

**C**alifornia's individual health insurance market—for people who buy coverage on their own—has grown more than **50 PERCENT** since Covered California launched in 2013, providing comprehensive coverage to 2.3 million Californians. Looking ahead to 2018, premiums will be impacted by a variety of factors, but they will be largely influenced by uncertainty in Washington D.C. over the future of the Affordable Care Act and by increased spending on medical care. This may result in some paying more. Here are five reasons why:



**UNCERTAINTY  
IN  
WASHINGTON**



**INCREASED  
SPENDING ON  
MEDICAL CARE**



**TAXES ON  
HEALTH  
INSURANCE**



**REPORTS OF  
SOME MIS-USING  
THE SPECIAL  
ENROLLMENT PERIOD**



**HEALTH CARE  
COSTS VARY BY  
GEOGRAPHY AND  
BY HEALTH PLAN**

## 1

## Uncertainty In Washington

If federal subsidies for low income consumers (CSRs) and the individual mandate are eliminated, consumers will be negatively impacted and rates will increase. Health plans have been asked by Covered California to submit two different sets of rates: One assuming CSRs (Cost Sharing Reductions) will be funded and the individual mandate will continue, and one assuming they will not.

Failure to fund CSRs could result in an estimated premium rate increase of up to **20-30%** in 2018 for silver plans

Eliminating the Individual Mandate will significantly increase premiums and cause serious market disruptions. If the individual mandate is eliminated, fewer healthier individuals will purchase coverage, while people most at risk of high health care costs are more likely to continue to enroll.

## 2

## Increased Spending on Medical Care

Regardless of the uncertainty at the federal level, all health plan premiums will be influenced by the following factors:

**89¢** Medical Care

**11¢** Admin/Other

Health insurance premiums directly reflect health care costs. In California, health plans spend **89 CENTS** of every premium dollar on doctor and hospital visits, medical tests, prescription drugs, and other medical goods and services.



**Prescription drug spending is rising** faster than any other sector of health care, increasing **5.8%** in 2016. For a typical family of four, prescription drug costs are projected to rise **8%** in 2017.



**PRICE OF A HOSPITAL  
ADMISSION IN CA:**

**↑ 76%**  
**INCREASE SINCE 2004**

For a U.S. family of four, hospital expenses increased **3.9%**, inpatient hospital costs grew by **3.7%** and outpatient costs grew by **4.2%** last year alone.

Premium pricing depends on data from prior years to anticipate the prices, types, and volume of medical goods and services enrollees will need in the coming year as well as changes in covered services and projected changes in who is purchasing coverage.

## 3

### Taxes On Health Insurance

The health insurance tax is estimated to increase premiums by **2% to 2.5%**. The tax is set to return after federal lawmakers previously put a freeze on it.

## 4

### Reports of Some Mis-using the Special Enrollment Period



Californians are eligible to get coverage outside of the open enrollment window if they have a qualifying life event like **losing employer coverage, moving, or a change in family status**. Some are mis-using the special enrollment period and enrolling any time of the year in order to get medical care. This practice drives up costs for everyone.



Nationally, **people who enroll during special enrollment** have 10 percent higher health care costs than those who enroll during open enrollment, and their costs are **25-40 PERCENT HIGHER** during the first three months of coverage.



**Enforcement of the special enrollment period through documentation and verification is necessary** to ensure premiums remain fair and affordable for everyone.

## 5

### Health Care Costs Vary By Geography And By Health Plan

Health care costs are local and also depend on who is purchasing coverage, how many services they are using, and what provider costs are. Health plans will have differing premiums as a result.

**Risk Pools:** A health insurance risk pool is a group of individuals whose medical costs are combined to calculate premiums. If a plan's risk pool has enrollees with higher than average medical costs it leads to higher premiums. A balanced risk pool must have enrollees with lower medical costs to offset those with higher. Each health plan has its own unique risk pool of enrollees and therefore different pressures on premiums.

### Benefits of California's Marketplace

The unique way California designed its exchange benefits consumers by stabilizing the market against rapid price fluctuations.

- ▶ **Timely implementation of the ACA in 2014**
- ▶ **Competitive market with 11 health plans**
- ▶ **Stability of CA's exchange and adequate rates**
- ▶ **Lower health costs than the national average**

Premium changes for 2018 will vary based on individual circumstances such as **age, family size, zip code, and income level**.