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**NEW ANALYSIS OF HEALTH INSURANCE PREMIUM TRENDS IN
THE INDIVIDUAL MARKET FINDS AVERAGE YEARLY INCREASES
OF 10 PERCENT OR MORE PRIOR TO AFFORDABLE CARE ACT**

*New Data Set Standard for Comparing This Year's Premiums in State and
Federal Health Insurance Marketplaces*

New York, NY, June 5, 2014—Health insurance premiums for people buying coverage on their own grew an average of 10 percent or more a year during the three years before the Affordable Care Act was enacted (2008-2010), according to a new Commonwealth Fund report. The analysis, by Jonathan Gruber of the Massachusetts Institute of Technology, uses information collected in 2012 by the National Opinion Research Center (NORC) to look at individual market premium trends nationally and in 22 states for which data are available.

Though somewhat limited, the data offer the best information pertaining to premium growth in the individual insurance market before the Affordable Care Act (ACA) took effect, and thus provide the best baseline against which to evaluate future premium changes in the federal and state insurance markets. Historically, insurers in many states were not required to file premium increases with insurance departments in any systematic manner.

The new report, *Growth and Variability of Health Plan Premiums in the Individual Insurance Market Before the Affordable Care Act*, analyzes individual market premium trends in the years prior to the ACA. Several states have already released information about health plans to be sold in their marketplaces in 2015. Plan information for the rest of the states will become available over the summer and fall. Consumers can begin to shop for their 2015 coverage on November 15 of this year.

The comparison between marketplace premiums and pre-ACA individual plan premiums provides perspective on whether the law's provisions to reform the flawed individual market are providing consumers with comprehensive and affordable insurance options. Among these provisions are a requirement for insurers to provide a package of basic health benefits and a ban on denying coverage to those with health problems. Before the health reform law, older consumers or people with health problems were often priced out of the individual market, had their condition excluded from their coverage, or were turned away by insurers. For people who had policies, an illness might lead to a substantial premium increase or a cancelled policy. And there were no federal subsidies to help people afford insurance: 85 percent of the 8 million people who enrolled in plans through the marketplaces this year qualified for a premium subsidy.

“The individual insurance market has always been volatile, and people with individual coverage often experienced large premium increases. However, until now we haven't had data to tell us what those increases looked like,” said Jonathan Gruber, the study's author. “While there are some limitations to these data, they provide a baseline snapshot of the market before passage of the Affordable Care Act to help track whether the law's marketplaces are providing better protection at a cost that consumers, and the federal government, can afford.”

The analysis found that premium increases varied widely from state to state. For example:

- In 2008, rate increases ranged from 2.8 percent in Iowa to 14.7 percent in Wisconsin.
- In 2009, increases ranged from 4.1 percent in New Jersey to 20.1 percent in Connecticut.
- In 2010, increases ranged from 3 percent in Idaho to 21.8 percent in Nebraska.

There were no distinct regional or geographic patterns in the increases, and within a given state there could be substantial variability. For example, looking at all premium filings collected in 2008, 10 percent of people enrolled in plans experienced no rate increase while, at the other extreme, 10 percent saw increases of 17.8 percent or more.

“The Affordable Care Act requires insurers to offer a comprehensive product to consumers who must buy health insurance on their own,” said Commonwealth Fund President David Blumenthal, M.D. “A cancer survivor can't be turned away or charged a higher price, a person with diabetes can't be offered a policy that doesn't cover their treatment, and a young family is now guaranteed maternity care when they need it. This report provides a baseline for evaluating the effects of these changes on premium costs, and reminds us that before the law many families buying coverage on their own saw their premiums skyrocket even when their plans didn't adequately cover the care they needed.”

The full report will be available at: <http://www.commonwealthfund.org/Publications/Issue-Briefs/2014/Jun/Health-Insurance-Premiums>.

Methodology

NORC's data collection effort is by far the most comprehensive overview of annual premium changes in the individual insurance market in the period preceding implementation of the Affordable Care Act. It does, however, have a number of limitations. First, it does not cover the entire nation, but only includes states for which data were available to the public. In an additional three states, NORC acquired data through connections between study researchers and senior executives at the state insurance departments; consequently, the study does not include all states in the pre-ACA period. Second, even within the study states, the data were not collected for every insurance carrier, but rather for the five largest carriers in the state and a sampling of smaller carriers. Weights were developed based on National Association of Insurance Commissioners data on carrier enrollment size. The weights were estimated to represent each rate filing's relative size for a carrier when enrollment data was missing in the rate filing. Lastly, many filings were missing information about enrollment or about the final decision on the allowed rate increase following state regulatory review.

The potential issue that arises from such limitations is that the data do not represent an accurate portrayal of national patterns of rate increase. To address the second limitation, the author used sensitivity analyses that are restricted to only states where there is a large share of the individual market represented in the collected data. The results were not sensitive to these tests. It is not possible, however, to address the fact that data were not available in some states. Nevertheless, the fact that there is no clear pattern in rate increases across the states that are represented suggests that the study's results are broadly applicable.

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.