

Factors Influencing 2024 Individual Market Premiums



Every American deserves affordable, comprehensive coverage – regardless of their income, health status, or pre-existing conditions. Today, nearly 21 million Americans are covered by the individual market for plan year 2023, with a record-high of 16.3 million Americans enrolled through the Affordable Care Act’s (ACA’s) marketplaces.¹ The marketplaces serve as an essential source of comprehensive coverage for Americans who are not eligible for government programs or do not have an offer of coverage through their employer.

Many people in the individual market sign up for coverage through the ACA health insurance marketplaces. Health insurance providers are committed to ensuring that the ACA marketplaces continue to provide affordable choices for comprehensive health care coverage for all.

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Advanced premium tax credits (APTCs) make premiums more affordable for eligible individuals who enroll in coverage through the ACA’s health insurance marketplaces. More than 80% of marketplace consumers receive financial assistance to lower their monthly premiums and out-of-pocket costs when they seek care. Enhanced premium tax credits extended by recent Congressional action through plan year 2025 mean more Americans can enroll in affordable coverage through the marketplaces.



Looking ahead to 2024, the combined impact of increasing provider costs, hospital and provider consolidation, prescription drug costs, and health care utilization, alongside major policy changes, are the main drivers influencing individual market rates, which are expected to increase. While individual market premium changes will vary by local and state dynamics, many of the factors discussed below will impact premiums across the individual market.

Health Care Cost Drivers

Medical cost trend is the primary source of upward pressure on rates for 2024. Premiums increase as the cost of health care increases. PwC Health Research Institute estimates the medical cost trend to increase by 7% percent year-over-year in the individual market.² While health care utilization is expected to grow, “price growth is generally playing a larger role in medical trend than utilization is,” primarily due to inflation and increasing provider consolidation and pharmaceutical costs.³

Inflation

Inflation continues to remain high, with overall inflation reaching a four-decade high in mid-2022.⁴ Overall prices grew by 6.0% in February 2023 compared to the previous year. The effects of inflation will likely be reflected in increased provider rates, prescription drug costs, and other health care goods and services as health care costs catch up with inflation.

¹ [CMS. Biden-Harris Administration Announces Record-Breaking 16.3 Million People Signed Up for Health Care Coverage in ACA Marketplaces During 2022-2023 Open Enrollment Season. January 25, 2023.](#)

² [PwC Health Research Institute. Medical cost trend: Behind the numbers 2024. 2023.](#)

³ [Peterson-KFF. How much and why 2024 premiums are expected to grow in Affordable Care Act Marketplaces. August 4, 2023.](#)

⁴ [Peterson & KFF. How does medical inflation compare to inflation in the rest of the economy?. March 29, 2023.](#)



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Increasing Provider Costs

Hospitals and health systems continue to face high rates of turnover and staffing shortages. High demand for staff may result in salary increases that exceed inflation and increase health care costs. Hospitals and providers are expected to seek higher reimbursement rate increases that match or exceed inflation rates in contract negotiations with health insurance providers for 2024, likely contributing to premium increases.

Rising Prescription Drug Costs

The rising median price of new drugs, as well as the increasing price of existing drugs, is expected to be a primary driver of rates for 2024. The median annual price for newly approved drugs increased from \$180,000 in 2021 to \$222,000 in 2022, implying double digit annual growth in price for 2024 and beyond.⁵

Today, more than 22 cents of every dollar spent on health insurance premiums goes to pay for prescription drugs – more than any other individual category.⁶ These dramatically increasing drug prices are not expected to slow down in 2024, meaning health care costs will continue to increase for consumers.

Hospital & Provider Consolidation

Ongoing hospital and provider consolidation by private equity firms will continue to drive up the cost of care for consumers in the individual market. Hospital concentration has been linked to average annual individual market insurance premiums that are 5% higher than those in less concentrated areas.⁷ As provider systems grow, their ability to negotiate higher reimbursement rates increases – driving up healthcare prices for everyone. Research shows that hospitals in consolidated markets charge far higher prices than hospitals in markets with several competitors.⁸ By improving competition in our health care system, we can improve affordability and access for everyone.⁹

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⁵ Reuters. U.S. new drug price exceeds \$200,000 median in 2022. January 5, 2023.

⁶ AHIP. Your Health Care Dollar: Vast Majority of Premium Pays for Prescription Drugs and Medical Care. September 6, 2022.

⁷ Health Affairs. The Association Between Hospital Concentration And Insurance Premiums In ACA Marketplaces. April 2019.

⁸ KFF. What We Know About Provider Consolidation. September 2, 2020.

⁹ AHIP. Healthier People Through Healthier Markets.

Other Cost-Drivers

- **Anti-Obesity Medications.** Given increasing cost and use of diabetic drugs for weight-loss, these drugs could have an upward effect on premiums.¹⁰
- **COVID-19 Impacts on Health Care Utilization.** The federal government expects to transition the purchase of COVID-19 vaccines and other countermeasures to the private market this year as its federally purchased supply of these products runs out. Both Pfizer and Moderna have signaled likely ranges that are three to four times greater than the pre-purchased federal price for the bivalent booster.¹¹



Individual Market Risk Pool

Medicaid Eligibility Redeterminations

With the end of the COVID-19 PHE, state Medicaid agencies have restarted Medicaid redeterminations to verify that the 93 million Americans currently enrolled in Medicaid or CHIP enrollees continue to be eligible for these programs. Experts have estimated that 8 to 24 million Americans could lose access to Medicaid coverage as a result of redeterminations. Of those, one-third could be eligible for subsidized coverage through the health insurance marketplaces.¹² While it is important for people to successfully transition to other coverage, including individual market coverage, this expected influx of new enrollees will create uncertainty for the individual market risk pool, which may affect premiums.

10 [Peterson-KFF. How much and why 2024 premiums are expected to grow in Affordable Care Act Marketplaces. August 4, 2023.](#)

11 [KFF. How Much Could COVID-19 Vaccines Cost the U.S. After Commercialization?. March 10, 2023.](#)

12 [KFF. How Many People Might Lose Medicaid When States Unwind Continuous Enrollment? April 26, 2023.](#)

13 [HHS Notice of Benefit and Payment Parameters for 2024. April 27, 2023.](#)

14 [2024 Final Letter to Issuers in the Federally-facilitated Exchanges. May 1, 2023.](#)

Impact of Regulatory Changes

The 2024 Notice of Benefit and Payment Parameters adopted several significant new policies for health insurance providers participating in the ACA's health insurance marketplaces for plan year 2024 that could undermine stability of the individual market.¹³ Key policy changes include:

- New network adequacy requirements, which may result in higher-than-average reimbursement rates, raising premiums and out-of-pocket costs for enrollees.
- Additional Special Enrollment Periods (SEPs), which could undermine the stability of the risk pool, resulting in higher premiums.
- New reviews of QHP formulary tiering in certain health insurance marketplaces as part of QHP certification reviews.¹⁴

Health Insurance Providers Are Fighting To Lower Health Care Prices

Health insurance providers negotiate lower prices with doctors, hospitals, and drug companies, and pass those savings along to hardworking Americans through lower premiums and out-of-pocket costs. Health insurance providers are continuously working to ensure that consumers get the best possible care at the lowest possible price. We must work together to address the underlying costs of care and spur competition so all Americans have access to high-quality, affordable health care.

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