



Quiz of the day: Will next year's insurance rates go up or down?

It's now the silly season for insurance rates with government agencies, consulting groups and the media all speculating about next year's premiums. Will your insurance premiums go up or down this fall? Never before have I seen such intense interest in insurance rates, which editors have usually considered a snoozer of a story.

It's no wonder, though, that insurance rates are hot news. They've become as politicized as the Affordable Care Act itself. Supporters of Obamacare have focused on what people pay for health coverage—remember all that stuff about it being affordable? And opponents? Well they jump into overdrive when any shred of evidence points to higher rates. So what's really going on?

For starters, you're apt to hear a lot of talk about average increases or decreases. Forget about them! Averages are just that—averages. That reminds me of the old joke: Did you hear about the statistician who put her head in the oven and her feet in the refrigerator? She said, "On average, I feel just fine."

Although Obamacare supporters, opponents and state insurance regulators use them to indicate a general direction of where rates are headed and sometimes twist them to suit the political points they want to score, most of us don't pay average rates.

"The end game is the actual rate someone pays," said Jim O'Connor, an actuary with the consulting firm Milliman. The increases themselves, he added, don't tell you which policy has the most affordable rate. Some people will pay higher premiums in 2015; others will pay less.

What premiums a company charges for next year will depend somewhat on what it charged this year. O'Conner explained that a carrier that charged high rates in 2014 may be asking for lower rates for 2015 to make its policies more competitive. Insurers that sold coverage with lower premiums last year in an effort to grab market share may be raising them for the next round.

Thinking About Health

Written by Trudy Lieberman

In those cases, a company may have experienced a lot of sick people signing up for coverage. That means a lot of claims to pay and the need for higher premiums next year. Remember insurance companies are not charitable institutions.

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Holyoke Enterprise July 17, 2014