



HEALTH INSURANCE AFFORDABILITY

WHY ARE PREMIUMS INCREASING?

Health care affordability has been at the forefront of recent budget debates. Federal health care tax credits and state provider taxes have become significant cornerstones of continuation and fiscal year budgets. Rising health care premiums, attributable to higher prescription drug costs and higher cost claims from sicker patients, coupled with the loss of consumer tax credits, have left employers and consumers facing sticker shock. A broad range of independent sources has highlighted the reasons for the increase in health care premiums. Those reasons include medical inflation, sicker populations, prescription drug costs, and expiring tax credits.



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– Dominick Pallone, Executive Director of MAHP

EXPIRING TAX CREDITS

According to a new [analysis](#) from KFF, the loss of enhanced premium tax credits for health care costs will drive up out-of-pocket premium payments by over 75% on average.

- ✓ According to the [American Academy of Actuaries](#), the loss of tax credits is expected to significantly reduce enrollment, leaving a smaller, sicker pool of insured, leading to higher premiums

ELEVATED MEDICAL INFLATION

Medical cost trends, which reflect changes in the prices and utilization of health care services, continue to be a prominent driver of premium changes.

- ✓ Recent national [studies](#) cite increasing health care costs, utilization of high-priced drugs, and general market factors, such as rising labor costs and inflation.
- ✓ Wakely's independent health care [analysis](#) illustrates that the morbidity disease rate is up by 8% to 12% compared to last year.
- ✓ Rising prescription drug spending, continued inflation, and increased utilization of behavioral health services have led to a projected 8% increase in medical costs for the individual market.
- ✓ According to a [report](#) issued by the Employee Benefit Research Institute (ERBI), the prevalence of chronic conditions is relatively high among people in the workforce.

ESCALATED PRESCRIPTION DRUG PRICES

A [report](#) from PWC estimated that pharmacy spending increased by \$50 billion in 2024.

- ✓ Growing demand for GLP-1 drugs and the launch of new expensive gene, cell, and biologic therapies are driving higher projected drug spending for plan year 2026.
- ✓ Soaring costs of prescription drugs, including oncology medicines and GLP-1s, have also been cited as leading drivers of costs for employers, according to a recent Business Group on Health [survey](#) of employers.
- ✓ Just two years ago, the average drug price increased by 15.2% over 12 months, translating to an average \$590 per drug product increase.
- ✓ [According](#) to the US Department of Health and Human Services, Americans pay higher prices for prescription drugs than in any other country. Prescription drugs are more than 2.5 times higher than in other similar high-income nations.

In addition to escalating drug prices, medical inflation, a sicker population, and expiring tax credits, many insurers are experiencing higher customer utilization, such as higher use of hospitalizations, emergency room visits, behavioral health services, and pharmaceutical specialty drug use. **Rising health care costs have impacted the availability of health care insurance options, as health insurers face additional risk and rising costs in specific marketplaces.**

[Insurers are leaving the ACA Marketplace](#) | Healthcare Recruiters International

[America's ailing health insurers](#) | The Economist

[Why Are So Many Insurers Leaving Obamacare?](#) | The Atlantic

[Diminishing Insurance Choices in the Marketplace](#) | NIH

[Health Insurance Costs Are Increasing As Markets Become More Concentrated with Fewer Insurance Companies](#) | GAO

[Health insurance companies are squeezed](#) | Investment Analysis Clubs

[Two Health Insurers Leave the Illinois Market](#) | Illinois Times

[Health Insurance Companies Leaving Colorado?](#) | Colohealth

[30 Payers Cutting Jobs](#) | Becker's Payer Issues



WHAT'S HAPPENING IN MICHIGAN?

In Michigan, insurers face a daunting task of keeping health care premiums affordable for employers and individuals. Last year, nine health insurers offered health insurance plan options on the federal marketplace to more than half a million Michiganders. Because of the rising cost of health care, nearly half of these insurance providers have left the marketplace altogether or have significantly reduced the number of counties they offer health insurance in Michigan. UofM Health Plan, Health Alliance Plan (HAP), and Molina have exited the individual marketplace in Michigan. Meridian is also significantly scaling back plan offerings in various parts of the state.



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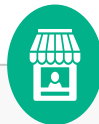
According to the Michigan Department of Insurance and Financial Services (DIFS), proposed [premium annual rate increases](#) are up 20% for individuals who purchase their insurance on the federal marketplace and up more than 11% for small employers who purchase insurance for their employees, contributing to some of the most significant premium increases in nearly twenty years. Even large employers who can self-fund their own insurance policies and are mostly exempt from state and federal insurance coverage mandates are [facing](#) almost double-digit (9%) increases this year. Health insurance providers are doing their best to navigate these headwinds to secure rates that balance the need for affordability with these significant cost increases.



INDIVIDUAL

↑ 20%

premium increase



SMALL BUSINESS

↑ 11%

premium increase



LARGE BUSINESS

↑ 9%

premium increase

WHAT CAN BE DONE ABOUT IT?

It's more important than ever that state policymakers consider policy solutions to help make health care more affordable. These trends underscore the need for proactive policy solutions to protect Michigan consumers.

The Michigan Association of Health Plans (MAHP) prides itself on being a resource to policymakers. Its unique membership of state and national health plans has identified various policy ideas and best practices from other states that can help make health insurance more affordable in Michigan. On the next page, MAHP has proposed a host of different policy solutions that policymakers could consider to help make health care more affordable.





REINSURANCE

Colorado passed legislation [authorizing](#) \$100 million for reinsurance purposes to help stabilize premiums should federal premium tax credits not be extended.

Similar efforts could be made in Michigan to help stabilize premiums in the individual marketplace.



BASIC HEALTH PROGRAM

Various states have allowed individuals with incomes just above Medicaid income thresholds to purchase Medicaid-like insurance. Policymakers could explore legislation or similar legislation to create a [Basic Health Program](#) like Oregon, New York, and Minnesota.



SMALL BUSINESS ASSISTANCE FUND

Hawaii has created a [premium assistance fund](#) that uses federal funds (pass-through tax credit savings) to subsidize small businesses' and nonprofits' health care costs on the small group market.



REFORM STATE OF MICHIGAN EMPLOYEE INSURANCE

Hundreds of thousands of Michiganders acquire health insurance through the State of Michigan's (SOM) employer benefits packages. To stabilize the individual marketplace, increase competition, and lower health care costs, policymakers could explore offering state employees and their beneficiaries health benefits through the individual marketplace rather than through its own self-funded plan.



ENCOURAGE ASSOCIATION HEALTH PLANS (AHPs) IN MICHIGAN

Nearly a decade ago, the federal government expanded access to [association health plans](#), allowing small businesses, self-employed individuals, and independent contractors to purchase health plans in the large group market at lower costs. Michigan could codify an upcoming federal rule once issued to preserve the expanded scope and accessibility of association health plans in Michigan.



EXPAND AFFORDABLE SHORT-TERM-LIMITED DURATION PLANS

The federal government is working to expand the use and duration of short-term limited-duration health plans. [STLDs](#) typically have lower premiums as they are not subject to the ACA's provisions. Michigan law currently restricts STLD for a period of 6 months. Policymakers should explore extending the timeline of how long STLDs can be offered to policyholders in Michigan.



CREATE A STATE OF MICHIGAN AHP

Policymakers could pass a state law that requires the State of Michigan (SOM) to form its own Association Health Plan (AHP) to allow small businesses to join and gain access to more affordable health insurance.



STATE MANDATE COST RECOVERY

Federal law [requires](#) states to reimburse health plans for state mandates that exceed federally required health care benefits. However, a reimbursement fund has yet to be established in Michigan. Such a fund should be created to reimburse health plan customers for the costs of new state mandates that increase premiums



INCENTIVIZING ICHRA

Midwest states have begun incentivizing small businesses to offer their employees individual coverage health reimbursement arrangements (ICHRA). [Indiana](#) was the first state to pass a law that provides tax credits. [Ohio](#) has introduced similar legislation, and model NCOIL legislation is now being considered. Michigan could consider a similar approach to make small-business health insurance more affordable.



ELECTRONIC CUSTOMER NOTIFICATIONS

The US Department of Labor is developing a proposed rule allowing employers to automatically enroll customers in [electronic health insurance notifications](#).

Policymakers could also allow health insurers to automatically enroll customers in electronic notifications. This would save administrative costs and improve timely customer notifications.



NO GREATER THAN FEDERAL STANDARDS

Pursuant to [federal law](#), DIFS must select a benchmark health plan each year that requires minimum benefit coverage levels for all other plans offered in Michigan. To make health care more affordable, legislation could direct DIFS to select a benchmark plan that aligns strictly with the federal minimum standards, precluding any additional state benefit coverages not explicitly required under federal law.



TRANSPARENCY

Policymakers could require DIFS to choose a benchmark health plan through formal rulemaking. This would allow cost-benefit analysis to be provided and public input to be sought as part of the selection process. It would also allow stakeholders to share more information about the costs of mandated benefits.

