



Drivers of 2018 Insurance Premium Changes Explained

The American Academy of Actuaries has released a [new issue brief](#) entitled, “Drivers of 2018 Health Insurance Premium Changes.” The issue brief points out that the major drivers of 2018 premium changes include: medical trend, legislative and regulatory uncertainty on cost-sharing reductions (CSRs) and enforcement of the individual mandate, changes in the risk pool composition; and resumption of the federal health insurer tax.

The following summaries highlight a few of the major drivers of 2018 premium changes, as discussed in the brief:

Future of CSRs Unclear

The brief in particular notes that there is a significant amount of uncertainty regarding the future of federal reimbursement to insurers for Cost Sharing Reduction (CSR) subsidies.

The ACA requires insurers to provide CSR subsidies to eligible low-income enrollees through silver plan variants. Due to the uncertainty of whether CSRs will continue to be paid, some state regulators have allowed or even required insurers to build CSR costs into their premiums, the brief notes. There are different approaches to adjust premiums, either allocating additional costs solely to silver plans or across all plans. If levied on silver plans only, premium increases could average nearly 20 percent, over and above premium increases due to medical inflation and other factors, the brief says.

Enforcement of the Individual Mandate

There is uncertainty regarding the enforcement of the ACA’s individual mandate moving forward. A weakening or elimination of the individual mandate would be expected to increase premiums as lower-cost individuals would be more likely to forgo coverage.

Medical Trend

The increase in costs of medical services and prescription drugs—referred to as medical trend—is based not only on the increase in per-unit costs of services, but also on changes in health care utilization and changes in the mix of services. Projected medical trend in 2018 is expected to be consistent with 2017 medical trend; estimates are in the 5 percent to 8 percent range.

Risk Pool Composition

The ACA requires that insurers use a single risk pool when developing premiums. Therefore, as in previous years since the ACA's enactment, premiums for 2018 will reflect insurer expectations of medical spending for enrollees both inside and outside of the marketplace. Changes in premiums between 2017 and 2018 will reflect expected changes in the risk profiles of the enrollee population, as well as any changes in insurer assumptions based on whether experience to date differs from that assumed in 2017 premiums. Importantly, market experience to date and 2018 projections vary by state, depending in part on state policy decisions and local market conditions.

Federal Health Insurance Tax

The health insurance provider fee was enacted through the ACA. The Consolidated Appropriations Act of 2016 included a moratorium on the collection of the fee in 2017. Insurers removed the fee from their 2017 premiums, resulting in a premium reduction of about 1 to 3 percent, depending on the size of the insurer and their profit/not-for-profit status. Unless the moratorium is extended, the resumption of the tax in 2018 will increase premiums by about 1 to 3 percent.

For a more in-depth look at the key drivers of 2018 health insurance premium changes, read the full American Academy of Actuaries report [here](#).

****Source: American Academy of Actuaries. Issue Brief: Drivers of 2018 Health Insurance Premium Changes. www.actuary.org. July 2017.***