THE BURDEN OF HEALTH INSURANCE PREMIUM INCREASES ON AMERICAN FAMILIES

AN UPDATE ON THE REPORT BY THE EXECUTIVE OFFICE OF THE PRESIDENT
INTRODUCTION

In September 2009, the Executive Office of the President (“EOP”) released a report entitled, “The Burden of Health Insurance Premium Increases on American Families,” which addressed concerns about “skyrocketing health care premiums” and the negative impacts they brought to American families. Six months later, the Affordable Care Act was passed with the promise of bending the cost curve down. This year marks the sixth anniversary of the Affordable Care Act’s passage, and the following report serves as an update of the very same data the EOP highlighted in 2009 and used as an impetus for its passage.

The reality is that the law has failed to relieve families of the burden created by rising health care premiums. The EOP’s 2009 report bemoaned a 5.5 percent increase in premiums between 2008-09, but the first year after Obamacare was enacted, premiums increased by 9.4 percent from 2010-11. Since that time, the upward trend in prices has continued. From 2014-15, the average annual family premium for employer-sponsored health insurance increased 4.2 percent to $17,545.

Costs have continued to rise at the state level as well. In 2009, when the EOP issued its report, states had seen premiums increase on average by 30 percent between 2004 and 2009. But since 2009, health insurance premiums have continued to grow faster than wages in nearly every state, averaging a 28 percent increase from 2009 to 2014, resulting in a greater amount of disposable income being consumed by rising premiums.

This report examines trends in health care premiums at the state and national level since 2009. Furthermore, it shows that the Affordable Care Act has failed to slow or reverse rising premiums for millions of hardworking Americans and their families.
NATIONAL TRENDS

The average annual cost of a family’s employer-sponsored health insurance policy was $17,545 in 2015, which marks a 4.2 percent increase from the 2014 average of $16,834, while the inflation rate remained low at 0.1 percent (Exhibit 1). In fact, looking back at the same data sources cited by the EOP in 2009, annual premium increases for family premiums for employer-sponsored health insurance averaged 4.8 percent for the 5 years prior to Obamacare becoming law (2005-2010) when inflation averaged 2.2 percent, and have averaged 5.0 percent for the 5 years since the law’s enactment (2010-2015) while inflation has averaged only 1.7 percent. With health care costs still rising faster than inflation six years after passage of the Affordable Care Act, it is clear that the law is not helping lower the burden of health care expenses for American families.

EXHIBIT 1:

AVERAGE ANNUAL PREMIUMS FOR EMPLOYER-SPONSORED FAMILY HEALTH INSURANCE

As indicated by the national trends, health care premiums have continued to rise faster than wages in the post-Obamacare years. From 2009-2014, premium growth has ranged from 13.8 percent in Wyoming to 42.6 percent in Oklahoma. To make matters worse, wages have risen slower in the years since the 2009 report was issued, but health care premium costs have not slowed. From 2004-2009, premiums went up by an average 30.2 percent across the nation while wages went up 12.2 percent on average. Between 2009-2014, premiums went up 27.9 percent while wages went up only 7.8 percent. Premiums have increased faster than wages in 47 states, and they have outpaced wages by double digit increases in 36 states. In 2009, the EOP report that covered this same topic pointed out that families cannot get ahead when health care costs crowd out their ability to spend and save for other necessary expenses. As the following table demonstrates, premium growth has significantly outpaced wage growth across the country after passage of the Affordable Care Act.
CONCLUSION

Based on the data included in this report, it is clear that health insurance premium costs have continued to grow despite the passage of the Affordable Care Act in 2010. Furthermore, health care premium costs are rising at a rate comparable to the years directly preceding the election of President Obama and passage of the Affordable Care Act. As costs continue to rise, millions of families will face tough financial choices and make even more sacrifices. For those who have experienced little to no increase in wages, health insurance may simply become unaffordable and the prospect of paying a tax penalty may become another unwanted reality.

For those who have enrolled in new health insurance plans on the exchanges, recent premium increases have been even worse. And in 2016, deductibles have gone up for those very same individuals. Worst of all, the outlook for 2017 is no brighter. As University of Minnesota scholar Stephen Parente’s research estimates, each type of health care plan on the exchanges can expect to see a premium increase, with the average increase being 7.3 percent for families and 11 percent for individuals.²

As stated numerous times throughout this report, the difference between the alarming trends discussed by the EOP in 2009 have only gotten worse since that time. Lawmakers owe Americans an honest and sober look at rising health care costs, which requires an acknowledgment that the Affordable Care Act has done nothing to improve the situation.

1. The EOP, which is overseen by the Chief of Staff and consists of many of the President’s closest advisors, is intended to provide the President with the support needed to govern. https://www.whitehouse.gov/assets/documents/Health_Insurance_Premium_Report.pdf

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