



441 G St. N.W.
Washington, DC 20548

September 5, 2014

The Honorable Orrin G. Hatch
Ranking Member
Committee on Finance
United States Senate

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
House of Representatives

Private Health Insurance: The Range of Base Premiums in the Individual Market by County in January 2013

Congressional Requesters:

Millions of Americans obtain health coverage by purchasing private, individual market health insurance plans.¹ These Americans may be purchasing individual health insurance for a variety of reasons, including being self-employed or a small business owner, or because their employer does not offer insurance. In 2013 in most states, under applicable law, individual health insurance market premium rates could have varied on the basis of age, gender, health status, and other factors. Premiums could have also varied in different geographic areas within a state. In addition, states varied in their specific requirements for what insurers could consider in underwriting—the process of assessing the health status of the insurance applicant and setting the premium according to the health risk of that individual.² Historically, with certain exceptions, when individuals purchasing coverage in the individual market went through the underwriting process, their coverage could have been denied, offered at a higher-than-average premium, or offered with a rider that excluded coverage of a preexisting condition.³

The Patient Protection and Affordable Care Act (PPACA) included a number of provisions that changed private health insurance requirements, and these changes may have affected the cost of individual market health insurance premiums. For example, under PPACA, insurers may not deny coverage to individuals based on preexisting conditions or use gender or health status to set premium rates, and they are restricted in the amount they can vary premiums based on age and tobacco use.⁴ PPACA also included an individual mandate that requires most individuals to

¹Private health insurance includes individual and group market plans. Participants in the individual market purchase health insurance coverage directly from an insurance carrier. Group market participants generally obtain health insurance coverage through a group health plan, usually offered by an employer.

²Bernadette Fernandez, Congressional Research Service, *Drivers of Premium Increases and Review of Health Insurance Rates* (Washington, D.C.: Jan. 20, 2012).

³A preexisting condition is a health condition that exists before someone applies for, or enrolls in, new health insurance coverage.

⁴See the Patient Protection and Affordable Care Act (PPACA), Pub. L. No. 111-148, § 1201, 124 Stat. 119, 154 (2010) (codified at 42 U.S.C. § 300gg(a)(1)(A)).

have health insurance coverage or pay a tax penalty.⁵ These PPACA provisions were not required to be met until 2014. As a result, for policies effective January 2014, the way insurers calculate premiums changed.⁶

The Center for Consumer Information and Insurance Oversight (CCIIO) within the Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services (CMS) maintains an online portal—the HealthCare.gov Plan Finder—that displays insurers' premiums to assist consumers in comparing health insurance coverage options in the individual market.⁷ In January 2013, the data displayed on the HealthCare.gov Plan Finder included insurers' base premiums prior to underwriting. These premium amounts were not subject to the PPACA provisions that took effect in 2014. They generally represented the lowest premium amounts that would have been available to different categories of individuals at that time, and were subject to an underwriting process that could have resulted in higher premiums depending on an individual's health status—for example, the presence of a preexisting condition.

In July 2013 and January 2014, we reported the range of base premiums and cost-sharing information for private health insurance coverage options for different categories of individuals in each of the 50 states and the District of Columbia as they were displayed on the HealthCare.gov Plan Finder in January of 2013.⁸ You asked us to expand upon this data by providing more detailed information for each state. In the interactive graphic linked to the end of this letter, we provide the range of base premiums and cost-sharing information that was displayed for several different categories of consumers in each of the 50 states and the District of Columbia at the county level.⁹

To examine the range of base premiums that was displayed on the HealthCare.gov Plan Finder, we analyzed data maintained by CCIIO. The data included insurers' base premiums for health plans that were publically available to consumers through the Plan Finder in the month of

⁵Pub. L. No. 111-148, §§ 1501, 10106, 124 Stat. 242, 907, as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, §§ 1002, 1004, 124 Stat. 1029, 1032, 1034 (codified as amended at 26 U.S.C. § 5000A).

⁶In addition, beginning January 1, 2014, premium tax credits and cost-sharing subsidies became available under PPACA for qualified individuals. Premium tax credits may be used to reduce monthly premiums, and cost-sharing subsidies decrease out-of-pocket expenses such as deductibles and copays.

⁷This online portal was established pursuant to a requirement in PPACA, Pub. L. No. 111-148, §§ 1103(a), 10102(b), 124 Stat. 119, 146, 892 (codified at 42 U.S.C. § 18003). The Plan Finder can be found at <http://finder.healthcare.gov/> (accessed Jul. 9, 2014).

⁸See GAO, *Private Health Insurance: The Range of Base Premiums in the Individual Market by State in January 2013*, [GAO-13-712R](#) (Washington, D.C.: July 23, 2013). We reported the range of premiums for six categories of individuals, including 30-year-old nonsmoking and smoking males and females, a family of four, and a 55-year-old couple. Also see GAO, *Private Health Insurance: The Range of Base Premiums for Individuals Age 19 and 64 in the Individual Market by State in January 2013*, [GAO-14-263R](#) (Washington, D.C.: Jan. 31, 2014). We reported the range of premiums for eight categories of individuals, including 19 and 64-year-old nonsmoking and smoking males and females. In addition, in May of 2014 we reported the range of average annual premiums in the small group market. See GAO, *Private Health Insurance: The Range of Average Annual Premiums in the Small Group Market by State in Early 2013*, [GAO-14-524R](#) (Washington, D.C.: May 28, 2014).

⁹Specifically, we provide the premium amounts, annual deductibles, out-of-pocket maximums, and coinsurance percentages for the individual (non-group) plans with the minimum, median, and maximum premiums. We provide these amounts for fourteen different categories of consumers including: smoking and nonsmoking males and females ages 19, 30, and 64; a family of four with parents aged 40; and a couple aged 55. The District of Columbia does not have counties, therefore, we provide information for the District of Columbia as a whole.

January 2013.¹⁰ Because insurers may have established different rates for individuals for a variety of factors, the data represent base premium amounts prior to underwriting, rather than the actual premium amount an individual may have been charged. Actual premium amounts could have been higher than the base rates, as they would have been determined after more complete underwriting for health conditions and other factors, and some individuals could have been denied coverage—for example, because of pre-existing conditions.¹¹ The base premium amounts and supporting plan information were self-reported by each insurance company, and each company was required to comply with a data validation and attestation process. However, our analysis may not reflect the entire universe of insurers' base premiums because roughly 20 percent of all insurance companies did not submit data. In addition, our analysis may include plans with little or no enrollment because enrollment data were not available at the plan level.¹² We calculated an annual premium based on monthly amounts submitted by insurers.¹³ To assess the reliability of these data for the purpose of our study, we reviewed the requirements for the data validation and attestation process; reviewed documentation on the database that houses the information submitted to CCIO, including the user manual and the business rules that govern how rates are rendered to consumers through the Plan Finder; and interviewed key CCIO officials responsible for overseeing the submission and maintenance of the data. We determined that the 2013 data were sufficiently reliable for our purposes.

We conducted our work from February 2014 to September 2014 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions.

The range of base premiums in the individual market that were displayed for each county in the 50 states and the District of Columbia on the HealthCare.gov Plan Finder as of January 2013 for the 14 different categories of consumers we examined can be viewed by linking to the interactive map found at http://www.gao.gov/multimedia/GAO-14-772R/interactive_graphic. This data may also be downloaded from the same site. See figure 1 for an illustration of base premium information available via the interactive map available at the website.

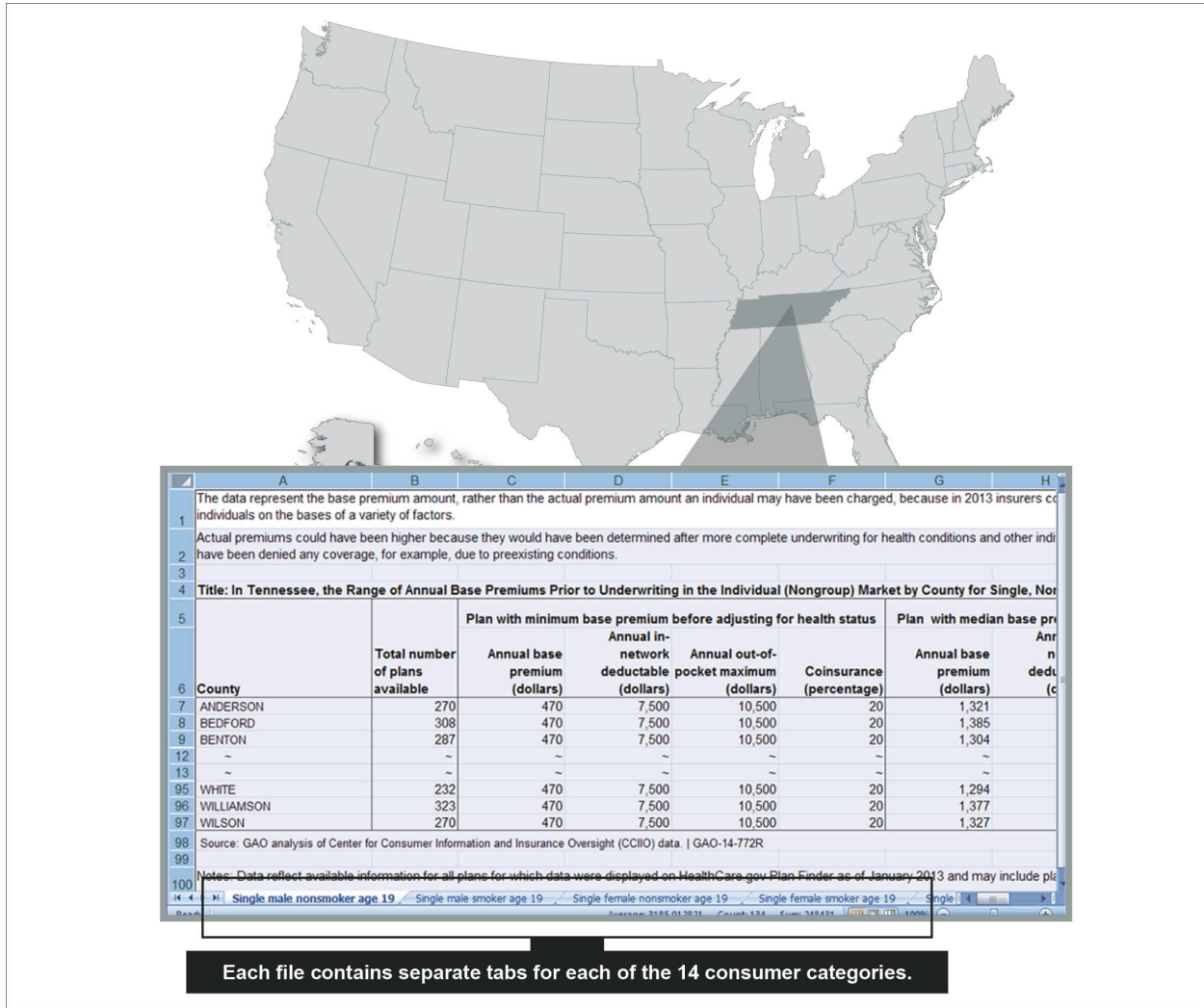
¹⁰Insurance companies may offer multiple health insurance products in each state, and multiple health plans may be available for each product. For example, the same product may have plans with different cost sharing features. In addition, insurance companies can vary premiums on the basis of county or zip code, and each variation represents a different health plan in the Plan Finder. Therefore, in some states there can be a high number of plans available statewide.

¹¹For example, GAO previously reported that, based on national data from the first quarter of 2010, on average, 19 percent of applicants for individual insurance coverage were denied coverage. See GAO, *Private Health Insurance: Data on Application and Coverage Denials*, GAO-11-268 (Washington, D.C.: March 16, 2011).

¹²HealthCare.gov data included enrollment information at the product level. However, multiple plans may be associated with a single product; therefore, plan-level enrollment data were not available.

¹³Plan Finder data are organized by zip code. We determined counties by linking to CMS's zip code county mapping data.

Figure 1: Illustration of Base Premium Interactive Map

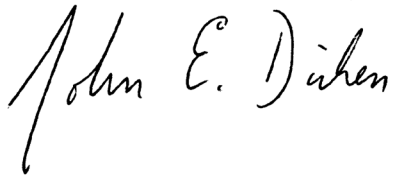


Source: GAO (data); Map Resources (map). | GAO-14-772R

Agency Comments

The Department of Health and Human Services reviewed a draft of this report and provided technical comments, which we incorporated as appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time we will send copies of this report to the Secretary of Health and Human Services and other interested parties. In addition, the report will be available at no charge on GAO's website at <http://www.gao.gov>. If you or your staff have any questions about this information, please contact me at (202) 512-7114 or dickenj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report were Gerardine Brennan, Assistant Director; Todd D. Anderson; George Bogart; Matt Byer; and Laurie Pachter.



John E. Dicken
Director, Health Care

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (www.gao.gov). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#). Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

