



Health Care Reform

LEGISLATIVE BRIEF

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States Release Health Insurance Rates for Exchange Plans

Effective for 2014, the Affordable Care Act (ACA) requires each state to have an Affordable Health Insurance Exchange (Exchange). According to the Department of Health and Human Services (HHS), the Exchanges will provide a competitive marketplace for individuals and small businesses to purchase private health insurance.

Each Exchange will have an individual market component and a component for small employers, which is called the Small Business Health Options Program (SHOP). Open enrollment in the Exchanges will start on Oct. 1, 2013, with coverage beginning on Jan. 1, 2014.

Health plans offered through the Exchanges are called "qualified health plans" (or QHPs). The QHPs offered on the Exchanges and the premiums for coverage will vary from state to state. HHS estimates that most Americans will have a choice of at least five insurance carriers when the Exchanges open for enrollment.

The Exchanges have started releasing preliminary information on the plans that will be offered for 2014 and the rates for coverage. ACA's premium tax credit may further lower the cost of QHPs for eligible individuals. Despite predictions to the contrary, it appears that affordable plans will be available in the Exchanges for California, Colorado, Maryland, Washington and Oregon. This may not be true for all states, however. It is still predicted that health care premiums in some states may rise significantly for 2014 due to ACA's reforms.

This Legislative Brief provides an overview of ACA's rating restrictions and the types of plans that will be available under the Exchanges. It also includes information on Exchange premium rates for select states. The premium rating information for states' Exchanges is preliminary at this point and subject to review and possible change. Additional information on Exchanges is available through www.healthcare.gov.

ACA REQUIREMENTS

Premium Rating

ACA limits the factors that can vary premium rates in small group and individual markets for non-grandfathered plans, effective for 2014. Health insurance issuers will only be able to vary premium rates based on the following factors:



**Premium Rating
Limitations for
2014**

- Age (may not vary by more than 3:1 for adults);
- Rating area;
- Individual or family enrollment; and
- Tobacco use (may not vary by more than 1.5 to 1).

All other rating factors are prohibited. This means that several factors frequently used to set premiums, such as health status, claims history, duration of coverage, gender, occupation, small employer size and industry, can no longer be used.

Levels of Coverage

QHPs are subject to limits on cost-sharing and must cover a comprehensive package of items and services known as "essential health benefits." Beginning in 2014, non-grandfathered health plans in the individual and small group

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markets must also meet certain levels of actuarial value. Actuarial value is calculated as the percentage of total average costs for covered benefits that a plan will cover. For example, if a plan has an actuarial value of 70 percent, on average, a consumer would be responsible for 30 percent of the costs of all covered benefits.

ACA's required actuarial value levels are referred to as "metal levels"—bronze, silver, gold and platinum. Metal levels are intended to allow consumers to compare plans with similar levels of coverage in order to help consumers make an informed decision about their health insurance coverage. Bronze plans have the least generous cost coverage, while platinum plans have the most generous cost coverage. Coverage levels are as follows:

Bronze Level	Silver Level	Gold Level	Platinum Level
60 percent actuarial value	70 percent actuarial value	80 percent actuarial value	90 percent actuarial value

In addition, issuers may offer catastrophic-only coverage with lower actuarial value for eligible individuals.

STATE EXCHANGES

California

On May 23, 2013, California's state-based Exchange ("Covered California") [announced](#) that nearly three dozen health plans applied to sell their products in the California Exchange, and 13 were selected. According to Exchange officials, the rates submitted to Covered California for the 2014 individual market ranged from two percent above to 29 percent below the 2013 average premium for small employer plans in California's most populous regions. Under these rates, a 25-year-old in Los Angeles could choose a catastrophic plan for \$117 per month or bronze plan for \$147 per month.

Colorado

On June 7, 2013, Colorado's state-based Exchange ("Connect for Health Colorado") [announced](#) that 10 insurance carriers requested approval to provide about 150 health plans for individuals and families through Connect for Health Colorado. Six carriers requested approval to provide nearly 100 health plans to small employers through the Colorado Exchange. The preliminary filings, which may change based on review by the Colorado Division of Insurance, include a broad range of costs. Monthly premiums for a 21-year-old living in Denver will range from \$146 to \$234 for bronze plans and from \$192 to \$279 for silver plans. Monthly premiums for a 40-year-old living in Denver from the majority of carriers will range from \$186 to \$299 for bronze plans and from \$245 to \$357 for silver plans.

Maryland

On April 23, 2013, the Maryland Insurance Administration [posted](#) information on the preliminary rate filings of 12 health insurance issuers for products they plan to sell through Maryland's state-based Exchange ("Maryland Health Connection"). The rate filings are only preliminary, and will be reviewed by state regulators. Maryland's largest issuer, CareFirst BlueCross Blue Shield proposed, on average, a 25 percent increase in rates for individuals next year and also expects rates in the small group market to go up by about 15 percent for 2014. This was welcome news because it was speculated that premiums in the individual market might go up by 50 percent or more.

Washington

On May 16, 2013, Washington's state-based Exchange ("Washington Healthplanfinder") announced that nine health insurance issuers filed to provide 57 QHPs for individuals and families through the new online marketplace. The [proposed rates](#) vary based on location, age and carrier. In general, the lowest monthly rate for a silver plan for a 21-year-old is \$210; for a 40-year-old, it is \$268 and for a 60-year-old, it is \$569.

This Legislative Brief is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

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Oregon

On April 2, 2013, Oregon's state-based Exchange ("Cover Oregon") announced that 22 carriers intend to provide plans through the Exchange. All plans are subject to review by the Oregon Insurance Division. The [proposed rates](#) for individual plans vary based on county, age and carrier. For the Portland area, a bronze plan for a 40-year-old averages \$265 per month. For small groups, a bronze plan for a 40-year-old in the Portland area averages \$273 per month (before any employer contribution). Also, after the proposed rates for 2014 became available, two issuers asked to lower their rates in order to be more competitive.

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