

Politics, sick patients drive up premiums

The Idaho Department of Insurance has released preliminary requested rates for plans offered on Your Health Idaho and on the off-exchange individual market next year.

The proposed rates, which won't be final until approved by the Department of Insurance, mean another year of big cost increases for individuals on the exchange. The average proposed rate increase is 38 percent.

The Department of Insurance has in past years declared some increases to be unreasonable, forcing insurers to reduce them.

There are two primary drivers behind the increases, according to insurer filings. One is that patients on the individual market are sicker than insurers expected. The other is political uncertainty.

Sicker patients

Four of the six insurers in the 2017 individual market (BridgeSpan is withdrawing this year) reported paying out more in claims than they received in premiums. Product Review Bureau Chief Wes Trexler said that's because of a mixture of rising general health care costs and a pool of patients in the individual market who are using more health care services than expected.

"For certain carriers, the enrollees have had more medical conditions than expected," he said.

In the companies' filings, each attributed between 75 and 85 percent of their total costs to premiums.

The gaps between the premiums insurance companies are receiving — including premiums paid by patients and premiums subsidies paid by the federal government — were large for some companies in 2016. SelectHealth paid out \$208 million in claims while collecting only \$146 million in premiums, a \$62 million loss on the year.

The companies also project that the overall price of drugs and health care services will continue to rise much faster than the overall pace of inflation, which has been true every year since 1960. Insurers project the cost of medical services to rise by between 4 and 8 percent, while they expect drug companies to charge between 6 and 18 percent more for medicines in the coming year. Overall inflation, the rate of price increase for goods and services as a whole, has hovered between 1 and 2.5 percent over the last year.

Long-term cost increases in health care mean that a steadily increasing portion of the economy has been devoted to health care spending. While about \$1 of every \$20 of total income was spent on health care in 1960, it's about \$1 of every \$5 today.

Political uncertainty

Another primary driver of the premium hikes is uncertainty created by President Donald Trump and House Republicans. Insurers' filings note that they have been requested to base all their rates on the assumption that the federal government will not pay Cost Sharing Reductions — subsidies that limit out-of-pocket costs for low-income people on the exchange. The House filed suit to block the payments in 2014, and Trump has repeatedly threatened to block cost-sharing payments, which he could do by refusing to defend the Affordable Care Act against the lawsuit.

It's one way Trump could push Obamacare to "implode," which he has repeatedly said on Twitter will happen.

Cost-sharing subsidies are only available for Silver plans, and the decision to assume Cost Sharing Reductions payments will be withheld means that cost increases are heavily concentrated in Silver plans. Bronze plans are projected to go up by an average of 21 percent and Gold plans are projected to go up by an average of 18 percent. Silver plans, on the other hand, are projected to increase by 50 percent.

Trexler said at least 20 points of each Silver plan increase can be attributed to uncertainty about Cost Sharing Reductions payments.

The higher Silver plan premiums will result in larger premium support subsidies for those on the exchange, said Director Dean Cameron, possibly costing taxpayers more than if the Cost Sharing Reductions payments went out.

"Ironically, Congress may spend more of our federal tax dollars through higher (premium tax credits) than if they funded the CSR mechanism," Cameron said in a news release.

Each insurer offering on-exchange plans has asked for a rate increase on their Silver plans that is more than double either their Bronze or Gold plans. PacificSource has asked for an 81 percent hike on Silver plans.

Exchange competitive

Your Health Idaho is expected to offer much more competition than exchanges in many states, especially some such as Nevada where some exchanges expect to have no carrier on the market.

There's some evidence that competition on the exchange is holding down costs relative to increases in the individual market outside the exchange. While BridgeSpan announced it would leave the exchange, every Idahoan on the individual market is expected to have either three or four choices.

Regence BlueShield of Idaho, which is offering off-exchange plans only, according to Trexler, requested the highest rate increase of any company in Idaho's individual market at 51 percent. Compared to SelectHealth, an on-exchange insurer which requested a 48 percent hike, Regence posted only a 6 percent loss. SelectHealth's reported loss was 42 percent.

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Page 3 of 3

The proposed increases are smallest in Mountain Health, a member-run insurance cooperative. It's one of 23 nationwide cooperatives that were established after the ACA authorized them, and one of only a handful still standing.

Mountain Health has requested an 8 percent hike for Bronze plans, a 29 percent hike for Silver plans and a 6 percent hike for Gold plans.

SelectHealth has requested the most aggressive rate hikes among plans on the exchange, with a 27 percent hike for Bronze plans, a 69 percent hike for Silver plans and a 25 percent hike for Gold plans.

The department is seeking public comment on the proposed rate increases, which can be provided by email at ratecomments@doi.idaho.gov

“These are not final numbers,” Trexler said. “The department is working with the carriers. Individuals should seek out help from an agent or broker.”

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