

# Overview



The Affordable Care Act (ACA) will help millions of people get coverage for the first time, but new insurance taxes, costly benefits requirements and age rating restrictions will drive up the cost of coverage for millions of consumers and employers. When this happens, many younger and healthier Americans will likely decide not to get coverage – which further drives up costs for everyone else.

## Health Insurance Tax

Beginning in 2014, the reform law imposes a new sales tax on health insurance that will increase the cost of coverage. The amount of the tax will be \$8 billion in 2014, increasing to \$14.3 billion in 2018, and increased based on premium trend thereafter.

- The Joint Committee on Taxation [estimates](#) that the premium tax will exceed **\$100 billion** over the next ten years.
- An [analysis by Oliver Wyman](#) estimates that this tax alone “will increase premiums in the insured market on average by 1.9% to 2.3% in 2014,” and by 2023 “will increase premiums 2.8% to 3.7%.”

## Age Rating

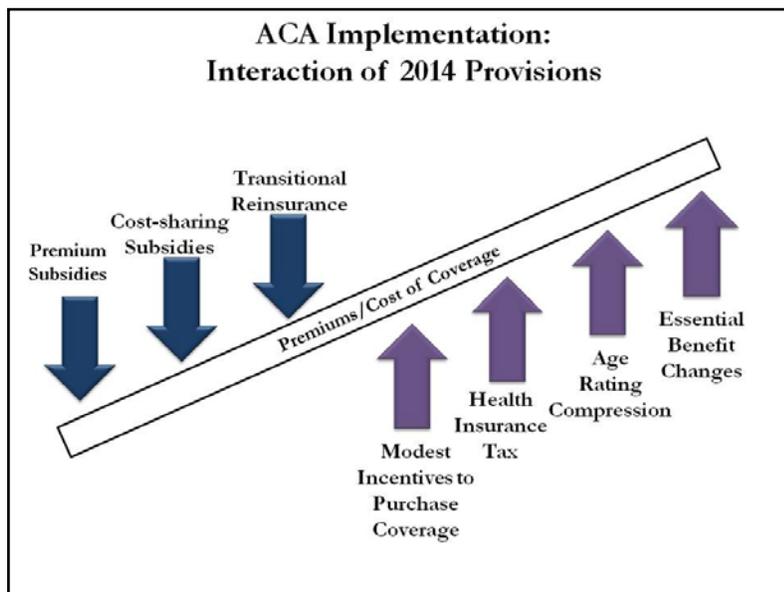
The ACA strictly limits how much premiums can vary based on a person’s age, causing premiums to increase significantly for younger individuals.

- As **Robert Samuelson** noted in his op-ed for the [Washington Post](#), the ACA forces “some young Americans to buy insurance at **artificially high premiums** that would pay for the care of a sicker, older population.”
- **Avik Roy** highlighted in a recent [Forbes](#) article that a “government policy aimed at **forcing young people to subsidize premiums for the elderly ends up driving up costs for everybody**, including the very elderly people it was designed to help.”

## Essential Health Benefits

The ACA requires health insurance policies to cover a broad range of mandated benefits, many of which are not included in some policies today. As a result, millions of individuals and small businesses may be required to purchase coverage that is far more costly than they currently have.

- Starting January 2014, all policies sold in the individual and small-group markets must cover a minimum “Essential Health Benefits,” which includes items and services within at least [10 categories](#) of services. The ACA also mandates first-dollar coverage for preventive care, eliminates annual and lifetime limits on coverage, and requires that insurance policies meet a minimum “actuarial value” of sixty percent.
- The Congressional Budget Office (CBO) [found](#) that premiums would increase because policies “would cover a substantially **larger share of enrollees’ costs** for health care (on average) and a slightly wider range of benefits.”



*\* According to the CBO, more than 40 percent of people purchasing coverage in the individual market today would be ineligible for premium subsidies. The CBO projects that individuals with incomes between 250-300 percent of the federal poverty line (FPL) would only receive subsidies sufficient to cover 42 percent of the cost of the second lowest-cost “silver” plan. And due to how the subsidies are indexed, the CBO states over time “the shares of the premiums that the subsidies cover will decline.”*