



Age and Health Insurance: Pricing Out the Decades of Adult Life
Looking at the difference in health insurance premiums
between ages 20 and 60.



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Introduction and Background

Not surprisingly, most people don't have a detailed understanding of how health insurance premiums are set by insurance companies.

What will be surprised by many, however, is the price difference between the ages of 20 and 60 years old.

Simply put, age rating is the practice of varying health insurance premiums based on age. Much like medical underwriting, which varies premiums based on health condition; age rating is another way health insurers can segment risk. For example, in some states, an elderly person could be charged a health insurance premium over five times more than a young person, solely based on age.

Currently, age rating exists to a certain degree in every state.

Findings

Monthly premiums grow exponentially with age.

- Between ages 20 and 60, health insurance premiums for plan with similar benefits for men increase 288.3 percent on average and increase as much as 421.9 percent.
- A 60 year old male will pay more than \$4,000 a year on average in the individual health insurance market – while a 20 year old male will pay around \$1,050 a year on average.
- Few states have standards to limit age rating and only 7 states currently meet future requirements set by the Affordable Care Act.

The difference in percentages in premiums varies the least in Vermont but it significantly increases premiums to young, healthy adults.



How Limiting Age Rating Works

For states that have laws to limit age rating, there are specific sets of rules that apply.

Adjusted Community Rating

Under this rating method, a health plan divides its members into groups based on demographic factors such as age and geography. Members of each group are all charged the same premium. The health plan provider does not take into account factors such as current health situation or past health care costs.

Rate Bands

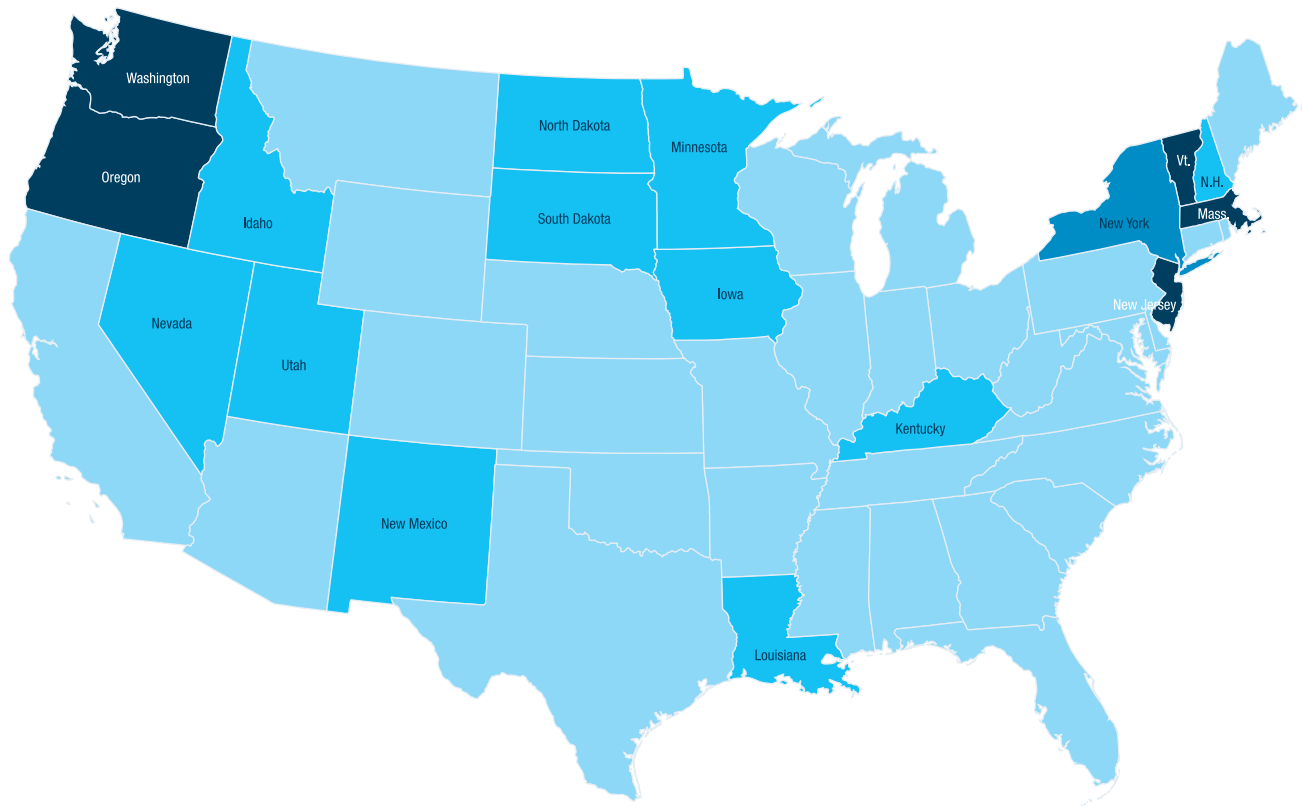
A Rate Band sets limits on the amount that insurance companies are allowed to vary premiums based on health status and in many case, age. In addition, Rate Bands regulate how much a health insurance policy premium is allowed to increase at renewal time, even if the insured individual is in poor health at the time of renewal.





Pure Community Rating

This rating method requires health insurance providers to offer policies within a given territory at the same price to all people, regardless of their health status. Pure Community Rating prohibits rate variations based on demographic factors such as age and gender.



AGE RATING LIMITS BY STATE



-  State with certain age-rate protections, called Adjusted Community Rating, among individual health insurance plans
-  State with protections called Rate Bands, which limits the amount that individual health insurance plans vary premiums
-  State that prohibits rate variations based on age or gender in the individual health insurance market
-  State with no restrictions on age rating to determine individual health insurance premiums



How Will The Affordable Care Act Affect Age Rating?

Under the Affordable Care Act, health insurance issuers **will be allowed to vary rates based on age**, but by no more than a 3:1 ratio. In other words, the ratio limits the amount an older person will pay to no more than three times that of a younger person. Few states have an age rating ban in place currently, so this is positive news for older adults concerned about their rates increasing. By spreading premium costs over a large range of age groups, the plan aims to ensure that health insurance rates remain affordable across the board. However, younger Americans who typically pay very low monthly premiums will see their monthly payment increase as they become part of a wider, higher risk pool.

According to GoHealth data, only 7 states are compliant with the 3:1 ratio created by the Affordable Care Act. By January 1, 2014, health insurers in 43 states will have to change their policies and start charging young adults more for coverage and older adults less for coverage.

Example: A hypothetical 20 year old male currently pays \$120 per month for health insurance. When he turns 50 years old he can't be charged more than 3 times \$120 per month or \$360 per month.

Conclusion

Age rating will continue to be a common practice until provisions of that Affordable Care Act are implanted in 2014. Like Vermont, states can enact policies on their own to fight age rating practices. However, changes to age rating practices among health insurance plans are somewhat similar to cost-sharing.

As premiums are stabilized to certain limits, premiums for young adults will increase significantly (similar to Vermont) to keep the premiums of older adults low or on the lower end. Basically, young adults take on more cost to support the premiums and costs of health care services for older adults.



Tables and Methodology

Table 1.

Percent difference in premiums charged to men for ages 20, 30, 40, 50 and 60 for health plans with similar benefits in the individual health insurance market on a state basis.

US STATE	PRICE DIFFERENCE: 20 to 30	PRICE DIFFERENCE: 30 to 40	PRICE DIFFERENCE: 40 to 50	PRICE DIFFERENCE: 50 to 60
Alabama	25.93%	44.15%	60.18%	71.43%
Alaska	-2.91%	89.82%	82.65%	42.83%
Arizona	26.17%	43.90%	60.17%	71.43%
Arkansas	26.14%	43.91%	60.16%	71.44%
California	17.42%	19.78%	35.78%	44.59%
Colorado	44.05%	19.01%	36.80%	50.76%
Connecticut	14.29%	46.87%	69.14%	72.96%
Delaware	15.52%	44.79%	80.40%	71.43%
Florida	15.16%	43.41%	59.64%	70.69%
Georgia	25.00%	43.53%	59.84%	71.80%
Hawaii	0.99%	37.47%	41.49%	44.99%
Idaho	9.23%	32.39%	64.90%	59.35%
Illinois	26.15%	43.90%	60.18%	71.42%
Indiana	26.14%	43.90%	60.18%	71.17%
Iowa	26.16%	43.92%	60.17%	71.42%
Kansas	15.08%	45.90%	79.79%	71.87%
Kentucky	10.52%	46.04%	80.44%	71.69%
Louisiana	15.51%	44.79%	80.41%	71.43%
Maryland	24.64%	44.19%	59.67%	71.73%
Massachusetts	2.38%	9.59%	22.22%	45.85%
Michigan	26.16%	43.92%	60.16%	71.43%
Minnesota	0.00%	27.77%	65.24%	42.10%
Mississippi	26.17%	43.90%	60.17%	71.43%



Missouri	26.16%	43.89%	60.18%	71.43%
Montana	13.87%	42.07%	50.41%	38.00%
Nebraska	26.15%	43.90%	60.18%	71.43%
Nevada	14.86%	45.90%	70.96%	71.69%
New Hampshire	4.12%	28.90%	57.52%	53.07%
New Jersey	35.06%	12.38%	24.32%	33.06%
New Mexico	5.50%	35.49%	53.91%	N/A
New York	26.14%	43.90%	60.18%	71.43%
North Carolina	15.62%	44.60%	71.02%	72.14%
North Dakota	29.02%	32.29%	72.08%	N/A
Ohio	26.87%	43.53%	59.83%	71.08%
Oklahoma	25.35%	43.82%	59.38%	71.08%
Oregon	77.91%	37.25%	37.14%	38.54%
Pennsylvania	26.17%	43.89%	60.18%	71.43%
South Carolina	25.35%	43.82%	59.37%	71.08%
South Dakota	10.91%	45.90%	80.91%	N/A
Tennessee	26.17%	43.89%	60.18%	71.42%
Texas	25.36%	43.81%	59.38%	71.07%
Utah	30.39%	23.31%	55.53%	51.45%
Vermont	1.24%	13.07%	13.07%	13.07%
Virginia	26.16%	43.91%	60.17%	71.43%
Washington	33.64%	39.64%	43.90%	37.29%
West Virginia	26.14%	43.91%	60.17%	71.43%
Wisconsin	26.09%	43.67%	60.00%	71.51%
Wyoming	16.37%	45.31%	79.57%	71.86%



Methodology

Health insurance rates were calculated using GoHealthInsurance.com (<http://www.gohealthinsurance.com>). Quotes were computed for hypothetical males aged 20, 30, 40, 50 and 60 born on the following dates:

- 20 years old: January 1, 1992
- 30 years old: January 1, 1982
- 40 years old: January 1, 1972
- 50 years old: January 1, 1962
- 60 years old: January 1, 1952

Rates were computed in 50 states with a coverage start date of June 1, 2012. Applicants were non-smokers, single with no dependents and located within the same zip code as the state capitol building in each state.

To calculate the data in this study, GoHealth looked at the preferred health insurance premiums, premiums for healthy individuals with no medical conditions and who do not smoke, for plans with similar benefits. These benefits include plans with a \$2,500 deductible and a 20 percent coinsurance rate. First GoHealth ran quotes for monthly premiums charged to men ages 20, 30, 40, 50 and 60, then calculated the age gap between the premiums.

The age gap is the difference in premiums charged to men of different ages for the same health plan.

In some cases, the exact plan or plan type was not available to compare (\$2,500 deductible with a 20 percent coinsurance rate). Including:

- In Hawaii the plan compared had a \$0 deductible. In Vermont, the plan had a \$3,500 deductible.
- Coinsurance rates for Oregon, New Jersey were 30 percent. In New Hampshire and Hawaii the plans compared had a 0% coinsurance rate.
- New Mexico and North Dakota compared plans were not available for 60 year old males.
- Individual quotes were not available for Augusta, Maine or Providence, Rhode Island.

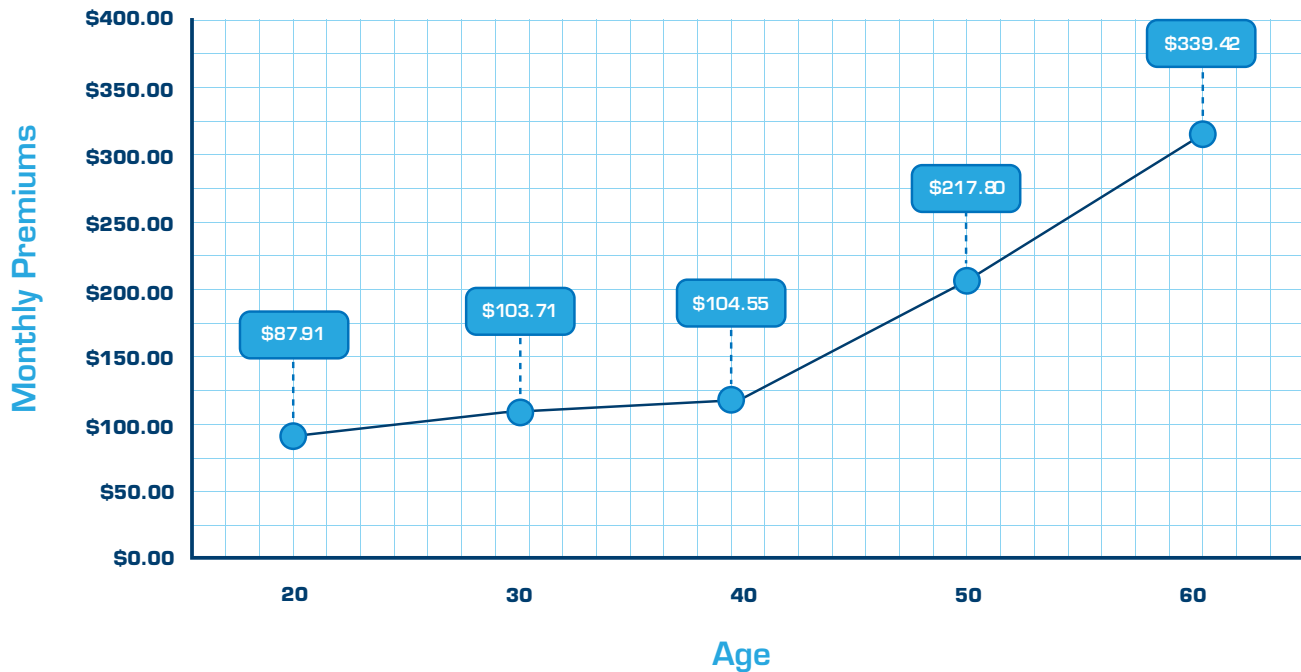
Alaska is the only state in the study that shows a rate decrease between the ages of 20 and 30.



Table 2.

Average premium costs for men ages 20, 30, 40, 50 and 60 for health plans with similar benefits in the individual market on a national basis.

NATIONAL AVERAGE OF HEALTH PREMIUMS*



Methodology

*Table 2 shows the average preferred health insurance premiums on a national basis for men ages 20, 30, 40, 50 and 60. The average premium for each age group was calculated with quotes from GoHealthInsurance.com for similar benefits such as a deductible of \$2,500 to \$3,500 and a coinsurance rate between 20 and 30 percent.

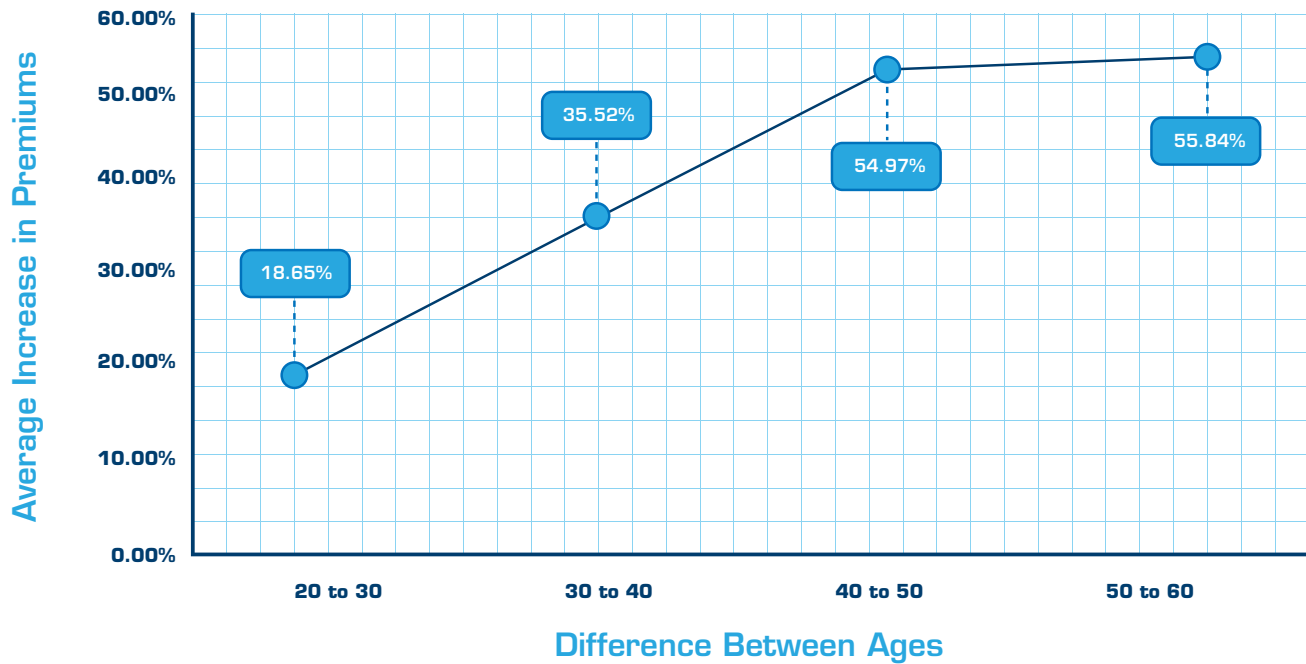
- Health insurance rates for Maine and Rhode Island were not included in the averages.
- New Hampshire and Hawaii were quoted with a 0 percent coinsurance rate.



Table 3.

Percent difference in premiums charged to men for ages 20, 30, 40, 50 and 60 for health plans with similar benefits in the individual health insurance market on a national basis.

PERCENT DIFFERENCE IN AVERAGE PREMIUMS *



Methodology

*Table 3 shows the average difference between preferred health insurance premiums for men ages 20, 30, 40, 50 and 60 on a national basis. The average premium for each age group was calculated with quotes from GoHealthInsurance.com for similar benefits such as a deductible of \$2,500 to \$3,500 and a coinsurance rate between 20 and 30 percent.

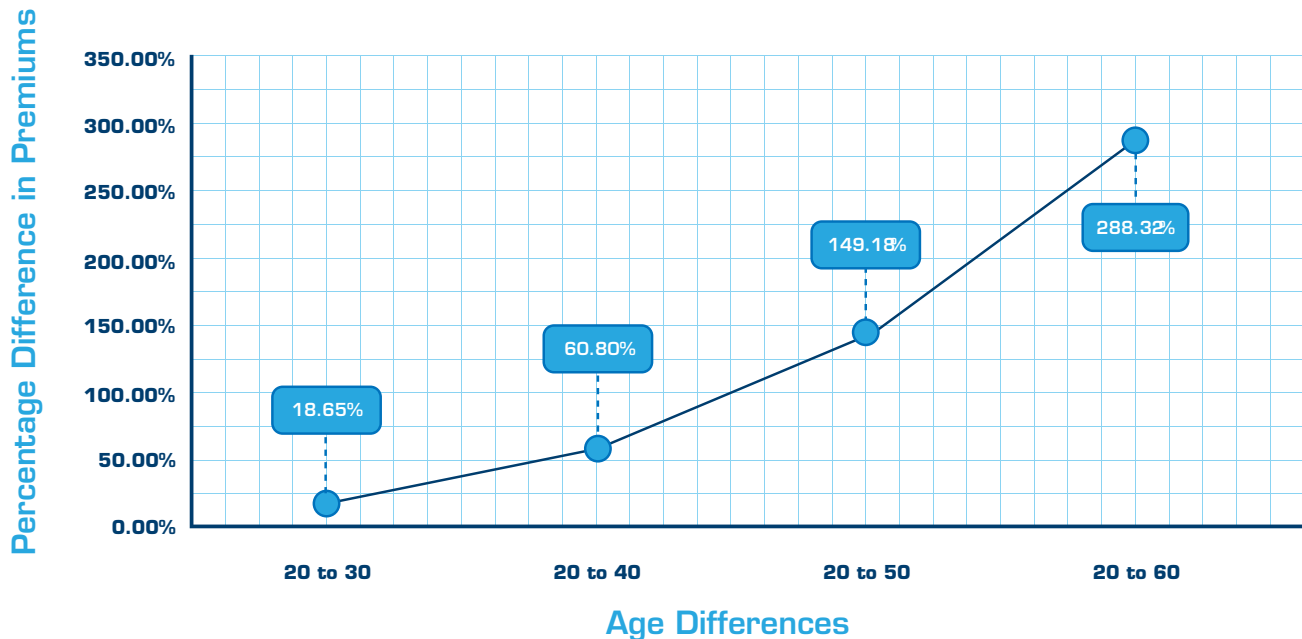
- Health insurance rates for Maine and Rhode Island were not included in the averages.
- Premiums for New Hampshire and Hawaii were quoted with a 0 percent coinsurance rate.



Table 4.

Percent difference in health insurance premiums for men ages 30, 40, 50 and 60 when compared to their 20 year old counterpart.

PREMIUM DIFFERENCE FOR AGE DIFFERENCES*



Methodology

*Table 4 shows the average difference in preferred health insurance premiums between a 20 year old male and men aged 30, 40, 50 and 60 on a national basis. The average premium for each age group was calculated with quotes from GoHealthInsurance.com for similar benefits such as a deductible of \$2,500 to \$3,500 and a coinsurance rate between 20 and 30 percent.

- Health insurance rates for Maine and Rhode Island were not included in the averages.
- Premiums for New Hampshire and Hawaii were quoted with a 0 percent coinsurance rate.



About GoHealth

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