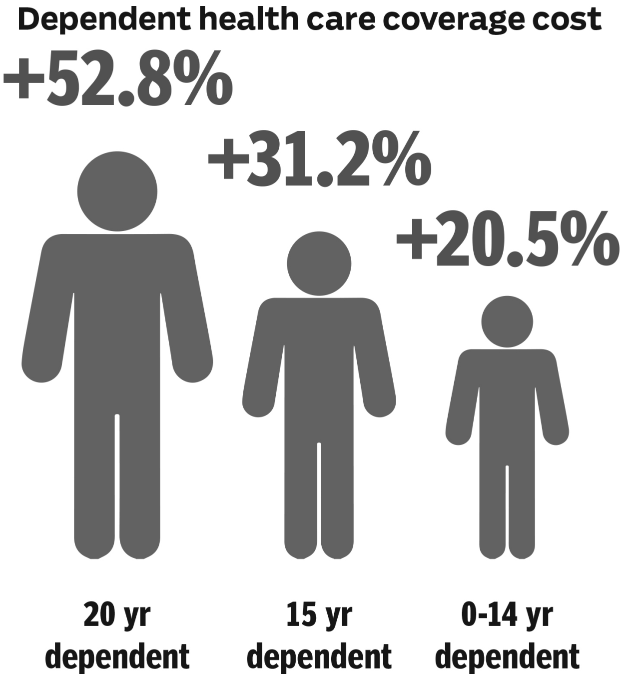
YOUR GOOD HEALTH

Premium hike



By Courtney Perkes
Kaiser Health News

Dede Kennedy-Simington, an insurance agent in Pasadena, California, was "totally dismayed" when she learned recently that the premium on her family's Blue Shield PPO would rise $391 a month next year — driven largely by huge increases for her two teenage children.

The cost of insuring her 16-year-old daughter will spike 60 percent in 2018, and it will jump 38 percent for her 13-year-old son.

The price surge stems from a change in federal regulations that allows insurers to recalculate the health risks of children within a family's premium bill.

"This hurts us, but it will be a total non-starter for a lot of families," Kennedy-Simington said.

Despite the policy change for kids, they will still be considerably cheaper to cover than their parents. In Kennedy-Simington's case, her two teens account for more than half of the premium increase but less than one-third of the total 2018 premium.

Premiums are rising for a lot of reasons next year. Among the most publicized is a decision by the Trump administration to stop paying insurers for certain subsidies they provide to low-income health plan enrollees under the Affordable Care Act.

Another factor is the complicated new rule, approved last year by the Obama administration, that allows insurance companies to assign more of a family's overall premium cost to children in individual and small-group policies, starting in 2018.

It also allows insurers to charge higher rates for teens than for younger children beginning at age 15, because teenagers typically rack up bigger medical bills. Up until now, the ACA has not allowed any difference in the amount charged for children from birth to 20.

One small silver lining: Adults may benefit, at least modestly, from spreading the rising cost of medical care across a wider age band.

"A 15-year-old running around on his bike has more chance of something happening to him than a 7-year-old playing video games," said Ron Goldstein, CEO of Choice Administrators, an Orange, California-based health insurance exchange for small businesses. "You get into high school, there's football and contact sports."

The new age-related rule applies in most states. However, seven states — Alabama, Massachusetts, Minnesota, Mississippi, New Jersey, Oregon and Utah — plus Washington D.C., do not follow the federal rate-setting formula because they have their own.

The U.S. Department of Health and Human Services said it revised the way premiums for people under age 21 are calculated to better reflect the cost of medical care for children. The change will also "provide a more gradual transition" to pricier adult rates, the agency said.

Under the previous ACA age calculations, turning 21 ushered in an adult rate with a steep 57.5 percent increase. Adult rates then typically increased incrementally each year to reflect the higher medical costs associated with aging, though they are eventually capped at three times the rate of a 21-year old to promote affordability for seniors.

The formula for calculating annual increases for adults older than 21 will not change.

Under the new rule, health plans can charge a one-time 20.5 percent increase next year for children 0 to 14. For kids ages 15-20, rates will increase every year, starting with a sharp hike in 2018 followed by much smaller ones after that.

For 2018, the increases range from 31.2 percent for 15-year-olds to 52.8 percent for 20-year-olds. Those hikes are already baked in to the premiums insurers have set for their 2018 offerings. And they are related only to age — there may be additional increases to cover the overall rise in medical costs.

Although the rate hikes are bigger for 15- to 20-year-olds, medical expenses for infants are actually higher, according to the nonpartisan Health Care Cost Institute in Washington, D.C. They drop after age 3, then rise again during the preteen and teenage years, according to the institute.

But there may be one small silver lining: Adults may benefit, at least modestly, from spreading the rising cost of medical care across a wider age band.

The American Academy of Actuaries said in a report that raising rates for children to better reflect their costs will reduce adult rates, though by a "significantly smaller magnitude." The reductions will vary by insurer and depend on the number of children enrolled relative to the number of adults.