold so coverage will improve for some people and that will tend to increase premiums.

Premiums are also going to tend to increase and decrease, in other words, be redistributed based on some of the rating changes that occur. For example, limiting age rating,

limiting the amount that older people can be charged relative to the younger people will tend to lower premiums for older people, all else being equal, but raise premiums for younger people. Similarly, the provision on rating by health status will tend to lower premiums for people who are sick, will raise premiums for people who are healthy, and the provision on gender rating will tend to raise premiums in particular for younger men but lower them for younger women. Premiums will tend to decrease as a result of a federal reinsurance program that is part of the Affordable Care Act. This is a temporary three-year program that provides funds to insure the individual markets for individuals that cover who have high medical expenses and that will tend to decrease premiums by upwards of 10-percent or so, all else being equal.

Premiums will also tend to decrease due to rate review. All states are required to review a large premium increases and if they don't, the federal government will. Many states also go further than that and have the authority to disapprove premiums that they don't feel are justified and we've certainly seen cases of states doing that. Similarly, the Affordable Care Act puts in place what's called the 80/20 medical loss ratio rule which says that insurers must spend at least 80-percent of the premium revenues they take in in this market for medical claims or if not, return the difference in the form of rebates to consumers.

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We have also seen some evidence of premiums coming down through price competition in this market. One example would be in Oregon where a couple of insurers came in quite high in their initial premium bids and then saw what their competitors were charging and immediately wanted to lower their premiums. This makes sense given the changes under the law. Right now, it's very difficult to shop for insurance in this market. You don't even know what your premium will be until you fill out a detailed medical questionnaire and have that reviewed by an insurance company so it's very difficult to even know what premium you would pay before applying for insurance. That will all be quite different through these exchanges where you'll be able to go online, compare the premiums that insurers are charging in your area, compare the coverage they're offering, and be able to choose whichever plan you want. That will tend to drive people towards lower priced plan and in turn drive insurers to offer of their lower priced plans.

Finally, probably the biggest factor here is that premiums will decrease for most people buying in this market due to the federal tax credits. In other words, if you look at what people pay not just for the sticker price for insurance but after tax credits, most people will end up paying less due to the federal tax credits.

I think now we'll move on to questions.

OPERATOR: Thank you.

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PENNY DUCKHAM: Thank you.

OPERATOR: My apologies. Please go ahead.

PENNY DUCKHAM: Thank you very much. I think we're just going to quickly run through how to ask questions and withdraw questions just so there's no confusion about that. The operator, will you just run through that again?

OPERATOR: Yes. I will do that. If you would like to register for a question, please press the 1 followed by the 4 on your telephone. You will hear three tune prompts to acknowledge your request. If your question has been answered and you would like to withdraw your registration, please press the 1 followed by the 3. You may also submit questions using the chat feature located in the lower left corner of your screen.

PENNY DUCKHAM: Okay. Just to make a couple of points. Various questions came up about whether the premiums being quoted here were per month and the answer is yes. Secondly, this whole webinar and the previous webinar will be available online so if you missed the beginning, don't worry and if you're struggling to get back through some of those slides, they will be available again.

GARY CLAXTON: Penny, I would say in the example I did, those were annual premiums.

PENNY DUCKHAM: I'm sorry.

LARRY LEVITT: But in all the charts, they're monthly.

GARY CLAXTON: The charts are monthly [interposing].

LARRY LEVITT: Yes.

PENNY DUCKHAM: The charts?

LARRY LEVITT: Yes.

PENNY DUCKHAM: Okay.

LARRY LEVITT: Yes.

PENNY DUCKHAM: Perhaps you could just say that clearly.

GARY CLAXTON: I was going to say in the tax credit example we walked through, those were annual premiums.

PENNY DUCKHAM: The slides that we were looking at because we had a number of questions on that front. Thank you for that.

LARRY LEVITT: If only those were annual premiums.

PENNY DUCKHAM: If only they were annual premiums. I think a number of people, unfortunately, I can't get back to exactly who they are, here we go. Ben Fisher for example and also Mitch Martinson were asking if you focus as you did on the largest cities in these examples you gave, could it skew the premiums because if you were in the rural area or the smallest city in that state, it might well be a different and indeed a more expensive premium?

LARRY LEVITT: Yes. That will be—skew may be a pejorative term but I would say it is certainly the case that premiums vary significantly within states. It can be as much

as 30-percent from the highest cost area to the lowest cost area if not more. In some cases, we've seen the premiums in the big cities are lower than premiums in other areas of state and in other areas, they are higher. To avoid overwhelming people with numbers, we wanted to pick one recognizable place in each state which had the largest populations so that's why we took the largest city. I'll give one example in California for example where the premiums in Los Angeles which is the largest city are in fact quite a bit lower than premiums in other parts of the state and in particular lower than for example than San Francisco, but that will vary quite a bit from state to state.

PENNY DUCKHAM: We're now going to turn to some of the callers online. Let's have the first question from the first caller please.

OPERATOR: Thank you. Our first question comes from Bertha Coombs of *CNBC*. Please go ahead.

BERTHA COOMBS: Hi, sorry. I unfortunately had gotten another call in the middle and I apologize if it's clear to everyone else but can you explain again about the subsidies tied to bronze pricing if I'm not mistaken but the cost-sharing is tied to silver pricing? How does that work and explain what that means for people as they're trying to calculate which premium would be better for them?

GARY CLAXTON: Sure. This is Gary. The premium tax credit is tied to the benchmark plan, which is the second lowest cost silver plan. Your tax credit will be calculated based on the percent of your income you're expected to pay towards the second lowest cost silver plan which is on a sliding scale under the act and go some 2-percent to 9.5-percent of income and the actual cost of the second lowest cost plan. The difference between those two things is the tax credit amount. You can then use that to enroll in the second lowest cost silver plan which means you will just pay the percent of income that is shown or you can take the dollar amount of the tax credit and apply it towards the premium of any other plan. If you apply it towards the premium of a bronze plan which is lower, that means the amount you'll pay is less.

Separately from that, people eligible who are in the income ranges are basically people with incomes below 250-percent of the federal poverty level, 100- to 250-percent, are eligible for cost-sharing subsidies. Those cost-sharing subsidies reduce the amount of cost-sharing that they have to pay by raising the actuarial value of the plan they're in so basically, they would see lower deductibles and a lower out-of-pocket limit generally. Those are available only if you enroll in a silver plan. For an individual, they need to look at the amount of their tax credit, look at what it would cause them

from a premium standpoint to enroll in a bronze plan versus a silver plan if they're looking at the lowest cost premium they have to pay, but they need to recognize that if they save money on the premium by choosing a bronze plan, they may face more cost-sharing, depending on the amount of cost-sharing subsidy that they're eligible for so what they're need to do is look at what their plan looks like and what their premium looks like under the different options.

LARRY LEVITT: I would just add. This is Larry—

BERTHA COOMBS: Do they have good calculators for that on these exchanges?

LARRY LEVITT: Yes. This is Larry. We haven't seen most of the exchanges yet so—

BERTHA COOMBS: Right.

LARRY LEVITT: —but a couple we've seen do have good calculators. For example, California has one that's quite good and quite simple to use. A lot of what we just talked about, thank goodness most people won't have to worry about, from a person's perspective, they're going to enter their income, their family size, and their circumstances, and the great computer in the sky is going to kick out what tax credit they appear to be eligible for. If that's $1,000, then they're going to see a roster of plans that's going to subtract $1,000 from each of those premiums so all they really will care about

is that they get a $1,000 off the premium no matter what plan they enroll in.

BERTHA COOMBS: Does cost-sharing increase the value of those subsidies? I mean in the example that you gave, it seemed that it did increase it in terms of you had much lower out-of-pocket.

GARY CLAXTON: Yes. That's a choice that people make when they choose plans. They can either pay a lower premium and face more cost-sharing or they can pay a somewhat higher premium and save less cost-sharing. One of the sort of peculiarities of this law is that for the lower income people, the cost-sharing reductions do only occur in silver plans so it might be a much better decision for some people to pay a little more in premium and get much lower cost-sharing. They should be able to see that and hopefully, the assisters and the navigators and the other people who are helping people make decisions can point those things out to them.

PENNY DUCKHAM: We're going to move on to a related question I think from Fred Mogel. He asks what about cash flow. You only get a tax credit after the fact, which is good but what happens in the meantime?

LARRY LEVITT: Sure. That's a good question. These tax credits are advanceable in the sense that people will be eligible to receive them on an estimated basis in advance when they apply for coverage and very quickly, the way this process

will work is there's an application which can be submitted online or on paper and it will start with your previous year's tax return and then ask questions about whether your circumstances have changed since you filed that tax return. Based on that information, the exchange will estimate how much of a tax credit you appear to be eligible for and when you actually then sign up with the insurer of your choice, the tax credit will be paid by the federal government directly to that insurer and then the insurer will bill you for the difference so the advance tax credit will help with cash flow.

Now, this is all like everything else in the tax system, done on an estimated basis and after the fact when you file your taxes the following April, it will all be reconciled based on your actual income. If your income ends up being lower than expected, you might get a refund from the IRS. If it ends up being higher than expected, you would owe some money back to the IRS, and the hope and expectation is that throughout the year, if your circumstances change significantly, you would report that to the exchange and your advance tax credit would be adjusted so that there is not a big refund or payment at the end of the year.

PENNY DUCKHAM: Another question from a caller please.

OPERATOR: Thank you. Our next question comes from Maureen Groppe of *Gannett*. Please go ahead.

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MAUREEN GROPPE: Hi. I have a question about what your report showed about on the rate in Indianapolis. They were among the higher, the unsubsidized rates, were among the higher ones, the silver plans and in one of the examples in the report last week, the 6-year-old bronze was the highest rate. I am wondering if you can talk about why you think that is. I also noticed on the chart that Indianapolis had only two insurers participating. The only other states that had that few were pretty small states so I don't know if that's a related factor.

LARRY LEVITT: Yes. This is Larry. I don't think we can say definitively why premiums are higher or lower in one state or another. I would say that it could be related to the degree of price competition in the market, and that's certainly a possible explanation here. It could also be related to how aggressively the state conducted rate review and in this case, I don't think the state was particularly an aggressive regulator and there are other states that pushed premiums down further through the rate review process.

MAUREEN GROPPE: The states that they did—there were two plans that came in too high and they said you had to reduce the rates to 23-percent, they're saying they did do an aggressive rate review.

GARY CLAXTON: This is Gary. As Larry said, we don't know. You asked and—

MAUREEN GROPPE: Yes.

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GARY CLAXTON: —we gave you some plausible reasons but I don't think it's a particularly high cost medical state so it would speak to their maybe not being as much active competition there.

MAUREEN GROPPE: Thank you.

PENNY DUCKHAM: Next question comes from Amy Driscoll. Once the actual plans are released in the federal exchanges, when can insurance companies adjust the prices up or down to relate and respond to competition?

LARRY LEVITT: Yes. These rates will be in the individual insurance market and are guaranteed for a year and the exchange—

GARY CLAXTON: In the exchange—

LARRY LEVITT: In the exchange.

GARY CLAXTON: I'm not sure.

LARRY LEVITT: Definitely, the rates in the exchange are guaranteed for a year so once these rates are set, they will apply for all of the calendar year 2014.

PENNY DUCKHAM: Another question from a caller please.

OPERATOR: Thank you. Our next question comes from Carrie Teegardin of the *Atlanta Journal-Constitution*. Please go ahead.

CARRIE TEEGARDIN: Yes. I wanted to make sure I understood who is eligible to get a tax credit. I know that if you have an employer plan that is considered affordable, you

can't get a tax credit. Somebody asked me this question. If you were a spouse of someone who has an affordable plan, you also can't get the credit. Is that correct?

GARY CLAXTON: Hi. This is Gary. It's sometimes correct. In terms of employer insurance, yes, but generally, the people who are—you are not eligible for a tax credit if you're not a citizen—

CARRIE TEEGARDIN: Right.

GARY CLAXTON: —and if you have other coverage that's available to you, usually public coverage like Medicaid or Medicare or employer-sponsored insurance. If you are offered a plan—if you have the ability to enroll in a spouse's plan under—through employment and that plan is considered affordable, you are not eligible for a tax credit.

CARRIE TEEGARDIN: And that would be true even if let's say it was 9.5-percent of the—less than that of the workers' income but adding the family, if that exceeded 9.5-percent of the household income, in that case, you still wouldn't be able to get a tax credit is my understanding. Is that correct?

GARY CLAXTON: That's correct. The affordability test for employer-based insurance is based on the cost of self-only coverage relative to the income and the family or the wage of the worker, which is what most employers will do.

LARRY LEVITT: This is Larry. Just one amendment to what Gary said. It's not just non—the citizens were able to

get tax credits. It's all legal residents so it's undocumented immigrants who are ineligible for tax credits.

PENNY DUCKHAM: This is a clarification question I think from Brahm Resnik. Do individuals receive the same tax credit no matter which plan they choose?

LARRY LEVITT: Yes. This is Larry. Once the tax credit calculation is done, individuals will receive that same tax credit no matter what plan they choose unless the tax credit would be more than the premium of the plan they choose, in which case it would be kept at the actual premium. As Gary said, the only plan that's not eligible to receive or to—which are not able to use the tax credit is the catastrophic plan.

PENNY DUCKHAM: Another question from a caller, please.

OPERATOR: Thank you. Our next question comes from Alex Roarty of *National Journal*, please go ahead.

ALEX ROARTY: Hi guys. Thanks for doing this. I just have kind of a big picture takeaway question. I know it's hard to jump to conclusions but it seems like it's fair to say, or is it fair to say that after the study that fears of "rate shock" just generally speaking across the country. Should this study put some of them to rest?

GARY CLAXTON: Hi, this is Gary. This is something people will argue about because you can get a plan now for $60 in some places. It may not be a very good plan, but $100 is more than $60 so that might be rate shock, but at the same

time, these rates look pretty good comparable to what we see in the group market for comparable coverage. These rates will look like what insurance pretty much costs to cover an average group of people for pretty good benefits. I guess I would say those two things and then people can draw their own conclusions about how shocking any of it is.

LARRY LEVITT: I would add. This is Larry. There are all kinds of different perceptions of what it means for there to be rate shock, but I would say one fear was that insurers would be extremely cautious and conservative on how they price these plans. In other words, the insurers will come in with very high premiums because they were nervous about the market, worried about who would enroll, and set very high premiums as a result. I think it's fair to say that based on the information we've seen so far that that is not the case, that insurers are coming in with very competitive rates, insurers seem to want to be competitive and be attractive in this market and have set their premiums accordingly.

PENNY DUCKHAM: We'll take another question, please.

OPERATOR: Thank you. Our next question comes from Mary Shedden of the *Tampa Tribune.* Please go ahead.

MARY SHEDDEN: Hi, good afternoon. I wanted to ask a question about something you talked about early on which is for insured individuals, which is more than 40-percent of all folks with grandfathered plans, is there any sense that premiums are

going to be changing significantly for these folks? Is there kind of any consumer warning you can give that people need to know as they're going through enrollment with their employer-based plans such as looking at your spousal coverage, those kind of prices?

LARRY LEVITT: Right. This is Larry. Well, a couple of reactions. One is for people with employer coverage, much of this discussion, in fact, majority of this discussion really doesn't affect them. This is about the individual insurance market, which I think by wide consensus is a broken market today and then people with grandfathered plan even if those grandfathered plans are in the individual insurance market, those are people who have the option of staying with their current plan. These new rules should also not affect them if they wanted to stay with that current plan. They have, of course, freedom to move to a new plan as well.

I think it's also important to remember that and why it's important for people even people in grandfathered plans in the individual market to look at their new options on these exchanges. We released another study a couple of weeks ago that found that about half of people who currently buy their own insurance and are expected to continue to do so would be eligible for tax credit. These tax credits are not just for people who are insured. They also are available to provide

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financial relief to people who are already buying their own insurance.

PENNY DUCKHAM: We have another question from Florida from Todd Halvorson. Could you address premiums in states like Florida that haven't created an exchange and will the federal exchange be available as of October 1st? What are your expectations on the likely premiums in the federal exchange?

LARRY LEVITT: Well, one point of clarification is that the 17 states plus DC that we released include a mixture of states that will be operating their own exchanges as well as states that will be deferring to the federal government with a federally-facilitated exchange. These are premiums from State Insurance Departments so it was cases where State Insurance Departments have made the data public. I really can't speak to Florida because they are not one of the states that made the—

PENNY DUCKHAM: Right.

LARRY LEVITT: —data public in a way that it could be analyzed.

GARY CLAXTON: Yes. This is Gary. I should say we did spend a lot of time looking at rate filings in Florida but they're not very—they're fairly opaque even the people who kind of know what they're doing and often didn't allow us to identify the rates and the rating areas in a way where we were comfortable putting out anything.

From the few we looked at, I'm not sure if they're meaningfully different than some—I mean I'm not sure they're outside of this range. I don't think they are.

LARRY LEVITT: So far, I'm not sure a clear pattern has emerged between states running their own exchanges and states where the federal government will be doing it. Once we see all 50 states, there may be a pattern. One factor that may be important is through something of a quirk in the law, states that operate their own exchanges have access to billions of dollars in federal grants to do outreach and consumer assistance.

In contrast, in states where the federal government is running the exchanges, the funding is quite limited and the outreach money in particular will be quite limited. I think it's possible that insurers and states running their own exchanges have greater confidence that the outreach will reach young and healthy people in a more effective way and therefore felt more comfortable coming in with lower premiums, but we'll have to wait to see more states until we can find out if that's true.

GARY CLAXTON: Just one more thing on that. It's Gary. I think a bigger factor is to whether or not it's a federal versus a state exchange will be whether or not the state pushed back on rates or not during the rate review process. I would think that's probably a bigger determinant of where premiums

will come in on whatever spectrum there is than the exchanges because competition is going to work in both federal and state exchanges. The stuff is going to be out there and things are in tiers to fairly easy to compare plans so the price competitions can be pretty good whether it's a federal exchange or state exchange but this sort of first step of sometimes the departments pushing back probably does differ from state to state.

PENNY DUCKHAM: Another question, please.

OPERATOR: Thank you. Our question comes from Jim Landers of *Dallas Morning News*, please go ahead.

JIM LANDERS: A couple of clarifications please. You talked about when some of these plans first became known, some insurers that were high lowered the rates and yet when you said that how are these rates going to work, they're going to be locked in for 2014. If we see plans coming out in federal exchanges for like Texas and Florida and whatnot where the insurers realized that they have overpriced themselves, will they have an opportunity to adjust before we get rolling?

LARRY LEVITT: Yes, the case I mentioned in Oregon was prior to the rates actually being approved and finalized. Once the rates are approved and final, then there is no opportunity to lower them and I think it's fair to say we're actually past that date at this point.

JIM LANDERS: Okay and have you heard anything at all about when these rates in the states that haven't come out yet are likely to be made public? Before October 1st I presumed but any added prediction?

LARRY LEVITT: I would presume by October 1st. There've been lots of rumors, but I don't think there's been anything definitive about when they'll be released.

JIM LANDERS: Okay, thank you.

PENNY DUCKHAM: Another question, please.

OPERATOR: Thank you. Our next question comes from Stacey Singer of *Palm Beach Post,* please go ahead.

STACEY SINGER: Hi, thanks. In line with that previous question, I want to know—basically Florida's insurance commissioner would have said his rates are out by the time you did the study yet you didn't include Florida's rates. Is that because of this ongoing controversy over Florida not exercising his rate adjustment powers or why didn't you include Florida?

GARY CLAXTON: Hi, this is Gary. I actually spent a lot of time on the Florida website personally. The filings are much harder to follow than some other states. Some of the insurers ask that portions of them be considered trade secrets so the actuarial memorandum was not available.

Well, sometimes we could see rates. There was nothing that in the filings that tied up the rating areas to an actual place in the state that we could say this is Tampa or this is

Jacksonville or whatever. While we could see a few of them, we first couldn't see which ones were like the full—we couldn't necessarily—because they're all on the same page. Some of them are grandfathered plans. Some of them are new plans. I couldn't—

STACEY SINGER: I have spent time on this too.

GARY CLAXTON: That's why we said the ones we could figure out. We would have loved to have included Florida if we could figure it out. We just couldn't figure it out.

LARRY LEVITT: Yes. I mean Florida released some analysis of the rates, but there wasn't a backup data to, for example as Gary said, identify the second lowest cost over plan in the largest area for a particular age or the lowest cost for other plans.

GARY CLAXTON: Or in any area.

LARRY LEVITT: Right. In many cases, the rates were there. You just couldn't identify which area or which plan the rates were necessarily for.

GARY CLAXTON: Also, the filings there—they don't say if the plan is a gold. They didn't say which tier the plans were in. All the plans had names like the pink plan or whatever, but they didn't say it was the gold plan or the bronze plan in some cases so we actually couldn't know whether some plans were bronze or silver. We obviously couldn't do the calculations we needed to do. We didn't have any reason not to

include any state because we would have liked to have included as many as we can and as soon as information is available, we're going to add them and try to make as much information available as possible which we hoped too. We'll see what happens.

PENNY DUCKHAM: Another question, please.

OPERATOR: Thank you. Our next question comes from Steve Jordon of *Omaha World-Herald.* Please go ahead.

STEVE JORDON: Hi, one quick one. When you came up with the average plan for the cities, did you average, for instance, there is four in Nebraska, did you average the prices of the four different companies with that type of plan for the state?

LARRY LEVITT: This is Larry. These are not averages. These are actual premiums. It's for a particular plan in the larger city for someone at a particular age group or particular family size. In the appendix of our report, we actually identify the insurer and the plan name that's associated with these premiums.

STEVE JORDON: Okay, thanks. Then, you mentioned the comparison with people's with current premiums over the policy they may have as being not apples to apples. Why are the states going ahead and doing some comparisons like you should go as far comparisons stood? This will show [inaudible 00:52:52] or something?

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LARRY LEVITT: This is Larry. I mean I would, that I said this before, but in many cases, I think the spin over these premiums varies a lot more from state to state than the actual premiums do. You could almost—on the day these premiums were announced in any given state, you could almost predict whether the state leadership was pro-ObamaCare or anti-ObamaCare, based on how they described the premiums. We don't feel comfortable in making those comparisons between current market premiums and post ACA premiums because of the—and we don't have public access to data to do that and we do feel that comparisons are in many cases misleading—

STEVE JORDON: Okay, thank you.

LARRY LEVITT: —but I can't get to why someone else would do it.

STEVE JORDON: One other thing. You guys gotta quit saying exchange and start saying marketplace. We're trying to change our style here.

LARRY LEVITT: I'm still kind of attached to exchanges.

GARY CLAXTON: Yes, I think we decided not to try to do both because we'll just lose your concentration here.

PENNY DUCKHAM: One more question, please.

OPERATOR: Thank you. Our next question comes from Veronica Zaragovia of *KUT.* Please go ahead.

VERONICA ZARAGOVIA: Hi, I'm really sorry if you've covered this already but I just wanted to—actually, can you

please explain why premiums in a state like Texas are estimated to go up whereas in California, New York, the premiums are projected to decrease? Why is that the case?

LARRY LEVITT: Sure. As far as I know, the only state where I've seen a credible analysis that premiums would decrease is New York. New York I think is a particularly special case. Here, we're talking about the sticker prices not the prices after tax credits where I think in many cases, they will actually decrease. In New York, New York, a number of years ago I think over 20 years ago, instituted forms in their individual insurance market that required insurance companies to guarantee coverage regardless of preexisting conditions and also prohibited age rating. In New York, like in Vermont, people pay the same premium for the same plan regardless of their age whereas in other states, it will vary by five or six times for an older person versus a younger person.

In New York, they did that, unlike with the Affordable Care Act, they did it without a mandate that everyone have insurance or that most everyone have insurance and without the kind of tax credits that are available in the ACA. The result was there is a broad consensus that the result in New York was that premiums went up quite a bit and the market shrunk as young healthy people dropped out of the market or didn't buy insurance and older and sicker people did, producing something of a vicious cycle.

In New York, premiums were quite high and the effect of the individual mandate in the ACA and the tax credits have brought premiums way down, in fact, roughly half of what they were before. That's not something that I would expect to see in any other state.

GARY CLAXTON: Well, maybe Maine and Vermont, which are similar. We'll wait and see what the rates look like, but there are only a couple of states which had basically accepted everyone regardless of their health beforehand and those states tended to have pretty high premiums. The tax credit should bring in healthier people that will help to reduce them on average.

PENNY DUCKHAM: This is a question from Jayne O'Donnell. For people who are currently uninsured, are they best to wait until October the 1st and enroll in the exchange as I understand rates will be more competitive in the exchange but what if they don't want to be uninsured until January the 1st?

LARRY LEVITT: Yes. The coverage that will be sold during the open enrollment will be effective January 1st. People can buy insurance and there are some insurers selling insurance under pre-ACA rules. That insurance could start immediately or the month following, and would be good for a year, but only for a year. Any coverage bought or renewed after January 1st will have to comply with the new rules.

GARY CLAXTON: Also, if you're trying to buy the coverage under the old rules now, it is under the old rules, which means that if you have a health problem, they won't be accepted for coverage or they can be charged more or perhaps benefits might be limited. Not everyone could buy coverage under the new rules. No one is going to be able to buy coverage under the new rules that's effective before January 1st.

PENNY DUCKHAM: We're going to take one more question and then subsequent questions can of course be responded to online.

OPERATOR: Okay, thank you. The question comes from Warren Vieth of *Oklahoma Watch,* please go ahead.

WARREN VIETH: For those of us who are in states where rates have not been announced and where there is no state-run exchange, will those announcements be made by state officials or by federal officials and where can we go at the last minute to compare rates announced here with those being announced in other states? To your website?

LARRY LEVITT: You are always welcome to come to our website. A state could announce anything at any point. My expectation at this point is that few if any additional states are going to be making announcements of premiums and that any further announcement is going to come from the federal exchange or federal marketplace. When that occurs, I don't know. We're

certainly going to do our best when those premiums are available to analyze them and present them and also build them into our subsidy calculator, which now reflects national average premiums or estimates of national average premiums.

Yes. You can certainly come to our website, but my guess is those numbers will be available first through the federal marketplace and probably on HealthCare.gov.

WARREN VIETH: Right.

GARY CLAXTON: It's Gary. To the extent I mean but to compare across states, we'll do our best to get something done quickly, but there's a lot of rating areas in each state. Florida really helps out with over 60 or so. It will take a little bit of work to get that right, and I'm sure we won't turn it around overnight, but we'll do our best.

PENNY DUCKHAM: On that note, we're going to wrap this up and thank you again. This, of course, is one in the series of webinars and there will be more in future. If you have ideas for future topics you'd like us to address, that would be very helpful to hear from you. Thank you again for your time and just a reminder that this all will be available online either later today or later tomorrow.

OPERATOR: Thank you ladies and gentlemen. That concludes the webinar for today. We thank you for your participation and ask that you please disconnect all lines. Thank you and have a good day.

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