

What Will Impact Premiums on the Individual Market for 2021?

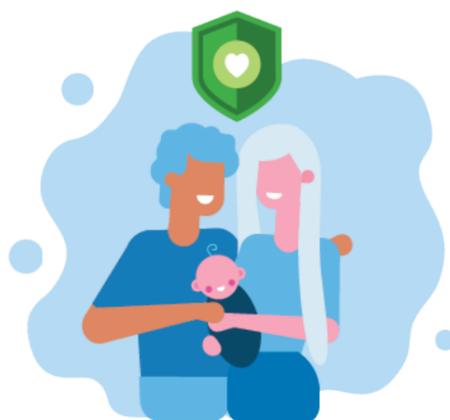
Working to Provide Comprehensive, Affordable Choices for High-Quality Care

Americans Are Protected

Federal laws **ensure important protections for Americans** who buy their own health insurance coverage. Health insurance providers are **closely regulated and comply with extensive transparency requirements** for how they set premiums, and where those premium dollars go.

Rates Must Be:

- Prospective — based on projected costs for the upcoming plan year, not on prior year costs
- Certified by actuaries
- Reviewed by regulators
- Cannot be changed mid-year



Majority of Premiums Pays for Care

Federal law requires health insurance providers to **spend 80-85 cents of every premium dollar on medical services and care quality improvement** (also known as the Medical Loss Ratio, or MLR). Medical services include the diagnosis, cure, mitigation, treatment, or prevention of disease, or amounts paid for the purpose of affecting any structure or function of the body.

Health insurance providers routinely spend more on medical services every year than the medical loss ratio requires. Other costs included in premiums help pay for regulatory costs, federal and state taxes, customer service, provider support, fraud prevention, jobs, and technology and innovation.

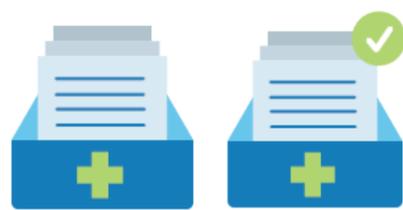
How Will COVID-19 Impact Premiums?

Health insurance providers took decisive action to help patients and curb the spread of COVID-19. **It is too soon to know what the real health care costs of COVID-19 will be.** Impact will vary, depending on geography, COVID-19 severity, and many other factors.

While elective and non-urgent care was initially delayed, **that care will likely be delivered – and paid for – later.** That care could be more complex and costly because it was delayed.

Without comprehensive data, **health insurance providers are working through a lot of uncertainty** to estimate 2021 health care costs.

Health insurance providers must base rates on projected costs. **They cannot include past losses as a rationale for 2021 rate increases.**



Preparing for Uncertainty

While there is a lot of uncertainty, health insurance providers are moving swiftly to meet state deadlines to file 2021 premiums for the individual market.

New Factors Creating Uncertainty for 2021 Premiums

Risk Pool (Covered Population)		Health Care Costs
Who is Enrolled	Health of Enrollees	
Rising unemployment rates and loss of job-based coverage	Number and severity of COVID cases	COVID testing costs
Impact of economic downturn on ability to afford premiums	Duration of current outbreak	COVID treatment costs
State special enrollment periods	Future trajectory of pandemic (e.g., future outbreaks, seasonality)	New state & federal coverage mandates
	Long term health effects for COVID survivors	Availability of new vaccine or treatments
		Impact of delayed or deferred care
		Potential risk mitigation program

Overcoming COVID-19 requires a far-reaching and coordinated response with the government and the free market working together. Together, we can and will defeat and overcome the COVID-19 crisis