

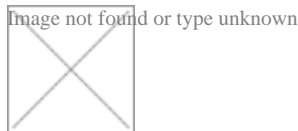


Weekly Checkup

An Analysis of Benchmark Premiums in Year 2 of the Affordable Care Act Exchanges

CONOR RYAN | NOVEMBER 13, 2014

This Saturday marks the beginning of the second annual open enrollment period for subsidized health insurance plans administered through the Affordable Care Act exchanges. Recently, the Kaiser Family Foundation released a report showing that for a specific segment of the market—benchmark silver plans—premiums have decreased slightly overall by an average of 0.2 percent in 49 major cities.^[1] The American Action Forum has examined the same segment of the market in all areas for which data is accessible—461 out of the 501 rating areas nationwide, covering 43 states.^[2] Overall, we find that the benchmark premiums have increased by an average of 3.8 percent nationwide. Our analysis supports a broader finding of the Kaiser research: significant variation in premium movement.



Benchmark Silver Plan

A benchmark silver plan is the second-lowest cost silver plan in each health insurance market area, referred to as rating areas. These plans are of particular interest as they are a primary component in calculating a household's health insurance premium subsidy. Changes in the benchmark plan will lead to adjustments in other subsidized premiums, possibly offsetting or compounding increases in other plan rates. New plan offerings can also cause the benchmark plan premium to change significantly due to a new plan becoming the second-lowest cost, even if overall rates change by very little. In our analysis, we examine the change in the benchmark premium for a 27 year old.

Churn Among Benchmark Plans

We find that out of the 461 rating areas examined, the 2015 benchmark plan is unchanged in 100 rating areas. The 2015 benchmark is a new plan offered by the same health insurance company in 126 rating areas, and in 235 areas, the benchmark is offered by a new company entirely. This year-to-year variance in the premium subsidy may cause a headache for some subsidized enrollees that can't rely on consistent prices. The map below demonstrates which areas have new benchmark plans in 2015.



Wide Variation in Premium Changes

The 2015 benchmark premium is less expensive or unchanged relative to last year in 145 out of the 461 rating areas for which we have data. However, the benchmark plans are new in 116 of those areas. If the overall premiums in those rating areas have become more costly, subsidized households will face both a higher total premium and a lower premium subsidy. In 218 rating areas, the benchmark premium is between 0 and 10 percent greater than last year, and in 98 areas, benchmark premiums have increased by more than 10 percent. The benchmark premiums in some areas of Alaska, Iowa, Michigan, and Ohio are roughly 30 percent greater than in 2014. The benchmark plans are new in 69 of the 98 areas in which premiums rose over 10 percent, possibly leading to large decreases in subsidized premiums.

[1] Kaiser Family Foundation, “Analysis of 2015 Premium Changes in the Affordable Care Act’s Health Insurance Marketplaces,” Issue Brief, November 2014, available at: <http://files.kff.org/attachment/analysis-of-2015-premium-changes-in-the-affordable-care-acts-health-insurance-marketplaces-tables>