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How Repeal of the Individual Mandate and Expansion of Loosely Regulated Plans are Affecting 2019 Premiums

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In health insurance systems designed to protect people with pre-existing conditions and guarantee availability of coverage regardless of health status, countervailing measures are also needed to ensure people do not wait until they are sick to sign up for coverage (as doing so would drive up average costs for other enrollees). The Affordable Care Act (ACA) included a variety of "carrots" (e.g., premium tax credits and cost-sharing reductions) and "sticks" (e.g., the individual mandate penalty and limited enrollment opportunities) to encourage healthy as well as sick people to enroll in health insurance coverage.

Despite the enduring popularity of the ACA's protections for people with pre-existing conditions, the individual mandate – which requires most people to maintain health insurance coverage or else pay a penalty – has consistently been viewed negatively by a substantial share of the public. After broader attempts to repeal and replace the ACA stalled out in the summer of 2017, Congress reduced the individual mandate penalty to $0 effective in 2019 as part of tax reform legislation passed last December.

Soon thereafter, the Trump administration also announced new rules that will allow more loosely regulated plans – short-term limited duration (STLD) plans and association health plans (AHPs) – to proliferate on the individual market in competition with ACA-compliant coverage. These more loosely regulated plans will serve as a more affordable option for some people who are not eligible for the ACA's premium tax credits. However, particularly in the case of short-term plans, this lower-cost coverage is generally unavailable to people with pre-existing conditions and the plans often exclude coverage for certain services. STLD plans do not meet the ACA's requirement to maintain coverage, but, because the penalty for going without coverage will soon be $0, the attractiveness of STLD coverage will grow for healthy people. These plans will attract disproportionately healthy individuals away from ACA-compliant coverage, thus having an upward effect on premiums in the ACA-compliant individual market.

With the effective repeal of the individual mandate penalty and the expansion of short term and association health plans, we set out to quantify how much of an upward effect these policy and legislative changes are having on 2019 premiums. Among insurers that publicly specify the effect of these legislative and policy changes in their filings to state insurance commissioners, we found that 2019 premiums will be an average of 6% higher, as a direct result of individual mandate repeal and expansion of more loosely regulated plans, than would otherwise be the case.

Adding the impact from the loss of cost-sharing reduction payments – which drove up silver premiums by an average of 10% according to the Congressional Budget Office – to the impact from individual mandate penalty repeal and expansion of more loosely regulated plans, this analysis suggests on-exchange benchmark silver premiums will be about 16% higher in 2019 than would otherwise be the case.

A separate analysis finds that 2019 premiums on the whole are staying relatively flat or dropping in many parts of the country, in large part because insurers are currently overpriced. Nonetheless, this analysis finds that 2019 premiums would be dropping even more if the individual mandate penalty were still in full effect.

Analyzing Insurer Rate Filings

Each year, insurers submit rate filings to state regulators justifying their premium changes for the upcoming year. These filings include varying amounts of detail, depending on the state and insurer, and sections of the publicly available filings are often redacted. Insurers sometimes do not include much detail in the public filings, and do not always explicitly mention the effect policy changes will have on rates.

We reviewed all publicly available filings insurers across the United States submitted to state regulators detailing their justifications for rate changes in the ACA-compliant individual market, both on- and off-exchange. While many insurers identify the repeal of the individual mandate penalty and/or the expansion of STLD/AHP plans as factors that will have an upward effect on 2019 premiums, not all companies quantify the amount by which rates will increase specifically due to these changes, and others redact this information from their publicly available filings. Additionally, some companies group together the upward effect of the individual mandate penalty repeal with the expansion of short-term and association plans, while other companies report these effects separately or only publicly quantify the effects of one of these changes.

We exclude from this analysis states that have implemented their own individual mandates (Massachusetts, New Jersey, and Washington, DC) or, in the case of New York, prohibited insurers from loading an individual mandate surcharge into 2019 premiums.

Among insurers that publicly quantify a rate impact from legislative and regulatory changes – effective repeal of the individual mandate penalty and/or expansion of more loosely regulated plans – the upward effect on 2019 premiums ranges from 0% to 16%. Among these insurers, the average rate increase in 2019 due to the individual mandate penalty repeal and expansion of more loosely regulated plans is 6%. Most 2019 rate impacts due to these legislative and policy changes fall between 4% and 8% (the 25th and 75th percentiles).

Table 2 in the Appendix shows rate increases by state and insurer among companies that publicly quantified the amount by which premiums will increase due to these legislative and policy changes in either 2018 or 2019.

In many cases, these rate increases come on the heels of similar assumptions made going into 2018 that the individual mandate would be repealed or weakly enforced (as insurers had to finalize 2018 rates before a decision had been made in Congress to effectively repeal the individual mandate). In setting rates for 2018, some insurers assumed either repeal, reduced enforcement, or public perception of reduced enforcement of the individual mandate would lead to a sicker risk pool in 2018 and priced accordingly. In 2018, among insurers that publicly quantified an impact of uncertainty about the individual mandate, companies incorporated a premium increase of 0% to 25%. Among these insurers, the average rate increase due to individual mandate uncertainty in 2018 was 5% and most fell between 2% and 6% (the 25th and 75th percentiles).

A number of insurers factored in rate impacts due to individual mandate uncertainty in 2018 and individual mandate penalty repeal in 2019. In many of these cases, though, the 2019 load appears to supersede the 2018 load and the two are not cumulative. There may be some cases when the 2019 individual mandate load is in addition to the 2018 load, but we assume the values in 2019 and 2018 are never cumulative, which is the more conservative approach.

Table 1: Range of Premium Impacts from Individual Mandate Uncertainty/Repeal in 2018 and 2019

Year of filings	Min	25th Percentile	Average	75th Percentile	Max
2019	0%	4%	6%	8%	16%
2018	0%	2%	5%	6%	25%

NOTE: In some cases, the effect due to the individual mandate also includes the expansion STLD/AHPs, reduced outreach, or other legislative uncertainty.
SOURCE: Kaiser Family Foundation analysis of insurer rate filings to state regulators, state insurance regulators, and ratereview.healthcare.gov.

The upward effect on 2019 premiums due to the effective repeal of the individual mandate and expansion of more loosely regulated plans is in addition to other significant rate increases due to the Trump administration's decision to halt cost-sharing reduction subsidy payments. This decision, the Congressional Budget Office estimates, is responsible for a 10% increase in 2018 on-exchange silver premiums.[1] Altogether, on-exchange silver premiums in 2019 are therefore approximately 16% higher than would otherwise be the case if federal CSR payments had continued (the loss of which contributed approximately 10% to silver exchange premiums), the individual mandate penalty were still enforced, and more loosely-regulated plans were not expanding (the latter changes contributed an additional 6% to 2019 rates).[2]

Many states allowed insurers to load the loss of CSR payments onto silver premiums and many insurers only added that cost to plans offered on the marketplace in 2018. Therefore, in most states, the effect of the loss of CSR payments was considerably smaller for bronze and gold plans offered off-exchange than for silver plans offered on-exchange. Because premium tax credits on the exchanges are tied to the cost of silver premiums, the effect of the loss of CSR payments was cushioned for many enrollees on-exchange. The impact of the individual mandate penalty repeal and expansion of more loosely regulated plans, however, is concentrated primarily off-exchange, where enrollees do not receive a subsidy to offset increases.

Table 2: Premium Impacts from Legislative and Policy Changes to the ACA	
Legislative or Policy Change	**Average percent by which 2019 unsubsidized premiums are higher than would be the case without change**
• Individual mandate penalty repeal • Expansion of AHP / STLD plans	6% (all premiums on/off exchange)
• Loss of CSR payments	10% (silver exchange premiums)*
Combined Impact: • Individual mandate penalty repeal • Loss of CSR payments • Expansion of AHP / STLD plans	16% (silver exchange premiums)*
SOURCE: Kaiser Family Foundation analysis of insurer rate filings to state regulators, state insurance regulators, and ratereview.healthcare.gov. Premium impact due to CSR loss is from Congressional Budget Office (CBO) estimate. NOTES: Premium changes represent the change in premiums before accounting for the premium tax credit. How each premium impact relates to other impacts depends on how each insurer calculates rate impacts. We conservatively assume the rates are additive (6% + 10% = 16%), as opposed to multiplicative (1.06 x 1.1 = 1.166, or 16.6%). *The CBO estimate of the loss of CSR payments' effect was specifically for silver exchange premiums. However, some insurers also applied a CSR load onto other metal levels and/or off-exchange premiums.	

Going into 2018, insurers on average likely increased rates more than was necessary. As of mid-2018, insurers in the individual market are doing quite well financially on average, so many are unable to justify another year of premium increases going into 2019. Therefore, despite repeal of the individual mandate penalty and expansion of more loosely regulated plans in 2019, premiums in much of the country are holding flat or decreasing relative to 2018. In states that use healthcare.gov, unsubsidized benchmark premiums are dropping an average of 1.5% next year, from $502 per month for a 40-year-old in 2018, to $495 in 2019.

Our analysis therefore suggests the average healthcare.gov benchmark silver premium for a 40-year-old would be approximately $427 per month (instead of $495) in 2019, if it were not for the repeal of the individual mandate penalty, expansion of short-term plans, and loss of cost-sharing subsidy payments.[3]

Discussion

Exchange premiums will be moderating in 2019, as many insurers are currently profitable after overshooting with 2018 rates. Benchmark silver premiums in states that use Healthcare.gov will be an average of 1.5% lower in 2019 than they were in 2018, which will likely come as welcomed news to people who are ineligible for subsidies and paying full-price for coverage in the individual market in states where there is a decrease. However, a number of middle and upper-middle income individuals and families have already been priced out of the market and a small decrease in premiums may not be enough to bring them back.

Among insurers that publicly specify the effect of these legislative and policy changes, we found that 2019 premiums will be an average of 6% higher, as a direct result of individual mandate penalty repeal and expansion of more loosely regulated plans, than would otherwise be the case. Combined with estimates from the Congressional Budget Office, our analysis suggests the elimination of the cost-sharing subsidy and individual mandate penalty, as well as expansion of more loosely regulated plans, has caused on-exchange silver premiums to be 16% higher than would otherwise be the case. Instead of 2019

benchmark silver premiums on healthcare.gov averaging $495 per month for a 40-year-old, as was recently reported by HHS, we estimate the premium would be approximately $427 in the absence of individual mandate penalty repeal, expansion of more loosely regulated plans, and the loss of cost-sharing subsidy payments.

From a consumer perspective, the rate impact from these policy and legislative changes has played out differently for subsidized on-exchange consumers than for unsubsidized off-exchange consumers. Heading into 2018, off-exchange consumers generally experienced the 5% rate impact from uncertainty around the individual mandate enforcement, but many were able to avoid the steeper premium increases due to the loss of cost-sharing subsidy payments as insurers in many states were able to load this cost onto only silver plans, and/or only exchange plans. In some cases, on-exchange consumers in 2018 may have ended up paying less because of the loss of CSR payments, because of larger subsidies due to silver loading.

Looking ahead to 2019, premiums in much of the country are holding flat or decreasing a bit, but unsubsidized off-exchange consumers on average will nonetheless pay an average of 6% more than they otherwise would have, if it were not for repeal of the individual mandate and expansion of more loosely regulated plans. On the exchange, meanwhile, subsidized customers will continue to pay sliding-scale premiums based largely on their incomes, and so the amount of premium they pay is mostly unaffected by the repeal of the individual mandate and expansion of short-term plans.

Methods

Data were collected from publicly available health insurer rate filing submitted to state regulators for ACA-compliant coverage offered on- and off-exchange. Most rate information is available in the form of a SERFF filing (System for Electronic Rate and Form Filing) that includes a base rate and other factors that build up to an individual rate. For some states where approved filings were unavailable, we gathered data from preliminary information released by state insurance departments and healthcare.gov. We did not group subsidiaries by parent company as some subsidiaries within a given state made differing assumptions.

We exclude insurers where the individual mandate penalty was not specified in the public rate filings. We assigned these insurers a value of "NA," meaning the company (1) did not mention the individual mandate, STLD, or AHPs at all; (2) mentioned an impact but did not quantify the amount; or (3) quantified the rate impact but redacted the amount from public filings. In some cases, we assigned a value of “NA” when it was clear the insurer requested a rate impact but it was unclear whether the state allowed that load, or if the insurer built in the load elsewhere in their rate calculations. A value of "0%" means the insurer did publicly quantify the impact and specified that it was 0%.

We exclude from this analysis states that have implemented their own individual mandates (Massachusetts, New Jersey, and Washington, DC) or, in the case of New York, prohibited insurers from loading an individual mandate surcharge into 2019 premiums.

Appendix

Table 3: Impact of Individual Mandate Penalty Repeal and Other Legislative and Regulatory Changes on Premiums, by State and Insurer, 2018 and 2019				
State	**Insurer**	**Overall 2018-2019 Rate Change**	**2018 Rate Impact of Individual Mandate (IM) Uncertainty**	**2019 Rate Impact of IM Penalty Repeal (Impact of other legislative and regulatory changes, if noted)**
AZ	BCBS	0%	4%	10% (IM; STLD)
AZ	Bright Health	NA – 2019 entrant	NA – 2019 entrant	4% (IM; STLD/AHPs; "other legislative uncertainty")
AZ	Health Net	-6%	NA	2%
AZ	Oscar	NA – 2019 entrant	NA – 2019 entrant	5-10% (IM; "other potential reforms")
CA	Anthem BC	4%	0%	3% (Primarily IM)
CA	Blue Shield CA	10%	3%	5%
CA	Chinese Community	7%	NA	2%
CA	Health Net	8%	0%	2%
CA	Kaiser	9%	0%	5%
CA	L.A. Care	7%	NA	5%
CA	Molina	2%	0%	6%
CA	Oscar	7%	0%	5%
CA	Sharp	10%	NA	5%
CA	Sutter	15%	0%	10%
CA	Valley	-1%	0%	5%
CA	Western Hlth Advntg	7%	0%	5%
CO	Bright Health	7%	0%	~6% (5% IM; <1% STLD)
CO	Cigna	8%	NA	12% (IM; STLD/AHPs)
CO	Denver Health	22%	NA	5%
CO	Friday Health Plans	7%	10%	4%
CO	Kaiser	7%	NA	~7% (6% IM; 1.3% STLD)
CO	Rocky Mountain HMO	6%	5%	10%
CT	Anthem Blue Cross	-3%	NA	5% (IM; STLD/AHPs)
CT	ConnectiCare	6%	2%	~1% (0.5% IM; 0.5% STLD)
CT	ConnectiCare Ben.	4%	2%	~1% (0.5% IM; 0.5% STLD)
CT	ConnectiCare Ins.	9%	2%	~1% (0.5% IM; 0.5% STLD)
FL	Molina	-2%	6%	8%
IL	Health Alliance	7%	3%	~8% (2.5% IM; 5% STLD)
IN	CareSource Indiana	5%	NA	5%
MD	CareFirst Blue Choice	-17%	0%	5%
MD	CareFirst CFMI	-11%	NA	0%
MD	CareFirst GHMSI	-11%	NA	0%
MD	Kaiser	-7%	NA	9% (Primarily IM)
ME	Anthem	-4%	0%	5% (IM; "sustainability of the ACA marketplace")
ME	Community Hlth Opt.	1%	13%	~10% (5% IM; 5% STLD)
ME	Harvard Pilgrim	2%	14%	14%
MI	Alliance	0%	NA	5% (IM; STLD)
MI	Blue Care Network	1%	5%	5%
MI	BCBS	4%	5%	5%
MI	Meridian	1%	NA	2%
MI	Molina	2%	10%	7%
MI	Total Health Care	8%	NA	5% (IM; “other market-wide changes”)
MN	Group Health	-7%	NA	~9% (5-8% IM; 1.5-4% STLD/AHPs)
MN	Medica	-12%	NA	3%
MN	PreferredOne	-11%	NA	0%
MN	UCare	-10%	NA	5%
MO	Medica	NA - 2019 entrant	NA – 2019 entrant	3%
MT	Montana Health Coop.	10%	5%	16%

MT	PacificSource	6%	NA	7%
NC	BCBS	-4%	NA	4%
NE	Medica	2%	0%	7% (IM; STLD/AHPs)
NM	Christus	4%	0%	6% (IM; reduced outreach)
NM	HCSC	0%	NA	6%
NM	Molina	-6%	0%	6%
NV	Health Plan of Nevada	0%	NA	10%
NV	Sierra	-2%	NA	10%
OH	AultCare	9%	NA	~16% (13% IM; 2% STLD; 0.9% AHPs)
OH	CareSource	17%	NA	5%
OH	Medical Health Ins. Co	9%	NA	4% (IM; STLD)
OH	Molina	6%	6%	9%
OH	Paramount	2%	NA	7% (IM; STLD/AHPs)
OR	BridgeSpan	5%	5%	8% (IM; STLD/AHPs)
OR	Health Net	10%	2%	4% (IM; STLD/AHPs)
OR	Kaiser	9%	2%	8% (IM; STLD/AHPs)
OR	Moda	6%	2%	4% (IM; STLD/AHPs)
OR	PacificSource	-10%	2%	5% (IM; STLD/AHPs)
OR	Providence	10%	5%	8% (IM; STLD/AHPs)
OR	Regence BCBS	0%	5%	8% (IM; STLD/AHPs)
PA	Cap. Adv. Assurance	-21%	6%	6%
PA	Cap. Adv. Insurance	-43%	6%	6%
PA	First Priority Health	1%	6%	6%
PA	First Priority Life	7%	6%	6%
PA	Geisinger Health Plan	0%	6%	6%
PA	Geisinger Quality Opt.	8%	6%	6%
PA	Highmark	6%	6%	6%
PA	Highmark Choice	4%	6%	6%
PA	Highmark Select Res.	0%	6%	6%
PA	Highmark Health Ins	-7%	6%	6%
PA	Keystone, Central	-7%	6%	6%
PA	Keystone, East	-2%	6%	6%
PA	PA Health & Wellness	NA – 2019 entrant	NA – 2019 entrant	6%
PA	QCC	-6%	NA	6%
PA	UPMC Health Cov.	12%	6%	6%
PA	UPMC Health Opt.	2%	6%	6%
RI	BCBS	8%	NA	0%
RI	Neighborhood	9%	NA	2%
SC	BlueChoice	7%	6%	NA
SC	BCBS	Unknown	6%	NA
SD	Avera	3%	5%	5%
SD	Sanford	10%	NA	3%
TN	BCBS	-15%	7%	1%
TN	Bright Health	NA - 2019 entrant	NA - 2019 entrant	4% (IM; STLD/AHPs; “other legislative uncertainty”)
TN	Celtic	NA - 2019 entrant	NA - 2019 entrant	5%
TN	Cigna	-13%	14% (IM; non-compliant)	NA
TN	Oscar Insurance	7%	0%	5-10%
TX	Christus	3%	15% (IM; reduced outreach)	0%
TX	Molina	7%	6%	6%
TX	Sendero	16%	NA	10%
TX	Vista360health	16%	NA	2%
UT	Molina Healthcare	23%	8%	10%
VA	CareFirst BlueChoice	15%	3%	5% (IM; STLD/AHPs)
VA	Cigna	11%	NA	12% (IM; STLD/AHPs)
VA	GHMS	45%	0%	5% (IM; STLD/AHPs)
VA	Kaiser	34%	NA	8%

VA	Optima	-7%	25%	15% (IM; STLD/AHPs)
VA	Piedmont	12%	0%	~12% (11.4% primarily IM; 0.8% STLD/AHPs)
VT	BCBS	6%	NA	2%
VT	MVP	7%	NA	2%
WA	Asuris	6%	5%	NA
WA	BridgeSpan	0%	5%	NA
WA	Coordinated Care	14%	0%	5% (IM; STLD/AHPs)
WA	Health Alliance	7%	0%	NA
WA	Kaiser, NW	14%	8%	NA
WA	Kaiser, WA	19%	4%	3%
WA	LifeWise	7%	6%	NA
WA	Molina	7%	5%	NA
WA	Premera BC	2%	4%	NA
WA	Regence BCBS	8%	5%	NA
WA	Regence BS	3%	5%	NA
WI	Aspirus Arise	Unknown	NA	4%
WI	Group Health	Unknown	3%	7% (IM; STLD/AHPs)
WI	Molina	-18%	7%	11%
WI	Network Health Plan	Unknown	NA	10% (IM; AHPs)
WV	CareSource	13%	NA	5%
Average			**5%**	**6%**

NOTES: Rate impacts are rounded to the nearest percent. "IM" refers to the uncertainty about and/or repeal of the individual mandate penalty. "STLD" refers to Short Term Limited Duration plans. "AHPs" refer to Association Health Plans. "NA" means an insurer did not publicly quantify a rate impact, including instances where insurers did not mention the individual mandate, STLD, or AHPs at all; mentioned an impact of these factors but did not explicitly quantify the rate impact; or quantified the rate impact but redacted the amount from public filings. A value of "0%" means the insurer did publicly quantify the impact and specified that it was 0%. Excludes data for DC, Massachusetts, and New Jersey, which have state-enforced individual mandates, and New York, which prohibited insurers from raising rates due to the individual mandate penalty repeal.
SOURCE: Kaiser Family Foundation analysis of insurer rate filings to state regulators and ratereview.healthcare.gov

[1] The CBO expects this amount to increase to 20% by 2021. We conservatively assume the 2019 impact remains at 10%.

[2] How these premium increases (due to CSR payments halting, individual mandate penalty dropping to zero, and short-term plans expanding) interact with each other on each insurers' calculations. We conservatively assume they are additive (i.e., 6% plus 10%, resulting in 16%) rather than multiplicative (i.e., 6% increase on top of a 10% increase, which would be 16.6% overall).

[3] Note that this dollar figure is an approximation as we are applying a simple average (16%) load to weighted average healthcare.gov premiums, and this load is based on information that is publicly available information in all states.