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AARP Opposes 'Age Rating' Bill that Threatens to Drive Up Health Costs

Legislation would allow insurance companies to charge older Americans significantly more for health insurance

En español

WASHINGTON, DC — In a letter to the Chairman and Ranking member of the US House of Representatives Committee on Energy and Commerce Health Subcommittee, AARP Senior Vice President Joyce Rogers opposes the just introduced *State Age Rating Flexibility Act of 2017,* legislation that would allow insurers to charge older Americans significantly more for health insurance. The result – higher costs and reduced coverage – would fall most heavily on Americans not yet eligible for Medicare.

AARP also announced the launch of a campaign to protect Medicare from cuts or efforts to convert it to a voucher-based system. Separately, AARP's Public Policy Institute released a fact sheet examining the topic of age rating: Protecting Affordable Health Insurance for Older Adults: The Affordable Care Act's Limit on Age Rating.

In the letter to Chairman Michael Burgess (R-TX) and Ranking Democrat Gene Green (D-TX) Rogers says that "Relaxing the current 3:1 age band is a bad deal for Americans and will lead to higher costs and reduced coverage. For these reasons AARP strongly opposes the *State Age Rating Flexibility Act of 2017* and urges you to reject any efforts to expand age rating bands that shift large costs to older Americans."

Rogers also notes that the "*State Age Rating Flexibility Act of 2017*…would loosen age rating bands to allow insurers to charge older Americans significantly more for health insurance…[and] severely limit, not expand, access to quality, affordable healthcare."

<u>The full text of the letter to the Committee on Energy and Commerce Health Subcommittee leaders is below</u>:

February 1, 2017

Dear Chairman Burgess and Ranking Member Green:

Thank you for holding this week's hearing entitled "Patient Relief from Collapsing Health Markets." AARP shares the subcommittee's desire to examine ways in which health care costs can be lowered and better care can be provided to all Americans. However, we are concerned that the proposed *State Age Rating Flexibility Act of 2017* -- that would loosen age rating bands to allow insurers to charge older Americans significantly more for health insurance -- would severely limit, not expand, access to quality, affordable healthcare. In addition, ample evidence suggests that relaxing restrictions on age rating bands could increase – not reduce – federal outlays on health care.

AARP, with its nearly 38 million members in all 50 States and the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals into real possibilities, strengthens communities, and fights for the issues that matter most to families such as healthcare, employment & income security, retirement planning, affordable utilities and protection from financial abuse.

Impact on Older Americans
The Affordable Care Act (ACA) addressed key obstacles in availability and affordability of health coverage for older Americans not yet eligible for Medicare. The result has been a dramatic drop – by half -- of the number of Americans age 50-64 who are uninsured.

The 3:1 age band restriction included in the ACA's market reforms ensured that older Americans could no longer be charged more than three times the amount charged to younger Americans. Prior to the ACA, health insurance coverage was simply unavailable or unaffordable for millions of 50-64 year olds not yet eligible for Medicare. Many paid much more for less coverage than they do today -- state departments of insurance permitted insurers to charge older Americans five times or more than younger people for the same insurance coverage. For older adults without access to employer-based coverage, the average out-of-pocket costs for premiums and health care purchased on the individual market were typically two-and-a-half times higher than those of similar age with employer-sponsored coverage. This limitation, combined with coverage subsidies, is critical to ensuring that pre-Medicare eligible Americans can afford coverage.

Changes Would Increase Cost for Older Americans
Weakening or eliminating the 3:1 age band restriction would increase dramatically premiums for older adults, making coverage less affordable for 50-64 year olds. Meanwhile, such a change would provide only marginally lower costs for younger adults. Estimates show that changing the age rating limit to 5:1 would increase yearly premiums for an average 64 year old on a silver plan by $2,100 (from $8,500 to $10,600), while reducing premiums for a 21 year old by only $700 (from $2,800 to $2,100).

The even larger disparity created by a 5:1 age band fails to take into account the impact on affordability for seniors. Income analysis done prior to implementation of the ACA found that the median family income for uninsured 18-24 year olds was approximately $28,500 while it was about $30,000 for 50-64 year olds -- a difference of just over $1500. Despite the small difference in income, seniors who already pay as much as $5000 or more would be asked to pay as much as $8000 more.

A September 2015 Commonwealth Fund analysis also found that such a change would result in 400,000 older Americans losing health coverage altogether. The study also found that the increase in premiums caused by 5-to-1 rate banding would be financed in large part by the federal government -- if the coverage is more expensive, it will necessitate higher subsidies to ensure affordability.

A 3:1 Age Band is More Price Accurate
According to a 2013 Urban Institute study, the 3:1 band "results in age-based premiums that more accurately match age-related costs among likely purchasers than would a looser rate band." The study further concludes that higher rate bands would significantly increase out-of-pocket rates paid by older Americans and that a 5:1 band tends to overcharge older adults relative to their actual health expenses.

Relaxing the current 3:1 age band is a bad deal for Americans and will lead to higher costs and reduced coverage. For these reasons AARP strongly opposes the *State Age Rating Flexibility Act of 2017* and urges you to reject any efforts to expand age rating bands that shift large costs to older Americans.

Thank you for the opportunity to submit this letter. If you have further questions, please feel free to contact me or have your staff reach out to Brendan Rose of our Government Affairs staff at brose@aarp.org or (202) 434-2277.

Sincerely,

Joyce A Rogers
Senior Vice President
Government Affairs

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About AARP
AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering Americans 50 and older to choose how they live as they age. With nearly 38 million members and offices in every state, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, AARP works to strengthen communities and advocate for what matters most to families with a focus on health security, financial stability and personal fulfillment. AARP also works for individuals in the marketplace by sparking new solutions and allowing carefully chosen, high-quality products and services to carry the AARP name. As a trusted source for news and information, AARP produces the world's largest circulation publications, AARP The Magazine and AARP Bulletin. To learn more, visit www.aarp.org or follow @AARP and @AARPadvocates on social media.

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