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Inside Track

ObamaCare: Rising Deductibles, Even More Than Premiums, Plague America

Prior to the passage of ObamaCare, President Barack Obama repeatedly promised that his healthcare overhaul would reduce health-insurance premiums by as much as $2,500 per family. But according to a recent report, not only have premiums continued to rise under the Affordable Care Act (ACA), but deductibles have grown dramatically, often to the point that having insurance isn't a guarantee of affordable care.

The Kaiser Family Foundation (KFF)/Health Research and Educational Trust (HRET) 2015 Employer Health Benefits Survey, released September 22, reveals that family premiums for employer-based health plans rose 4.2 percent this year, up from three percent in 2014. This relatively small increase is part of a trend that began in 2005, well before Obama took office, so at best ObamaCare can be said not to have caused premiums to rise at a much faster rate than they were rising beforehand.

The president, however, did not promise slower growth in premiums; he promised to reduce them. Moreover, noted Investor's Business Daily,

Obama wasn't talking about government subsidized insurance or expanding Medicaid or anything like that. He specifically focused on employer provided health care. For 'people who already have insurance, and the employers who are providing it,' he said at one campaign event, 'we will work to lower your premiums by up to $2,500 per family.'

That hasn't happened. In fact, even with the relatively small rate hikes in recent years, the average family is now paying $4,865 more — not $2,500 or even $25 less — for employer-sponsored coverage than they were in 2008.

Those low premium increases have come at a price: significantly higher deductibles. "Since 2010," wrote KFF, "both the share of workers with deductibles and the size of those deductibles have increased sharply. These two trends together result in a 67 percent increase in deductibles since 2010, much faster than the rise in single premiums (24%) and about seven times the rise in workers' wages (10%) and general inflation (9%)."

KFF found that "81 percent of covered workers are in plans with a general annual deductible." Deductibles average $1,318 for single coverage, but employees in small firms (three to 199 workers) are paying 66 percent more than those in large firms (at least 200 workers).

"With deductibles rising so much faster than premiums and wages, it's no surprise that consumers have not felt the slowdown in health spending," KFF President and CEO Drew Altman said.

Part of the increase in deductibles can be traced to employers' desires for employees to take more responsibility for the cost of their healthcare. If an employee has to pay more out of pocket, he is much less likely to run to the doctor for the sniffles, thereby keeping healthcare costs down.

But the ACA also bears much responsibility for the high deductibles. The law's multiple mandates on insurers have driven the cost of coverage up. More significantly, the ACA's so-called "Cadillac" tax is scheduled to go into effect in 2018, and employers are already taking steps to avoid incurring its severe penalties.

"Our survey finds most large employers are already planning for the Cadillac tax, with some already taking steps to minimize its impact in 2018," said KFF study lead author Gary Claxton. "Those changes likely will shift costs to workers, but exactly how and how much will vary for individual workers."

ObamaCare imposes a 40-percent excise tax on every dollar of health benefits exceeding $10,200 for individuals and $27,500 for families. That includes not just traditional health insurance but also health savings accounts, flexible spending accounts, and supplemental insurance. The benefits thresholds are indexed to inflation, but healthcare costs have been rising faster than inflation for decades, meaning that over time, more and more employer plans — not just the "elite" ones — will become subject to the tax.

According to the *Pittsburgh Tribune-Review*, "In a separate study last month, Kaiser Family Foundation found that just more than a quarter of employers that offer health plans would pay the tax in 2018 on at least one plan if they do not make changes. And the National Business Group on Health, a nonprofit association of large employers, found that half of its members reported at least one of their health plans would trigger the tax. Both groups predicted that the proportion of employers affected would go up significantly over time."

The paper also pointed out that companies with large numbers of older employees are likely to be hit with the tax because their employees tend to use more healthcare.

"I have an employer I work with, and they have an older workforce. They're likely to hit the tax," healthcare consultant Norm Kerr told the *Tribune-Review*. "We're going to cut the benefits back."

One way to cut benefits back is to increase deductibles, and there is no question that employers are already doing that. KFF found that generous employer plans, the ones most likely to be subject to the tax, now have average deductibles of $2,500 or more.

Another way to reduce Cadillac tax liability is to limit provider networks, which keeps costs down. According to KFF, "9 percent of firms offering health benefits say that one of their plans eliminated a hospital or a health system from their network, and 7 percent offer a 'narrow network' plan, generally considered more limited than the standard HMO network."

Americans with health coverage through their employers aren't the only ones facing high deductibles under ObamaCare. *Chattanooga Times Free Press* columnist Clint Cooper, citing a 2015 HealthPocket study, wrote, "The average deductible for a single person enrolled in the ACA's bronze plan — its cheapest — is $5,181, while the average deductible for a family in the same plan is $10,545. The silver plan is much more affordable but still far more expensive than employer plans, with deductibles at

$2,927 for singles and $6,010 for families."

A high deductible means that a beneficiary will have to pay a large amount out of pocket before benefits kick in. That can have serious consequences for people with chronic conditions, reported the *New York Times*:

What concerns policy experts and employers is evidence that higher deductibles are making people forgo care, even when they have serious conditions.

"It may be tamping down on unnecessary care, but we're seeing a lot of evidence of skimping on necessary care," said Sara R. Collins, vice president for health care coverage and access at the Commonwealth Fund, a nonprofit group that conducted a survey last fall about the effect of out-of-pocket health care costs on consumers.

Forty percent of people with private health insurance whose deductible equaled 5 percent or more of their income said they had decided not to go to the doctor when they were sick or had chosen not to get a test or go to a specialist, according to the survey.

ObamaCare has both failed to curb insurance premiums and contributed significantly toward deductibles that often make care too expensive even for the insured. As Cooper put it, "If the cost of health insurance doesn't get you, the cost of using the insurance will." Thanks, Mr. President.

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