



**Exchange Plan Renewals:
Many Consumers Face Sizeable Premium Increases
in 2015 Unless They Switch Plans**

New analysis from Avalere Health finds that many consumers in exchange plans who receive federal assistance to reduce their monthly premiums will face substantial premium increases unless they switch insurance plans in 2015. Under the Affordable Care Act, federal premium assistance is tied to the second lowest cost silver plan (“benchmark plan”) in a given region. Subsidized exchange enrollees who select a more expensive plan must pay the difference—dollar for dollar—between the benchmark plan premium and their selection. In six of nine states analyzed by Avalere, the 2014 benchmark silver plan will lose benchmark status in 2015. Further, in seven of the nine states, the lowest cost silver plan will also change in 2015.

“Most enrollees in 2014 chose a plan based on the monthly premium. However, the lowest cost plans in 2014 may no longer be low cost in 2015,” said Elizabeth Carpenter, director at Avalere Health. “Before consumers renew their 2014 plan, they should consider the tradeoff between continuity of care and lower monthly premiums.”

CHANGE IN LOW COST SILVER PLANS IN 2015

	Lowest Premium Silver Plan Changed in 2015?*	Benchmark Plan Changed in 2015?
CT	Y	Y
IN	Y	Y
MD	Y	Y
ME	N	Y
OR	Y	Y
RI	Y	Y^
VA	Y	Y^
VT	N	N
WA	Y	Y

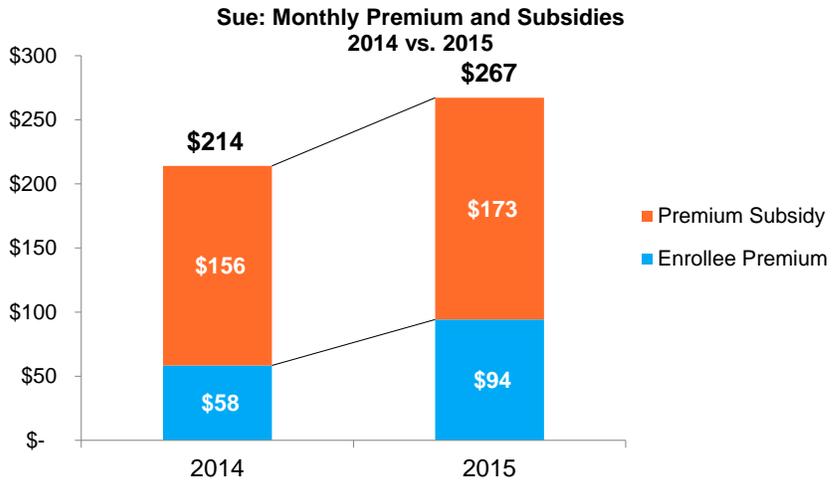
** In all states where the 2014 lowest silver plan lost its position, it did not become the 2015 benchmark plan.
^ Except in RI and VA, where the 2014 benchmark plans became the lowest cost silver plan, the 2014 benchmark plan became less competitive.*

“Two-thirds of people enrolling in silver plans are choosing one of the two lowest cost silver options,” said Caroline Pearson, vice president at Avalere. “The competitive landscape for plans is changing in 2015. However, the premium subsidies are tied to the benchmark plan and a percentage of income. Consumers have to pay the difference if they enroll in a plan more expensive than the benchmark. Those receiving federal premium subsidies may need to switch plans in 2015 to avoid paying more than the limits established by the ACA, and the impact will be more profound for lower-income consumers.”

Scenarios 1 and 2 below provide two examples based on 2014 and 2015 premiums in Maryland and Washington.

Scenario 1: Sue (Maryland)

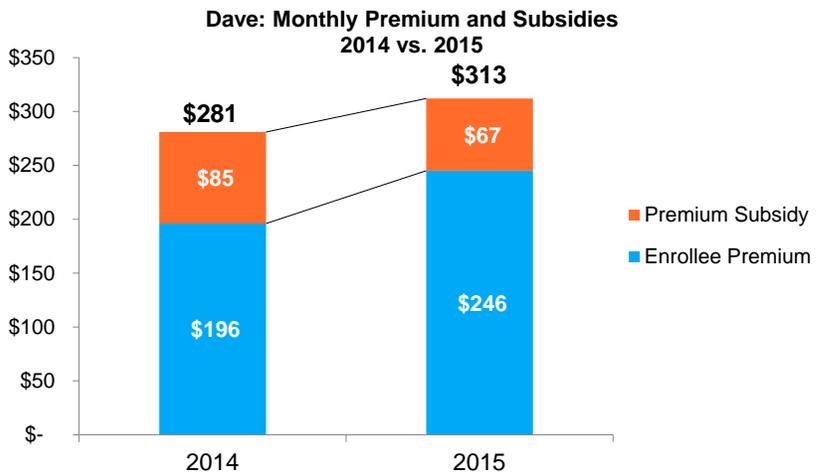
- In 2014, Sue enrolled in the benchmark silver plan in her region with a \$214 monthly premium. Sue earns approximately \$17,500 a year (150 percent of the federal poverty level) and qualifies for a subsidy that caps her monthly premium at 4 percent of income. This cap reduces her monthly premium to \$58.
- In 2015, Sue's plan becomes the ninth lowest silver plan at \$267 per month. However, the new benchmark plan premium costs only \$231 per month, which means that Sue will qualify for \$173 in monthly premium subsidy to cap her monthly premium at \$58 (4 percent of income) if she enrolls in the benchmark plan.



- As a result, if Sue keeps her existing plan in 2015 and applies the \$173 subsidy, she will pay \$94 per month in premiums. This equates to a 62 percent increase, or an extra \$432 per year.

Scenario 2: Dave (Washington)

- In 2014, Dave enrolled in the benchmark silver plan in his region with a \$281 monthly premium. Dave earns approximately \$29,000 a year (250 percent of the federal poverty level) and qualifies for a subsidy that caps his monthly premium at 8.05 percent of income. This cap reduces his monthly premium to \$196.
- In 2015, Dave's plan becomes the eleventh lowest silver plan at \$313 per month. However, the new benchmark plan premium is only \$263 per month, which means that Dave will only qualify for a \$67 in monthly premium subsidy to cap his monthly premium at \$196 (8.05 percent of income) if he enrolls in the benchmark plan.



- Therefore, if Dave keeps his existing plan in 2015 and applies the \$67 subsidy, he will pay \$246 a month in premiums. This equates to a 25 percent increase, or an additional \$598 per year.

Methodology

Analysis includes 2014 premiums and 2015 proposed premiums in Connecticut, Indiana, Maine, Maryland, Oregon, Rhode Island, Vermont, Virginia, and Washington. All premiums are for a 40-year-old non-smoker in the CMS rating region corresponding to the largest zip code in the largest city in each state. Information was collected via rate filings that were publicly available as of June 11, 2014. Rate filings are proposed in many states; therefore, final rates, along with the relative positioning of silver plan premiums, may change. Federal poverty levels are based on 2014 ASPE guidelines.