



## A Climate of Uncertainty

Republican efforts to repeal the Affordable Care Act (ACA) are causing insurers to exit previously stable markets, leaving consumers and families with fewer choices and higher prices. When it comes to making long-term and well-informed decisions, businesses, investors, consumers, and families all rely on certainty and adequate information. Greater uncertainty complicates these decisions and is exceedingly costly, which is why businesses and consumers invest substantial resources and time to limit it and manage risks of the unknowable. The public sector can play a significant role in creating certainty or completely undermining it. Republicans have decided to take the latter approach by dismantling the ACA.

The ACA includes a number of provisions that limit risk and uncertainty for health care insurance providers, employers, state budgets, and families. The landmark bill resolved problems of uncertainty and risk exposure by ensuring a larger pool of individuals could obtain affordable insurance, lowering insurance prices for everyone relative to where prices would otherwise be.

“[I]f it is a bill that simply repeals, I believe that will add to more uncertainty.”

Sen. Rob Portman (R-Ohio)  
July 18, 2017

## Uncertainty and Instability in the Market

The Republican and Trump administration’s proposal to repeal the ACA and deliberately dismantle its stabilizing tools creates greater uncertainty in the market—both for insurance providers and individuals.<sup>1</sup> Insurers are left unable to consider all factors and individuals are left with limited information and higher costs.

To be financially viable, insurers require a high degree of certainty, particularly over the pool of individuals who will be insured. Insurance providers are risk-averse and can be expected to limit their exposure by shifting it onto consumers with higher prices, pushing higher-risk individuals out of markets, and limiting benefits paid for health care services. Elimination of cost-sharing subsidies alone would increase ACA marketplace premiums for silver plans by 19 percent on average to compensate for the lack of funding.<sup>2</sup> States that did not expand Medicaid would see higher increases—21 percent on average.<sup>3</sup> Insurance providers need complete information to calculate all risks and make appropriate operating decisions and Congressional Republicans’ threats to repeal have many reconsidering ongoing operations.

Repealing the ACA destabilizes the health care market and impacts family finances down the line. Doing so would increase premiums by 20 to 25 percent in 2018, 50 percent in 2020, and as

much as double by 2026. Premiums would increase in Alaska by \$5,424, in Nevada by \$1,692, and in West Virginia by \$2,514 by the end of this decade.<sup>4</sup> Coverage would also suffer: losses would reach 18 million uninsured in 2018, 27 million uninsured in 2020, and 32 million by 2026.<sup>5</sup> Families and individuals living in areas with no marketplace insurers would balloon to 10 percent in 2018, 50 percent in 2020, and 75 percent by 2026.<sup>6</sup> Despite promising to keep prices down, the Republican repeal of the

ACA would put family finances and savings in jeopardy, particularly at a time when more than 50 percent of families feel financially unprepared for unexpected costs and 33 percent have no savings.<sup>7</sup> Unexpected and volatile increases in the cost for health care will add more strain to American pocketbooks.

Proposed elimination of the ACA and upending of the health care system creates volatility and undermines stability that business, insurers, and families rely on. The greater uncertainty has left insurers calculating whether to increase premiums to account for loss in revenue, or completely exit the marketplace and leave many without health care coverage.

Anthem cited an “increasing lack of overall predictability” as well as uncertainty about the subsidy payments as reasons for its decision.

Politico  
6/8/2017

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<sup>1</sup> It includes cost-sharing reductions (CSR); risk adjustments, reinsurance, and risk corridors (RRRs); and the individual mandate. See <http://kff.org/health-reform/issue-brief/explaining-health-care-reform-risk-adjustment-reinsurance-and-risk-corridors/> for more.

<sup>2</sup> <http://kff.org/health-reform/press-release/estimates-average-aca-marketplace-premiums-for-silver-plans-would-need-to-increase-by-19-to-compensate-for-lack-of-funding-for-cost-sharing-subsidies/>

<sup>3</sup> Ibid.

<sup>4</sup> <https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/52371-coverageandpremiums.pdf>; and JEC Democratic Staff calculations based on data from the Urban Institute, Kaiser Family Foundation, Congressional Budget Office, and Ku et al (2017).

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> <http://www.pewtrusts.org/en/research-and-analysis/analysis/2017/03/01/policymakers-should-focus-on-economic-security-in-2017>