

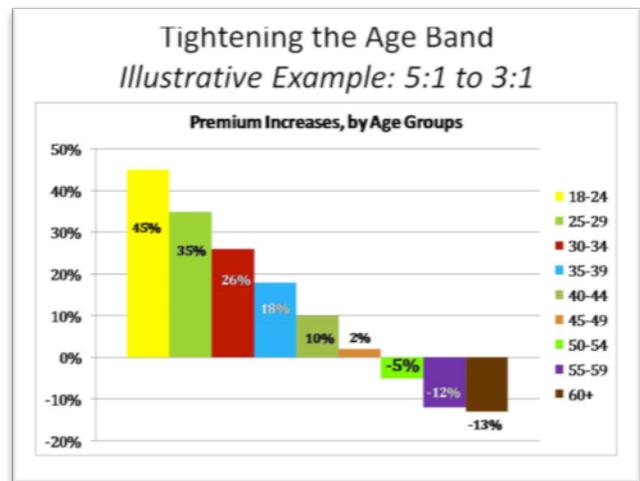
What You Need to Know

Age Rating Restrictions: Increasing Costs for Younger Individuals

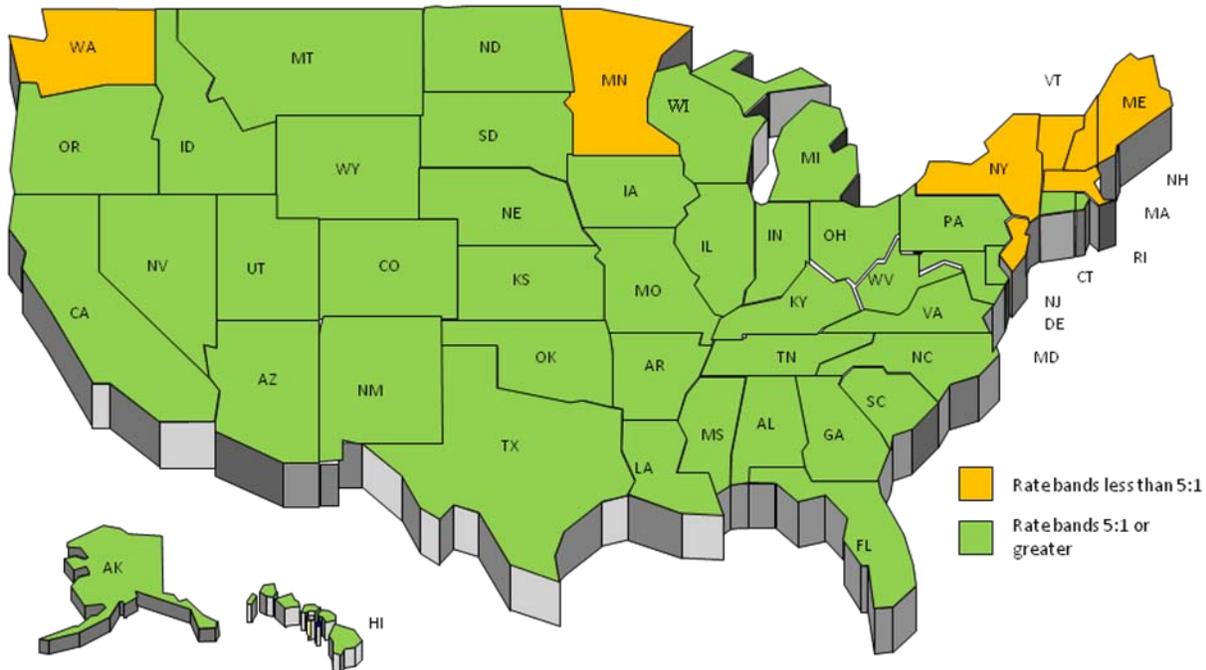
Older patients typically utilize more, and higher cost health care services than younger patients. One way states can ensure that coverage remains affordable for everyone is to use age rating bands that spread premium costs over a range of age groups. For example, in a state with a 5:1 age band, the ratio limits the amount an older individual will pay to no more than five times what a younger individual pays in premium dollars. Currently 42 states have age rating bands that are 5:1 or more.

Starting January 1, 2014, the law limits the age rating band to 3:1, causing an overnight increase in premiums for younger individuals (ages 18-49) that live in states that currently have higher age bands. This increases the likelihood that younger, healthier people will choose to pay the penalty and wait to purchase health insurance until after they get sick or injured, thus driving up costs for everyone else.

- As **Robert Samuelson** noted in his op-ed for the [Washington Post](#), “the ACA **discriminates against the young in favor of the old**. Government policy already does this through payroll taxes that have young workers subsidizing Social Security and Medicare benefits. The ACA **compounds the effect by forcing some young Americans to buy insurance at artificially high premiums** that would pay for the care of a sicker, older population.”
- **Timothy Jost** [has noted](#) that age rating compression “is **going to force younger people to pay more in the individual market** as older individuals pay less.”
- **Avik Roy** highlighted in a recent [Forbes](#) article that a “government policy aimed at **forcing young people to subsidize premiums for the elderly ends up driving up costs for everybody**, including the very elderly people it was designed to help.” Roy outlines the pitfalls of adjusting the age rating bands to 3:1 given that “the oldest individuals in the private market (those younger than 65), on average, spend six times more on health care as the youngest ones do (those older than 18). Hence, 3:1 community ratings forces the youngest people to pay 75 percent more for insurance, so that the oldest people can pay 13 percent less.”



Age-Rating Compression: Higher Premiums for Younger Individuals in 42 States



The ACA limits the age band to 3:1, which will increase costs for younger individuals in the 42 states that currently allow health insurance rates to vary by age by 5:1 or more

Additional Resources on Age Rating:

- AHIP Issue Brief: [“Tightening Age Rating Bands Will Increase Premiums for Younger Individuals and Families and Destabilize Health Insurance Risk Pools”](#)
- AHIP Blog: [“You’ll Lose More Healthy People Over Time as Premiums Go Up”](#)
- Milliman Issue Brief: [“The young are the restless: Demographic changes under health reform”](#)