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POLITICS

Insurers, Pushing for Higher Rates, Challenge Key Component of Health Law

By ROBERT PEAR JULY 16, 2016

WASHINGTON — For several years, the Obama administration has urged state insurance regulators to use tools provided by the Affordable Care Act to hold down health care premiums.

Now federal officials will have a chance to practice what they preach as they confront big increases proposed in several states where they are responsible for reviewing rates.

Federal officials defer to the insurance commissioners in 46 states deemed to have “effective rate review” programs. But in Missouri, Oklahoma, Texas and Wyoming, the federal government is in charge of reviewing rates.

And those reviews create an exquisite political challenge, spotlighting a pocketbook issue that affects millions of voters.

In Texas, Blue Cross and Blue Shield is requesting rate increases of nearly 60 percent for 2017. In Oklahoma, Blue Cross and Blue Shield has proposed increases that average 49 percent. And in Missouri, Humana has filed for a 34 percent increase. All three carriers say they have lost money on many policies sold to individuals and families under the Affordable Care Act.

Such large requests are not typical and will test the rate review process, described by the Obama administration as one of the most important consumer protections in the Affordable Care Act.

Federal officials have urged states to be aggressive in reviewing rates, but it is not clear how aggressive federal officials will be. Michael A. Rhoads, the deputy commissioner of the Oklahoma Insurance Department, said he doubted that federal officials would significantly pare back rates requested in his state, given that insurers had lost money on their exchange business and several had left the Oklahoma marketplace.

The political calendar puts pressure on the administration to rein in rates. The next open enrollment period starts Nov. 1, and insurers will be notifying consumers of rate increases in the weeks before Election Day, Nov. 8.

Donald J. Trump, the presumptive Republican presidential nominee, regularly cites high premiums as evidence of the law's failure. "The numbers are astronomical," he said at a rally this month.

But administration officials say the "sticker price" does not matter for consumers because most people in the public insurance exchanges receive subsidies to help pay premiums, and they can also shop for less expensive insurance.

Among people receiving subsidies, the average beneficiary's share of the premium rose by just $4 a month, to $106 a month in 2016, said Kevin J. Counihan, the chief executive of the federal insurance marketplace.

Gregory A. Thompson, a spokesman for Blue Cross and Blue Shield plans in five states, including Oklahoma and Texas, said the reason for the big rate requests was simple. "It's underlying medical costs," he said. "That's what makes up the insurance premium."

For every dollar in premiums collected last year, Blue Cross and Blue Shield plans say they paid out $1.26 on claims in Texas and $1.38 in Oklahoma. This, they say, is not sustainable.

The Obama administration has repeatedly said proposed rate increases are less worrisome than they appear because they are often reduced in the review process. Those reviews, coupled with larger subsidies in the form of tax credits, mean "individuals are not seeing the increases," said Jason Furman, the chairman of the

White House Council of Economic Advisers.

The law's opponents are unconvinced.

"The subsidy doesn't change the actual cost," said Representative Mike Kelly, Republican of Pennsylvania. "At the end of the day, somebody still has to pick up the tab, and that's the taxpayer."

Many people buying insurance on their own do not receive subsidies. The Congressional Budget Office estimates that 12 million people will receive premium tax credits next year. But it says that an equal number — three million on the exchanges and nine million buying insurance outside the exchanges — will have to pay the full, unsubsidized price.

While the higher premiums proposed for 2017 in Missouri, Oklahoma and Texas do not reflect a national trend, they are not isolated examples, either.

Humana is seeking a 39 percent increase in Michigan, according to data posted by the State Insurance Department. The Oregon insurance commissioner recently approved a 24 percent increase for Providence Health Plan, which has the largest enrollment of any carrier in the state's individual insurance market. The largest insurer in Tennessee, Blue Cross and Blue Shield, has requested rate increases averaging 63 percent, according to the state insurance commissioner. Blue Cross and Blue Shield of North Carolina, which raised individual rates by an average of 32.5 percent this year, has requested a further increase of 18.8 percent for 2017.

In Wyoming, the proposed rate increases are relatively modest, less than 10 percent. But Wyoming already has some of the highest rates in the country, with premiums for a benchmark plan second only to those in Alaska, among states using HealthCare.gov.

Federal and state officials and insurers point to several factors pushing rates higher. Prescription drug costs are surging, they say. And two temporary programs to stabilize premiums, by compensating insurers with sicker patients and high claims costs, are ending.

But, Mr. Counihan said, "there is not any monolithic or consistent level of rate

increases nationally."

In a study of premiums in 2015-16, Linda J. Blumberg, a health economist at the Urban Institute, a nonprofit research organization, found that "rates of increase vary tremendously across states and across rating areas within states."

Jan M. Graeber, the chief health actuary at the Texas Department of Insurance, said her agency reviewed proposed rates for compliance with Texas law, which says rates must be reasonable and adequate, but not excessive or "unfairly discriminatory." In many cases, Ms. Graeber said, Texas officials have found that the companies' actual claims and losses were higher than anticipated, supporting rate increases on their individual health plans, many of which will be sold on the federal marketplace.

The federal government and Texas often review rates at the same time, Ms. Graeber said, but "we don't make recommendations to federal officials on their review process or anything like that."

Gov. Jay Nixon of Missouri signed a bill this month that authorizes the state to review rates, starting with insurance contracts that take effect in 2018.

Consumer groups applauded the change. "People in the Missouri Department of Insurance know a lot more about the Missouri market than people in Washington," said Jennifer G. Bersdale, the executive director of Missouri Health Care for All, a grass-roots group.

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