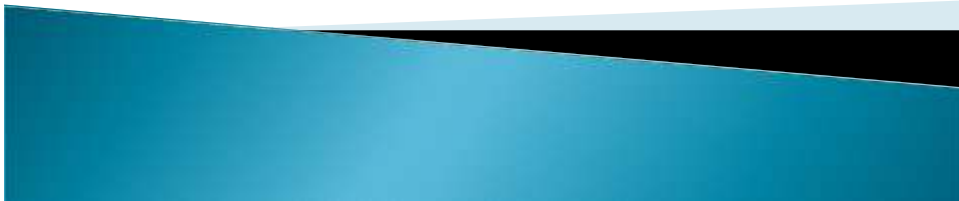


# The Affordable Care Act

Bret Kolb, Director, Alaska Division of Insurance  
Presented to the Administrative Regulation Review Committee  
June 21, 2013



- ▶ Current state of the ACA
- ▶ Cost to the Consumer
- ▶ Cost to Small Business
- ▶ Impact to Industry





3

## Cost to the Consumer

### The Individual Market

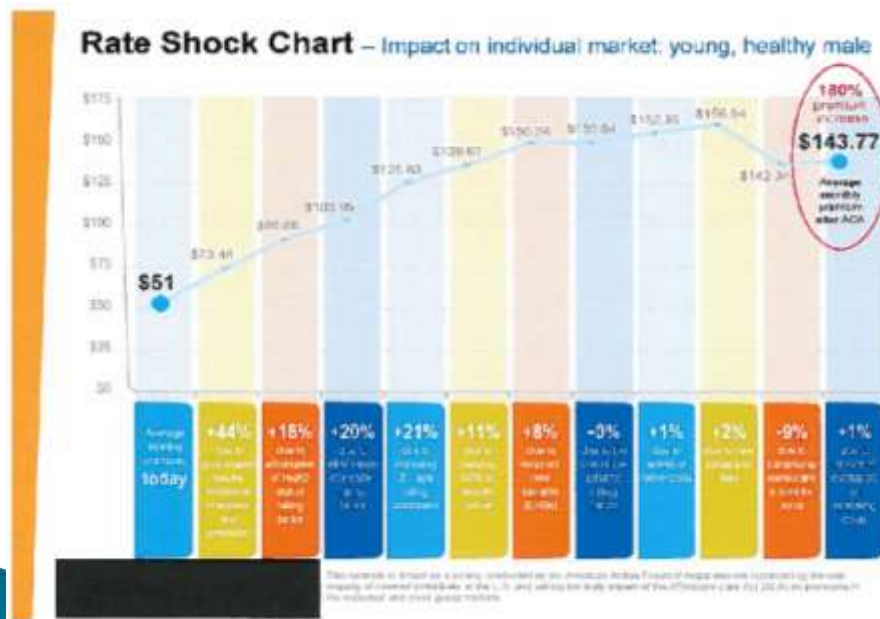
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## Individual Market: Components of 2014 Rate Impact

Components	Estimated Impact	Background
Health Status	20% – 50%	<ul style="list-style-type: none"> <li>Underwriting going away</li> <li>Risk Pooling of High-Risk Pools</li> <li>Mandata/Subsidies mitigate gaming</li> </ul>
Induced Utilization	2 – 8%	<ul style="list-style-type: none"> <li>While richer plan designs provide greater member protection, they still encourage higher utilization</li> </ul>
Reinsurance Protection	(9% – 10%)	<ul style="list-style-type: none"> <li>Reinsurance provides significant protection in 2014</li> </ul>
Medical Inflation	6% – 10%	<ul style="list-style-type: none"> <li>Medical inflation may be lower than historical range of 8-12% due to pooling of risk</li> </ul>
New ACA Fees	5% – 7%	<ul style="list-style-type: none"> <li>New government fees help fund the low-income subsidies and reinsurance protection</li> </ul>
<b>Aggregate Impact before Subsidies</b>	<b>23% – 66%</b>	<ul style="list-style-type: none"> <li>Families earning &gt; 400% of FPL will likely be subject to large rate increases</li> </ul>
Low-Income Subsidies	(40% on average)	<ul style="list-style-type: none"> <li>Subsidies are available to low-income households</li> <li>Aggregate subsidies are worth roughly 40% of gross premiums</li> </ul>

Source: <http://energycommerce.house.gov/rate-shock>

5



Source: <http://energycommerce.house.gov/rate-shock>

6

## Cost to Business The Small Group Market

7

### Major Reform Impacts for Groups

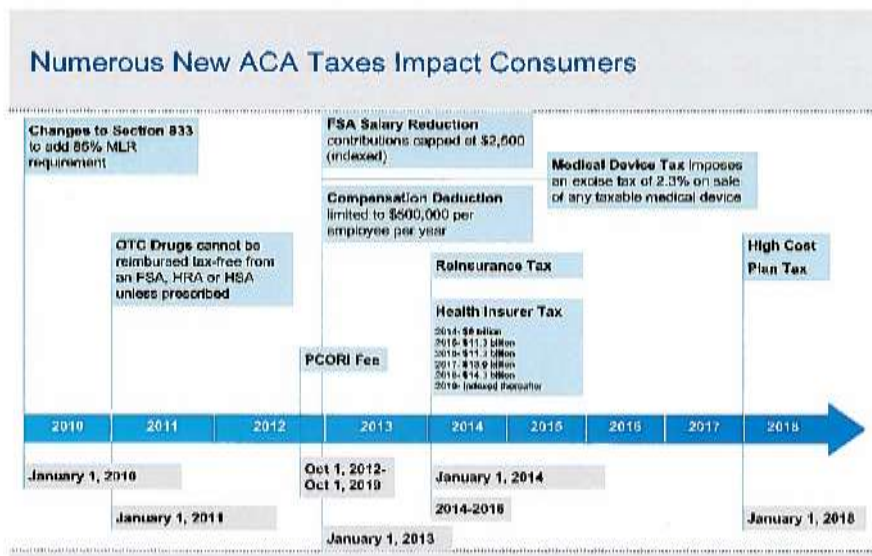
Rate Driver	SG Fully-Ins	LG Fully-Ins	ASO
Community Rating	+/- 25% depending on group characteristics	N/A	N/A
Compression of Age/Sex	+30% to -15% depending on group ages	N/A	N/A
Coverage of EHBs	+5% (estimate)	N/A	N/A
Risk Pool Changes	+15% (estimate)	TBD due to unknown shift to self-insured	N/A
Commissions	TBD (state-by-state)	Pass through	Pass through
Taxes / fees	+2 – 7% PCORI, Insurer Tax, Reinsurance, Exchange User Fee	+2 – 5% PCORI fee, Health Insurer Tax, Re-insurance	<2% PCORI fee, Re-insurance

Source: <http://energycommerce.house.gov/rate-shock>

8

## Cost to Insurers

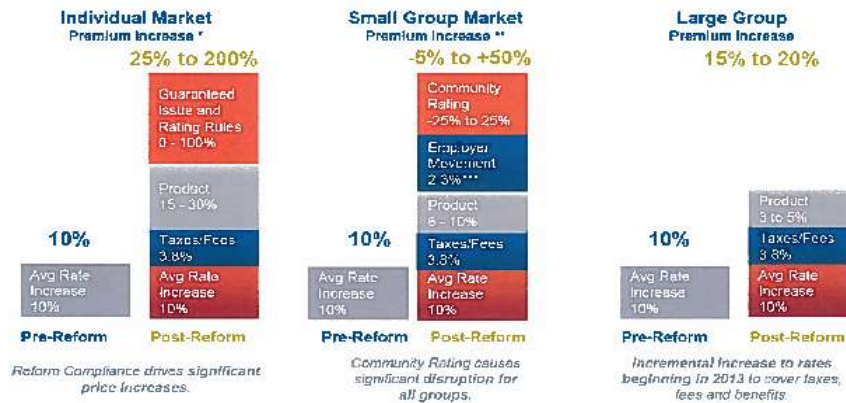
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Source: <http://energycommerce.house.gov/rate-shock>

10

## Estimated Pricing impacts

Many consumers and employers will face substantial price increases



\* Before the impact of reinsurance credits and any applicable premium subsidies

\*\* Reflects the majority of groups in states with moderate underwriting flexibility prior to 2014. Actual results could be outside this range.

\*\*\* Represents the impact of small employers dropping coverage or changing their renewal date in response to 2014 premium changes.

Source: <http://energycommerce.house.gov/rate-shock>

11

## Other Sources

- ▶ AHIP commissioned assessment of ACA factors that will affect individual premiums in 2014 <http://www.ahip.org/MillimanReportACA2013/>
- ▶ 2011 Urban Institute study of effects of health reform on small businesses and their workers: <http://www.urban.org/publications/412349.html>
- ▶ Kaiser Family Foundation : <http://kff.org/>
- ▶ National Association of Insurance Commissioners: [http://www.naic.org/index\\_health\\_reform\\_section.htm](http://www.naic.org/index_health_reform_section.htm)
- ▶ Alaska DOI website compilation of Resources: <http://commerce.state.ak.us/ins/Insurance/ACA/resources.html>

12