

Research



Individual and Small Group Insurance Premiums and the Affordable Care Act: Analytic Results

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A central issue regarding the Patient Protection and Affordable Care Act (ACA) is its likely impact on insurance premiums. There is now a widespread agreement that the ACA did not materially alter the trajectory of health care costs. In addition, many insurance provisions – guaranteed issue, limited ability to use age as a rating factor, etc. – can be expected to raise insurance premiums. At the same time, expanded pooling would include lower health risks, reducing pressure on premiums.

This note analyzes the ACA through the use of a large-scale microsimulation model of insurance markets. We find a rich array of impacts across a variety of insurance products.

As shown in the table below, on balance the ACA will raise the costs of exchange-based insurance products (and, accordingly, raise the cost of government subsidies). In particular, consumers may be expected to suffer sharp “sticker shock” upon full implementation of the ACA in 2014 as premiums will at best remain unchanged, and for others may rise as much 13 percent.

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