

INDIANA DEPARTMENT OF INSURANCE

311 West Washington Street
Indianapolis, IN 46204

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Dear Editor:

When Indiana recently announced that individual health insurance costs in Indiana will rise 72% on average because of new Affordable Care Act (“ACA”) requirements, an immediate outcry followed from some ACA supporters, who accused the Department of Insurance (“DOI”) of misrepresenting these numbers in a deliberate attempt to mislead Hoosiers. The DOI provided a lengthy testimony about these numbers before the Indiana Health Finance Commission on July 22, and the DOI stands by its numbers. The fact remains that the Indiana individual health insurance market will see significant increases next year because of ACA.

The following is some background about how we arrived and compared our cost increase number. First, we began with the average “per member per month” cost for 2012, which is based on actual filings submitted to the DOI by Indiana health insurance companies. We then compared this number to average “per member per month” cost for 2014 filings. After subtracting normally expected cost increases or “trend” costs, we arrived at a 72% average cost increase for 2014. This is the increase amount in insurance costs directly attributable to the ACA.

Some media outlets have highlighted costs for the absolute cheapest health plans available in Indiana in 2014 without any comparison to costs for similar plans prior to the ACA to portray the appearance of “affordability.” In fact, many “bronze” and “silver” plans will likely receive the sharpest percentage increases compared to similar health plans before ACA because younger and healthier Hoosiers will bear more of the cost shifting from senior and sicker Hoosiers. These younger and healthier Hoosiers are more likely to choose “bronze” and “silver” plans.

Indiana is not alone in seeing dramatic increases in health insurance costs under the ACA. Nor were these rates unexpected. In 2011, the State’s independent actuary, Milliman, predicted that insurance costs would increase in Indiana by 75% to 95% by 2020. The reality is that the ACA requires many Hoosiers to purchase more comprehensive and more expensive health insurance than they may want or need.

It is also important to note that these cost increases will occur regardless of who is actually paying the final bill. We acknowledge that many Hoosiers in the individual market will qualify for tax subsidies to purchase insurance in the federally-run marketplace. However, these subsidies do not change the insurance product’s cost, only the price some consumers will

ultimately pay out of pocket. More importantly, the cost of these subsidies is not free, even to those that receive them. They will be paid in full by federal taxpayers.

ACA proponents have attacked the DOI for not including federal subsidies in our insurance cost projections, which would paint a prettier, yet unrealistic, picture of the law's costs in Indiana. This is merely an attempt to distract Hoosiers from the actual insurance costs. The regrettable fact is that health insurance costs are going up because of the ACA, regardless of who is picking up the tab.

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State of Indiana