



**BlueCross BlueShield  
Association**

An Association of Independent  
Blue Cross and Blue Shield Plans

# News Release

Blue Cross and Blue Shield  
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**New Actuarial Analysis Shows Senate Bill  
Would Significantly Raise Premiums**  
*Recent CBO analysis understates key factors contributing to increases*

**WASHINGTON** – A new actuarial analysis by Oliver Wyman, Inc. finds that average annual medical claims in the new individual market will be 54 percent higher than they are today five years after implementation of healthcare reform under the Patient Protection and Affordable Care Act (PPACA), excluding the impact of medical inflation. This would translate into premiums for people purchasing new policies of \$4,561 for single coverage and \$9,669 for family coverage in today's dollars – representing premium increases of \$1,576 and \$3,341, respectively.

The significant increases in costs for individuals are in part attributed to the inclusion of new guarantee issue rules without the support of a strong mechanism to ensure that everyone obtains and maintains coverage. This means that many people are likely to wait to purchase coverage until they need it, raising premiums for everyone. Without a stronger coverage mechanism, and other changes to improve affordability, coverage levels are unlikely to reach more than 91 percent of the population.

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The Oliver Wyman, Inc. analysis, commissioned by the Blue Cross and Blue Shield Association (BCBSA), is based on a comprehensive actuarial model developed to study the impact of different health insurance reform proposals on the individual and small group insurance markets. This new analysis examined all major insurance reform elements included in the PPACA.

The model also found that premiums for the youngest 30 percent of the population, who are needed to help lower premiums for everyone, will increase by 35 percent as a direct result of the 3:1 age band included in the PPACA. "Significantly restricting age discounts coupled with a weak mandate will cause young people – who are critical to providing cross subsidies – to forgo coverage resulting in higher premiums for everyone," said Kurt Giesa, director, Oliver Wyman, Inc.

Individuals also will experience premium increases as a result of new minimum benefit requirements, according to the analysis. The proposed benefit design requirements, including covered services and 60 percent minimal actuarial value, would lead to an average total premium increase of 14 percent in the individual market.

"Healthcare reform cannot be considered successful if it makes coverage more expensive," said Scott P. Serota, BCBSA president and CEO. "This analysis illustrates that is exactly what will happen if new insurance market reforms in the individual market are not paired with effective mechanisms to ensure broad participation in the market, as well as with sensible discounts for young people."

The Oliver Wyman, Inc. analysis also finds that costs will increase in the small group market as a result of the reforms included in the PPACA. Small employers purchasing new policies in the reformed market will experience premiums up to 20 percent higher in year five of reform, not including the impact of medical inflation. The analysis concludes that these premium increases will lead to fewer small employers offering coverage, with as many as 2.9 million fewer people insured through small-employer policies.

The new Oliver Wyman, Inc. analysis projects premium increases that are much higher than what the Congressional Budget Office (CBO) recently estimated. While CBO's

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estimate recognizes the Senate proposal will increase premiums significantly in the individual market, it understates the impact in a few key areas that affect the magnitude of expected premium changes:

- **Adverse selection will occur with weak coverage incentives as currently included in the Senate bill.** CBO believes there will be “limited” adverse selection. However, experience shows if healthy individuals can wait to get coverage until they need it, many people will make that rational choice.
- **Newly insured people will be more costly than expected.** Adding the previously uninsured will significantly increase premiums in the individual market. Contrary to CBO, Oliver Wyman, Inc.’s analysis of actual claims’ costs in the individual market predicts that the uninsured will actually be 20 percent more expensive to insure than those in the individual market today, whose current population is much healthier. Had CBO adopted a similar assumption, their premium impact would have been higher.
- **The subsidies included in the bill will encourage participation, but are insufficient to drive effective coverage levels.** Subsidies will lead a large percentage of those with incomes below 200 percent of the federal poverty level (FPL) to purchase insurance. But subsidies decline at higher income levels, and more than 18 million people, including both currently uninsured individuals and current members of the individual market, will be ineligible for subsidies. As a result, participation rates will be much lower for those above 200 percent FPL without meaningful incentives. In the first of year of reform, 25 percent of the exchange eligible population is projected to exceed the 8 percent “affordability” threshold and are exempt from the mandate. Premium increases over a ten-year period are projected to result in nearly half of the population qualifying for mandate exemption status.
- **National estimates do not capture the true impact at the state level.** The impact will vary significantly by state because of regional differences in rating laws today. Oliver Wyman, Inc. found that two-thirds of Americans live in states where the average premium impact will be much higher than a national average.

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“Blue Cross and Blue Shield companies remain committed to enacting healthcare reform to expand coverage to everyone, improve quality, and rein in costs,” said Serota. “We urge Congress to adopt a number of BCBSA recommendations to ensure affordable and sustainable premiums for everyone.”

The report can be found on the BCBS website at:

<http://www.bcbs.com/issues/uninsured/background/patient-protection-affordable-care-act.html>.

The Blue Cross and Blue Shield Association is a national federation of 39 independent, community-based and locally operated Blue Cross and Blue Shield companies that collectively provide healthcare coverage for more than 100 million members – one-in-three of all Americans. For more information on the Blue Cross and Blue Shield Association and its member companies, please visit [www.BCBS.com](http://www.BCBS.com).

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