

Weekly Checkup



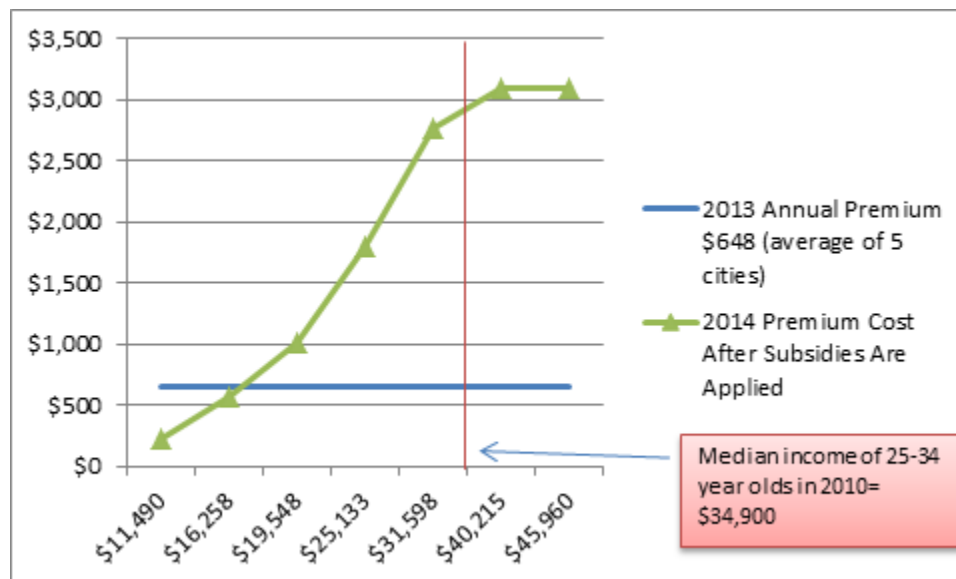
Weekly Checkup No. 75: Despite Subsidies, Health Premiums Will Rise for Young, Healthy, and Low-Inco

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The fate of the young and healthy under the Affordable Care Act (ACA) has been much discussed recently, as data on 2014 premiums comes in from surveys, modeled projections, and insurance company rate applications. It is overwhelmingly clear that, at face value, premiums for the young and healthy will go up by astronomical amounts. This rate shock for the young and healthy is acknowledged by anyone familiar with insurance markets, but the law's supporters are quick to point out that, in the [words of Nancy Pelosi](#) "a majority of these young men will have access to generous premium tax credits that will mean what they pay will not go up."

In order to determine the validity of that statement, it is necessary to look at current premium costs for the young and healthy, expected premium costs come 2014, and subsidies, which are allowed for those up to 400 percent of the federal poverty level (FPL) but vary greatly by income level. The blue line in Figure 1 represents 2013 premium costs for a healthy young male, using data from an American Action Forum [survey of large insurers](#) and averaged across 5 major US cities, presumably for fairly basic coverage. As shown, premium costs do not vary by income, as all consumers pay the same rate. The green line represents the out-of-pocket cost for a silver plan (estimated with the [Kaiser Family Foundation subsidy calculator](#)) by income level.

Figure 1: Premium Costs for a Young, Healthy Male (26 years old), 2013 and 2014, By Income



As shown above, those making \$18,000 and above, or about 150 percent of FPL for a single adult, will be paying more for health insurance as a result of the Affordable Care Act, and there will be adults who, although their income never tops 400% of FPL do not receive subsidies at all because the law deems their coverage affordable.

In 2010, the median income for that age group was \$34,900 annually. Therefore, in order for Pelosi's statement about the majority of young men paying less for healthcare to be true, median income for young men needs to have fallen by \$15,000 since 2010, which, fortunately, hasn't happened. However that means Pelosi's statement is misleading, with only a small proportion of the young and healthy seeing subsidies decrease their insurance costs.