



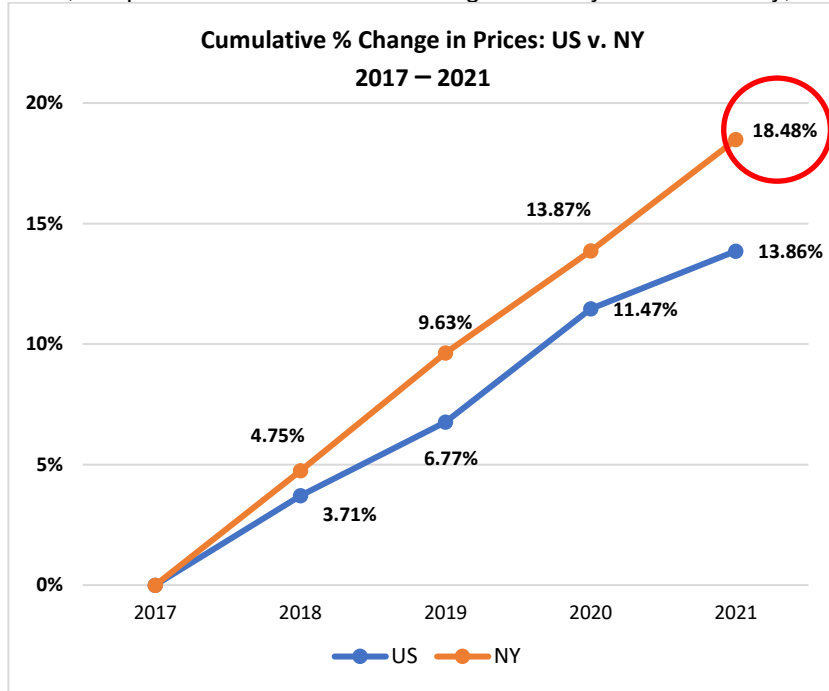
HEALTH INSURANCE 101

UNDERSTANDING HEALTH CARE PREMIUMS

Health plans recently filed proposed premium rates and product offerings for the 2024 plan year. The filings will undergo a review by the Department of Financial Services and an opportunity for the public to comment, with 2024 final rates expected to be announced in early August. This issue brief provides an overview of the factors contributing to health insurance premium increases.

What's Driving Premium Rates? Rising Prices for Health Care Services

Health care premiums and medical costs are inextricably linked. The cost of health insurance is the direct result of the underlying cost of care. Health insurance premiums in New York are among the nation's highest due in large part to the prices charged for health care services, which are much higher than the national average. From 2017 – 2021, the price of health care services grew nearly 14% nationally, while increasing more than 18% in New York.¹



Cumulative NY Price Increases by Segment: 2017 - 2021



38.51%



8.48%

Professional



13.95%



16.56%



Provider Costs: Hospital and physician costs continue to rise. According to the Health Care Cost Institute (HCCI), the growth in prices for inpatient services in New York increased by more than 38% from 2017 – 2021. Meanwhile, prices for outpatient services rose slightly more than 8% during that period with the price of professional services increasing nearly 14%. Overall spending for inpatient, outpatient and professional services rose more than 28% each. As part of its National Health Expenditure report, the Centers for Medicare & Medicaid Services (CMS) projects hospital spending to increase 5.6% and spending on physician services to grow 6.0% in 2024.



Prescription Drug Costs: This past January, Big Pharma again raised the price on nearly 1,000 much needed medications – in some instances by double digits. That surpassed 2022 when drug companies raised prices on more than 800 brand name medications. According to HCCI, prices on prescription drugs in New York grew by over 16% from 2017 – 2021 and spending on prescription drugs grew by more than 27%. In 2024, CMS projects spending on retail prescription drugs to grow by 5.1%.

¹ Health Care Cost Institute, 2021 Health Care Cost & Utilization Report, April 2023. https://healthcostinstitute.org/images/pdfs/HCCI_2021_Health_Care_Cost_and_Utilization_Report.pdf

Other Factors

MANDATORY

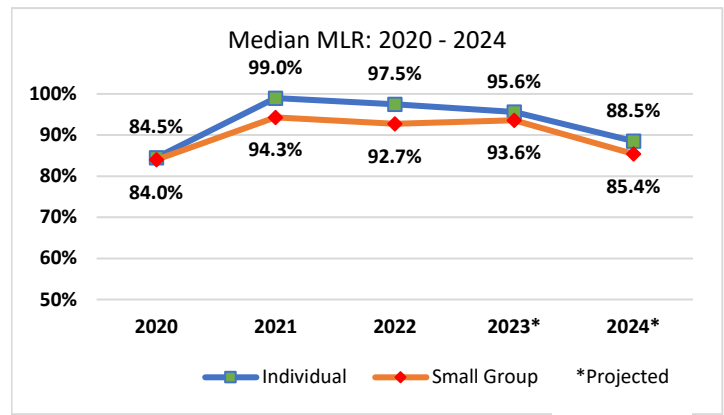
Mandated Benefits: Every state-regulated health insurance policy sold in New York must include or “make available” coverage for more than three dozen specific treatments or services, many of which are for treatments or screenings that go beyond the evidence-based guidelines recommended by major national health organizations. While the cost of some mandates in isolation may be relatively small, their collective impact increases the cost of coverage and new mandates passed into law add further costs for New Yorkers.

Taxes Due

Health Insurance Taxes: New York currently collects more than \$6.5 billion annually in taxes from health plans. These include the Health Care Reform Act patient services assessment and covered lives assessment, as well as a 1.75% premium tax on commercial health insurance policies and the Department of Financial Services’ Section 206 “assessments” to fund the Department’s operations. Taxes on health insurance rank third highest in the state, behind personal income and sales taxes.

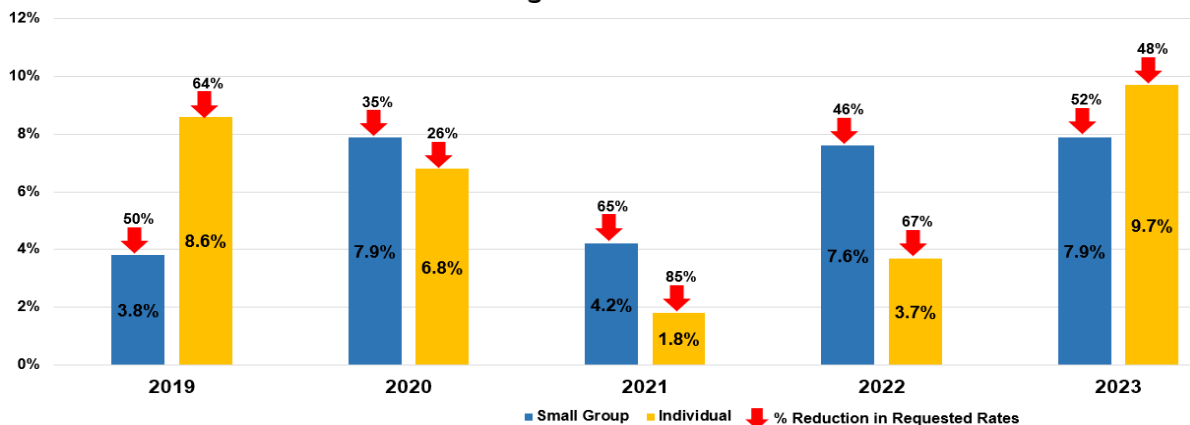
Understanding the New York Individual and Small Group Markets

New York has one of the nation's most stringent standards for how the premium dollar is spent. In the individual and small group markets, health plans must spend at least 82 cents of every premium dollar on health care services, including doctor visits, diagnostic tests, prescription drugs and hospital stays. The state requires health plans to issue rebates to employers and individuals if they fail to meet these standards, ensuring that the bulk of the premium dollar is spent on medical care. When spending on medical care exceeds the minimum standard, it can result in plan losses. From 2021 - 2023, median premium spent on medical care exceeded 90% in both the individual and small group markets, creating losses for some plans.



The rates health plans submitted in May reflect the factors driving higher health care costs: the significant growth in the prices hospitals, providers and drug companies charge; increased use of care; anticompetitive practices by market-dominant hospitals; and government taxes and assessments on insurance. The chart below represents the final average rate increases that have been approved each year and the percentage reduction in health plans’ requested rates that the State imposed.²

Annual Average Rate Increases: 2019-2023



Continued suppression of premium rates will make it difficult for health plans to make ongoing investments in efforts to improve the quality of care, continue the progress in moving towards value-based payment arrangements, programs to reduce health inequities, and other measures that improve the health and wellness of New York residents. As the State reviews the proposed 2024 rates, it is vital that the final approved rates fully account for the factors contributing to the growth in health care spending so that health plans can continue these investments while maintaining the long-term stability of the marketplace for individuals and employers.

² Department of Financial Services press releases announcing approved premium rates, 2018-2022.