

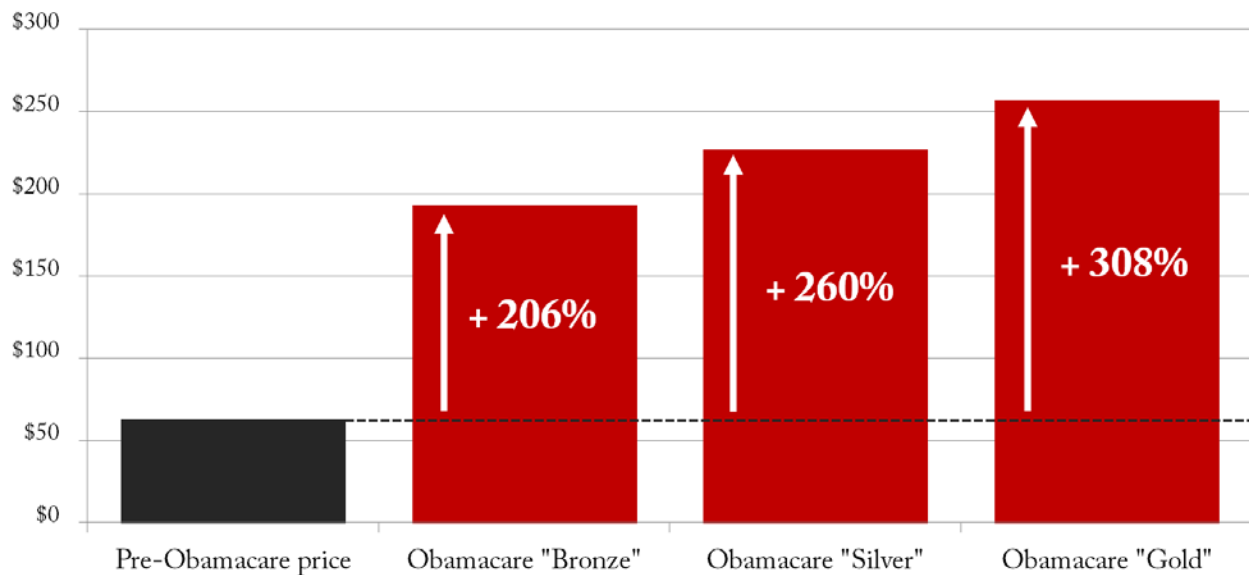


July 9, 2013

Yes, Obamacare *Will* Make Premiums Go Up

Last week the Wall Street Journal [published](#) an analysis showing how the health care law will raise premium rates. Americans – particularly young, healthy adults – “could see insurance rates double or even triple when they look to buy individual coverage” starting next year. Why? President Obama’s health care law. Specifically, the study reviewed proposed premium rates in eight states. In Richmond, Virginia, for example, a 40 year-old nonsmoking male can buy a health insurance plan today that costs \$63 per month. The least expensive plan on the Virginia exchange for the same person next year is likely to cost \$193 per month, a 206 percent increase.

Case Study: Premium Costs in Richmond, Va.
Current available plan vs. lowest available Obamacare prices



Note: Prices for young nonsmoking male
Source: Wall Street Journal

Promises, Promises

When they were trying to win elections and push their health care plan into law, Washington Democrats repeatedly [said](#) that they would drive down health insurance premiums and health care costs.

“If you’ve got health insurance, we’re going to work with you to lower your premiums by \$2,500 per family per year. And we will not wait 20 years from now to do it or 10 years from now to do it. We will do it by the end of my first term as President of the United States of America.”

-- [Barack Obama](#), February 27, 2008

In 2009, President Obama repeated his [promise](#): “Coupled with comprehensive reform ... that could save families \$2,500 in the coming years – \$2,500 per family.”

While the health care battle raged in Congress, Republicans [countered](#) the President’s claims using independent, factual analysis. Non-partisan experts had produced overwhelming evidence that the health care law would, in fact, force premium rates up.

- Leading accounting and actuarial firms – [Oliver Wyman](#), [PriceWaterhouseCoopers](#), [Hay Group](#), and [Milliman](#) – issued reports estimating the President’s health care plan would increase premiums up to 60 percent.
- CBO [estimated](#) families buying coverage on their own (in the individual market) would see premium costs increase 10 to 13 percent – a \$2,100 annual increase due to the health care law. The same CBO analysis also predicted premiums would rise by 27 to 30 percent because the health care law requires Americans to buy more expensive benefit packages.
- Centers for Medicare and Medicaid Services Office of the Actuary [estimated](#) “national health expenditures in the U.S. during 2010-2019 would increase by about 0.9 percent. The additional demand for health services could be difficult to meet initially with existing health provider resources and could lead to price increases, cost-shifting, and/or changes in providers’ willingness to treat patients with low-reimbursement health coverage.”

Washington Democrats Dismissed Republican Warnings

While congressional Republicans exposed the truth about the health care law’s negative impact on patient premium costs, Washington Democrats ignored the warnings. At a February 2010 White House health care [summit](#), President Obama [denied](#) premiums would go up, saying, “that’s just not the case.” Their goal was to pass a new, sweeping government health care program – and they would [say](#) or do anything to achieve it.

As the Obama Administration began to implement its health care law, Americans quickly learned it did not make insurance premiums cheaper. In fact, average family premiums [soared](#) from \$12,680 in 2008 to \$15,745 in 2012.

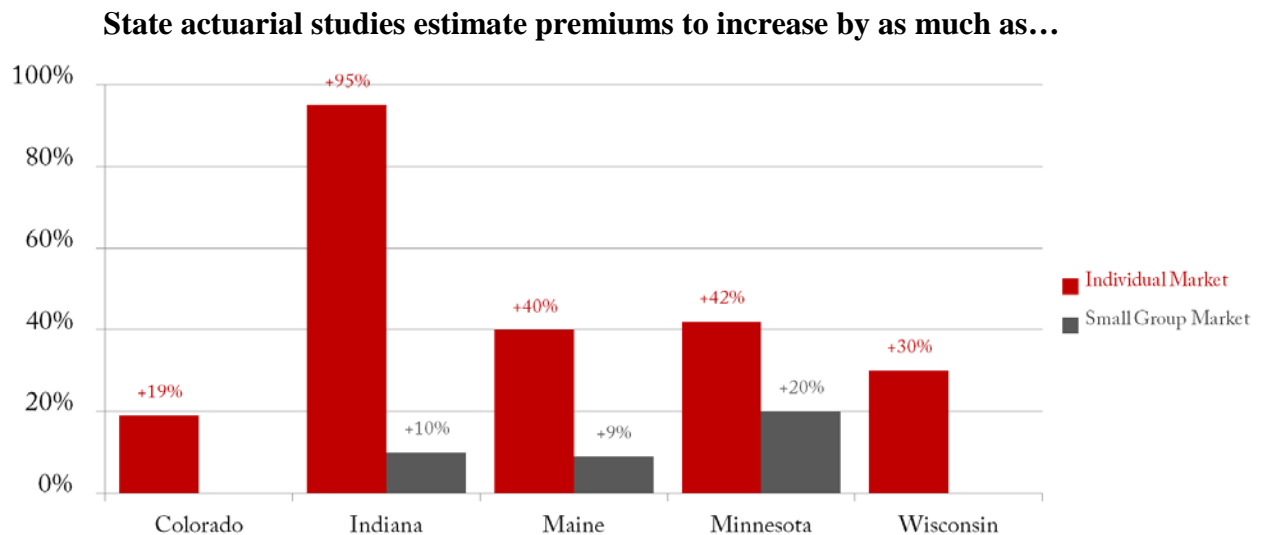
Additionally, the CMS actuary [estimated](#): “[f]or 2011 through 2021, national health spending is projected to grow at an average rate of 5.7 percent annually ... During this period, the [health care law] is projected ... to add about \$478 billion in cumulative health spending.” The Administration’s own data [confirm](#) that as national spending on health care increases, so do individual and family insurance premiums.

How Many Studies Does it Take?

According to a recent Gallup [poll](#), nearly half of Americans believe Obamacare will make their personal health care situation worse; while only 34 percent say it will improve it. Yet the Obama Administration continues to try to implement a costly health care law that independent analysis shows will slow economic recovery, limit private sector job growth, and increase consumer insurance premiums. Costs are already [rising](#) three times faster than wages and inflation, and the health care law is going to make the problem worse.

In December 2012, health insurance company CEOs began to [sound the alarm](#). They predicted consumers would face premium increases up to 100 percent as the health care law’s insurance market reforms take effect. Health industry leaders dubbed this phenomenon “rate shock.”

More than 30 separate [studies](#) already confirm the health care law will cause health insurance premium rates to rise. How many studies will it take before the President and Washington Democrats concede their law increases costs?



- Milliman released a [study](#) showing that, excluding the impact of subsidies, premiums in the individual market will go up as much as 37 percent in 2014; and 122 percent total from 2013 to 2017.
- The American Academy of Actuaries [published](#) a study estimating the health care law will increase premiums in the individual insurance market on average by 10 to 20 percent. The report also predicted:

- Younger, healthier people could see premium increases of over 40 percent.
 - Four million uninsured people age 21 to 29 (roughly 36 percent of those currently uninsured) can expect to pay more out of pocket for single coverage than they otherwise would, even given the availability of premium subsidies.
 - Young, single adults aged 21 to 29 with incomes beginning at about 225 percent of the poverty level ([FPL](#)) (approximately \$25,000) can expect to see higher premiums, even after accounting for premium subsidy assistance.
 - People age 21 to 29 who are ineligible for premium assistance from the government would see premium costs increase by 42 percent.
 - Single adults up to age 44, with incomes above 300 percent of FPL (about \$34,470) can expect to see higher premiums, even after accounting for premium assistance.
 - People age 30 to 39, who are ineligible for premium assistance from the government, would see premium increases on average of 31 percent.
 - Roughly 7.6 million people (40 percent of those covered in the individual market in 2011) would be ineligible for premium assistance from the government.
- The non-partisan Society of Actuaries [warned](#) that average medical claims costs for individual health insurance policies could jump 32 percent per person. Medical claims costs are a key factor in calculating premiums.
 - Center Forward, a Democrat group, issued a [report](#) showing average premiums rising five to 25 percent in the individual market and six to 12 percent in the small group market.

Real World Data – Moving Beyond Studies

Local officials and insurance carriers are slowly releasing proposed 2014 Obamacare state exchange health plan rates this summer. They show how the health care law impacts coverage costs in both the individual and small group markets. As rate filings become public, policy experts can now see what *is* happening rather than just what *might* happen.

Ohio

In August 2011, Milliman [predicted](#) that the health care law would increase individual market premiums in Ohio by 55 to 85 percent. Subsequently in March, the Society of Actuaries [projected](#) the law would increase premiums in Ohio by 81 percent.

Last month the Ohio Department of Insurance [announced](#) that the average individual market health insurance premium in 2014 will cost 88 percent more. According to Ohio insurance [regulators](#): “The Department’s initial analysis of the proposed rates show consumers will have fewer choices and pay much higher premiums for the health insurance starting in 2014 ... Ohio’s current average cost to cover medical expenses for an individual health insurance plan is \$223 ... the average to cover those costs in 2014 is \$420.”

California

In May, the State of California [released](#) the rates Californians will have to pay to buy health insurance in its health care exchange. Peter Lee, Executive Director of the California exchange, [claimed](#), “These rates are way below the worst-case gloom-and-doom scenarios we have heard.” Obamacare [supporters cheered](#) the news. But Manhattan Institute scholar Avik Roy conducted his own [analysis](#) and found that in California’s individual market, excluding the impact of government subsidies, consumers will see increases of 64 to 146 percent. [Policy experts](#) found that California had compared next year’s individual premiums to this year’s small employer premiums. This created an [illusion](#) that the health care law lowered premiums.

Rhode Island

On June 28, Rhode Island Health Insurance Commissioner Christopher Koeller [approved](#) the state’s 2014 health coverage plan rates. He announced that new rates for large employers will be 9.6 to 12 percent higher. Mr. Koeller [said](#) premium prices were “significantly lower” than those requested. So the commissioner is celebrating a 9.6 to 12 percent premium hike, when Washington Democrats told the American people that their health care law would cause health insurance premiums to drop.

Obamacare Market Changes Drive Up Premiums

Approximately [85 percent](#) of Americans already have health insurance coverage today. When they hear the words “health care reform,” they expect lower premiums. Unfortunately, President Obama’s health care law does the exact opposite. It is important that the American people understand what parts of the law actually drive up premium costs. Taken together, the following provisions increase overall costs, stifle competition, and reduce choices.

- Essential Health Benefit (EHB) Mandates.** The law requires insurance issuers cover a broad range of services in [10 categories](#). For most individual people and small businesses, this benefit package includes more comprehensive coverage than they typically purchase today. Higher benefit levels cause higher costs. CBO [estimates](#) average premiums will increase by 27 to 30 percent because of the law’s benefit mandates on health insurance plans. Milliman [calculates](#) the EHB requirements will increase premiums between three and 17 percent.
- Actuarial Value (AV) Mandates.** AV is a technical term describing the total amount of health spending paid for by an insurance plan. The AV of a health plan depends on the benefits and cost-sharing that plan covers and are represented by a percentage. Insurance plans can range anywhere from 55 to 90 percent. Typically, as AVs increase, premiums increase. The health care law requires insurers selling in the exchanges to offer products meeting four new AV levels: 60 percent (bronze), 70 percent (silver), 80 percent (gold), and 90 percent (platinum). The minimum standard of 60 percent is higher than most policies sold on the market today. A recent [article](#) estimated that more than half of the plans currently purchased in the individual market have an average AV below that level. Milliman [estimates](#) the AV requirement increases premiums, on average, by 8.5 percent.

- **Age Rating Restrictions.** These provisions limit the amount premiums can vary between young, healthy people and unhealthy, older people. Today, 42 states use an age band rating of 5:1 or higher. So a young adult might pay one-fifth of what the oldest person buying in an exchange would pay. The health care law restricted the age ratio to 3:1. Number crunchers call this “community rating.” This means the premium charged to a healthy 21 year old is closer to the premiums charged to an older, sicker person -- taxing the young to pay for older enrollees. If fewer young people enter the insurance market, premiums on the remaining enrollees will go up. Milliman [projects](#) the new age rating will increase premiums for people under age 35 by 19 to 35 percent while premiums for people age 55 and older will fall slightly.
- **Guaranteed Issue.** Starting in 2014, people can buy health insurance at any time, allowing them to wait until they are sick to buy coverage. Additionally, people who were previously enrolled in state based high-risk pool programs or the Federal Preexisting Condition Insurance Plan program will enter the individual insurance market. Milliman [estimates](#) changes to the risk pool composition and adverse selection will increase premiums by 20 to 45 percent.
- **Taxes and Fees.** Independent experts agree the health care law’s litany of taxes and fees lead to increased premium costs.
 - *Health Insurance Tax:* The Joint Committee on Taxation (JCT) makes it [clear](#) that the [\\$101.7 billion](#) insurance tax will be borne by: 1) consumers in the form of higher prices; 2) owners of firms in the form of lower profits; 3) employees of firms in the form of lower wages; or 4) other suppliers to firms in the form of lower payments. JCT warned: “We expect a very large portion of the insurance industry fee to be passed forward to purchasers of insurance in the form of higher premiums.” JCT went on to say that “eliminating this fee could decrease the average family premium in 2016 by \$350 to \$400.”
 - *Medical Device Tax:* [CBO](#) and JCT expect the [\\$30 billion](#) medical device tax will be passed on to patients, increasing premiums and raising prices for everything from artificial knees to pacemakers.
 - *Prescription Drug Tax:* Experts agree the [\\$34 billion](#) tax on pharmaceutical companies will be passed on to patients, raising prescription drug prices and increasing premiums.
 - *Health Insurance Exchange User Fees:* Plans have to pay a surcharge to sell products in the exchange. For plans in the federal exchange, the fee is capped at [3.5 percent](#) of the exchange premium. CBO [estimates](#) the fee will add three percent to premiums.
- **Cadillac Tax.** The health care law institutes a 40 percent “Cadillac tax” on generous employer-sponsored health insurance starting in 2018. The \$111 billion tax is levied on plans that cost more than \$10,200 for individuals and \$27,500 for families. The law indexes the Cadillac tax threshold to grow slowly, so more and more middle class Americans will pay this tax over time. The tax will ultimately be paid by workers, either in the form of higher premiums or reduced benefits. JCT [estimates](#) that 87 percent of the Cadillac tax burden falls directly on Americans making less than \$200,000 per year.

State Price Control Experiments Failed

A handful of states already have stringent Obamacare-like health insurance market requirements. Officials touted the mandates as protecting consumers, but the policies actually led to severe premium increases and fewer health insurance choices. During the 1990s, eight states – Kentucky, Maine, Massachusetts, New Hampshire, New Jersey, New York, Vermont, and Washington – passed insurance market reforms nearly identical to Obamacare. Consumers in those states [endured](#) massive premium increases and severely limited insurance selections:

- In 1993, a 30 year-old man and woman in New York paid, on average, an annual premium totaling \$1,200 and \$1,800, respectively. One month after the state implemented Obamacare-style reforms, premiums [skyrocketed](#) to \$3,240. Some people faced premium increases totaling 170 percent.
- Also in 1993, the State of Washington enacted Obamacare reforms. Consumer choice [plummeted](#), from 19 insurance carriers offering health insurance policies in the state to just two in 1999.
- In 1994, New Jersey passed guaranteed issue and community rating requirements. Over the next 10 years, premium rates [increased](#) 50 percent or more annually.
- After Massachusetts enacted similar insurance market price controls in 1996, 20 health plan carriers exited the insurance market. News reports indicated that, prior to enactment of the 1996 law, young people could buy insurance with premiums as low as \$25 per month. After the law passed, the same person's [premium](#) was upward of \$600 per month. Earlier this year, the Obama Administration gave one state – Massachusetts – a [waiver](#) allowing them to phase in the health care law's rating rules. The Massachusetts state legislature recently approved legislation requiring Governor Deval Patrick to seek a permanent waiver, warning that the health law would cause significant [premium shock](#) in its small group market. Associated Industries of Massachusetts, a business group that supported the Massachusetts and federal health reform laws, [warned](#) that Obamacare's rating rules will increase premiums for 60 percent of small employers.
- When Kentucky instituted guaranteed issue and community rating laws, average premiums [soared](#) between 36 and 165 percent. Approximately 45 insurers pulled out of Kentucky's individual market between 1994 and 1997. The state's insurance commissioner said Kentucky was "moving toward a crisis" as insurance providers faded to only one.

Even the liberal Center for American Progress [explained](#) how similar reforms destroyed state insurance markets: "Massachusetts, along with several other northeastern states passed insurance market reforms similar to those in the [health care law], eliminating or restricting the ability of insurance companies to discriminate against the ill either in prices or coverage exclusions. The result in each state was very high nongroup insurance prices." President Obama and Democrats in Congress must learn from these states' mistakes, not repeat them.

Democrat Response: Spend More Taxpayer Money

When confronted with the overwhelming data that the health care law will increase premiums, Washington Democrats offer one response: Some people will get a government subsidy to cover the law's premium hikes. Subsidies may help some families pay for more expensive, government-mandated coverage; but most people won't get them, and subsidies do absolutely nothing to lower the actual cost of health insurance. The federal government will spend [trillions](#) to partially hide the premium hikes, but whether it is the individual customer or the taxpayer footing the bill, the underlying premiums are still going up. The health care law makes health insurance more expensive and then gives some people a government check to help buy it.

For those who are eligible for a subsidy, the amount falls rapidly as incomes rise. Due to the way the subsidies are indexed, CBO [projects](#) that over time "the shares of the premiums that the subsidies cover will decline." CBO also [found](#) that people with incomes between 250 and 300 percent of FPL would only receive subsidies sufficient to cover 42 percent of the second-lowest cost "silver" plan. Those with incomes between 350-400 percent of FPL get subsidies sufficient to cover just 13 percent of the premium.

President Obama doesn't want the American people to know that even though there will be taxpayer money available to offset the law's premium increases, most Americans won't actually qualify for any of that help. They will just be stuck with higher taxes, fewer choices, and higher health insurance premiums. Today nearly [160 million](#) people get their health care through an employer. Those people do not qualify for a government subsidy unless the employer insurance is deemed [unaffordable](#). CBO confirms that an additional [five million](#) people are not eligible for a subsidy to help pay for President Obama's costly failure.