CHAPTER

17 Guaranteed Access to Affordable Coverage in Individual Health Insurance Markets Get access ❯

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Abstract

This article deals with individual insurance, which is the dominant form of private health insurance. The only way to make individual health insurance affordable for high risks is to organize implicit or explicit cross-subsidies from low risk to high-risk individuals. This article provides taxonomy of the various types of subsidies and discusses the welfare effects for each of these types. It discusses the implications of the way subsidy payments are organized. This article discusses three different strategies that health insurers can employ to achieve equivalence of premiums and expected costs per insurance contract. It examines the various types of subsidies and discusses the advantages and disadvantages of community–rated premiums. It talks about the implications of the different ways of organizing the payment flows of risk–adjusted subsidies.

Keywords: individual insurance, subsidies, community-rated premiums, health insurers, private health

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