



# PROTECTING CONSUMERS

Reed Abelson and Margot Sanger-Katz, health care reporters at the New York Times, discuss the future of the Affordable Care Act in the face of steep rate increases being sought for 2017. The following is an excerpt of the discussion as well as comments from readers.

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## Yes, Obamacare Premiums Are Going Up

New York Times, June 16, 2016

“Get ready for big increases in premiums under the Affordable Care Act. A new analysis from the Kaiser Family Foundation examined the most popular individual plans under the new health care law in 14 major cities around the country and found that insurers were asking for increases in 2017 that are twice as big as this year’s. There is wide variation, including some places where rates will go down, but the average requested increase is 10 percent.

“While it will be months before insurers and regulators agree to final rates for the coming year, the Kaiser analysis confirms the signals we have seen from industry and government experts — that consumers and the federal government are likely to see much higher prices in many markets. Clearly, insurers are struggling to figure out how much to charge so they can cover their costs but still attract customers.

**Reed:** While it’s still early— and we don’t know what regulators are likely to do with the proposals they’re getting—the Kaiser analysis seems to me another sign that we’re a long way from having a stable individual market. Kaiser was looking at major cities, after all, where there is supposed to be plenty of competition and the market is supposed to work the best. But in our hometowns, New York City and Washington, the proposed rate increases were among the highest—16 percent for each market!

**Margot:** I think these higher rates should remind us that this new market has proved much harder for insurers to figure out than we might expect three years in. I think the news in some rural areas could be even worse. Those are the places where there’s far less competition among insurers and hospitals.

**Reed:** The prices are also concerning, even if the federal government ends up paying most of the bill (federal subsidies protect low-income folks from the brunt of the increases). In New York and Vermont, a cheap silver plan, before taking into account subsidies, could end up costing more than \$400 a month, according to the Kaiser estimates. In about half of the cities, somebody has to pay at least \$300. The question I have is whether this is a one-time adjustment or whether we are likely to see these kinds of rate increases in future years. What do you think?

**Margot:** I don’t see any signs that the market is spiraling out of control. I think the insurers just underpriced to start, because of some combination of bad estimates, unexpected regulatory changes and perhaps unwise loss-leader strategies. Assuming they have better numbers to work with now and a firmer sense of the regulatory landscape, it seems reasonable to think this might be a one-time market correction.”

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### Reader Comments:

Interesting read and some good insights as to why ACA rates are going up. The observation that "insurers just underpriced to start" may be true in some states, but not New York. Here it was state regulators that "underpriced" plans, cutting premium requests for 2015 by more than 50 percent and, again, for 2016 by more than 30 percent. So, yes, New York insurers are back again looking for a significant rate increase for 2017. But it is because they haven't received adequate rates since the start of the ACA. New York regulators cannot continue to impose losses on plans and expect them to be able to continue providing coverage. *Leslie Moran; Albany, NY*

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How much of these increases reflect increasing prices from providers? Reading between the lines of many stories like this one, I get the feeling that the provider organizations (which are becoming more and more consolidated) are taking advantage of the higher levels of insurance coverage among their clients and using market power to raise their prices and the incomes of their executives and professionals. This needs to be investigated. *John T.; Grand Rapids, Michigan*

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I'd like to see a breakdown of where the costs have increased. Is it doctor salaries in certain specialties? (The enormous gap between specialties doesn't seem to be decreasing.) Executive salaries? (Almost certainly.) Drug prices? (Those have gone through the roof.) Are the companies simply increasing prices so they can increase profits? It's pretty useless to say that prices have increased without looking at where and why. Unfortunately the topic is so political that things are oversimplified into sound bites rather than nuanced analysis. *Fern Lin-Healy; MA 11*

New York's flawed rate setting process and the Department of Financial Services' unfettered authority over health plan rates is threatening a stable and sustainable health insurance marketplace in our state. We applaud the Senate for passing S.4540-A, which repeals certain provisions of New York's prior approval law and ensures fair rate setting, and we call on the Assembly to do the same.

## **Pass S.4540-A**

**Ensure consumers' choice of plans and access to affordable health care coverage.**