

2017 Utah Individual Market Rate Increases

States across the nation are experiencing large increases in the individual market for 2017. Average increases for many states are between 30 and 50%: Alabama 36%, Arizona 51-75%, Colorado 20%, Georgia 32%, Idaho 24%, Illinois 44%, Minnesota 50%-67%, Montana 50%, Nebraska 35%, Oklahoma 76%, Pennsylvania 33%, Tennessee 44-62%. Utah on average will see a 30% increase in rates in the individual market for 2017.

In 2015, the most recent year for which claim and premium data is complete, on average Utah insurers paid out about \$1.58 in claims and administration for every \$1.00 of premium they received. When the individual market premiums were calculated for 2014-2016 there was little or no historical information on which to rely. Insurers had to predict the cost of providing insurance in the individual market based on incomplete information. As more information has become available it is clear that the initial estimates of the costs and frequency of services used were low and consequently the premiums were underpriced. In order to continue to provide insurance coverage, the individual insurers have had to raise their premiums markedly in 2017.

The Utah Insurance Department has reviewed each rate increase request thoroughly and has determined that the requested increases are necessary to cover costs and to better ensure a healthy and competitive insurance marketplace for the future. While we recognize that these increases are substantial, we are hopeful that this is a market correction and that increases in future years will be less extreme.

The main drivers for the increases include: more frequent use of health care of services, increasing cost of health care, discontinuation of the Federal Reinsurance program for 2017 (which reimbursed carriers for a portion of their claims), increasing cost of prescription drugs, and misestimation of the average health profile of the individual market.

To minimize the effects of the rate increases it is imperative that you evaluate your plan and consider alternatives in the marketplace, particularly if you are eligible for premium tax subsidies. We encourage you to work with your insurance agent and consider the available plans and your individual needs for providers and prescriptions as you seek coverage for 2017.