California Insurance Rates to Shoot Up Under ObamaCare

"What we know for sure the [Patient Protection and Affordable Care Act] will do is that it will lower the cost of buying non-group health insurance," ObamaCare architect Jon Gruber told the *Washington Post*'s Ezra Klein in 2009.

But as insurance companies release their proposed rates for 2014 — the year that most of ObamaCare actually goes into effect — it is becoming increasingly clear that the law is, in fact, causing individual insurance rates to skyrocket. Maryland's largest insurer of individuals, for instance, has proposed a 25-percent rate hike for next year. And new insurer proposals from California, despite the state's best efforts to portray them otherwise, show that individual rates in the Golden State are likely to experience even greater increases.

On May 23, Covered California, the state's insurance exchange, issued a press release announcing that in 2014, 13 health plans will be available to individuals via the exchange. Then, through some sleight-of-hand, the exchange went on to claim that the premiums for these plans would be either slightly higher or significantly lower than comparable existing plans.

"It is difficult to make a direct comparison of these rates to existing premiums in the commercial individual market because in 2014, there will be new standard benefit designs under the Affordable Care Act, and the actual change in an individual's premium will depend on the person's current insurance coverage," Covered California wrote.

In other words, because ObamaCare piles on so many mandates, individual plans in 2014 will be significantly different from those in 2013, complicating the matter of comparing the plans' premiums.

The exchange came up with a seemingly ingenious but actually disingenuous way around this problem:

> Covered California believes that a valuable frame of reference for its premiums, is comparing them to the small employer market in California. Both the small employer market and Covered California are competitive markets, and offer guaranteed issue — you cannot be denied for pre-existing condition[s].

The rates submitted to Covered California for the 2014 individual market ranged from two percent above to 29 percent below the 2013 average premium for small employer plans in California's most populous regions….

"This is a home run for consumers in every region of California," said Peter V. Lee, Executive Director of Covered California. "Our active negotiating will not only benefit potential enrollees to Covered California, but will benefit all Californians by making health care affordable."

The problem with this approach is that it compares this year's small-business rates to next year's individual rates and finds little difference between the two (or even a sizeable year-over-year decrease). That is like claiming that a small wheat crop this year will not cause bread prices to rise next year because next year's bread price will resemble this year's already higher milk price.

"Covered California is creating for itself a very favorable and already higher baseline from which to compare next year's individual health insurance premiums," observed Bloomberg View columnist Lanhee Chen. "That's how they're able to create the appearance that Obamacare's reforms will lower individual premiums."

"To put it simply: Covered California is trying to make consumers think they're getting more for less when, in fact, they're just getting the same while paying more."

How much more? Avik Roy of *Forbes* ran the numbers for a 25-year-old male nonsmoker, the sort of person likely to obtain the lowest rates on the individual market. He found that the current "median cost of the five cheapest plans was only $92" per month, while under ObamaCare, the two least expensive plans for that same individual will cost, on average, $184 a month and $205 a month. "In other words," he wrote, "for the typical 25-year-old male non-smoking Californian, Obamacare will drive premiums up by between 100 and 123 percent."

Worse still, those over 30 cannot participate in the very cheapest plan at all under ObamaCare. Thus, Roy calculated, for a 40-year-old male nonsmoker, his least expensive coverage option will rise from an average of $121 a month to an average of $261 a month — a 116-percent increase.

Overall, Roy found that individual premiums in California are likely to grow by anywhere from 64 percent to 146 percent, depending on the individual's age, health, location, and current level of coverage.

Chen did his own comparison using an actual individual health plan that very much resembles what will be available next year. The "hypothetical male living in San Francisco and making more than $46,000 a year" can today "buy a PPO plan from a major insurer with a $5,000 deductible, 30 percent coinsurance, a $10 co-pay for generic prescription drugs, and a $7,000 out-of-pocket maximum for $177 a month," he wrote.

Meanwhile, the cheapest plan on the exchange offering "nearly the same benefits, including a slightly lower out-of-pocket maximum of $6,350, will cost him between $245 and $270 a month," Chen found. "That's anywhere from 38 percent to 53 percent more than he'll have to pay this year for comparable coverage! Sounds a lot different than the possible 29 percent 'decrease' touted by Covered California in their faulty comparison."

In short, any fair comparison of pre- and post-ObamaCare individual rates in California shows that they will be shooting up significantly next year. And as the House Energy and Commerce Committee has found more than once, they will probably do the same thing in most other states.

Even the Obama administration has given up claiming that the healthcare law will bring down insurance premiums. "After extensive research," the *New York Times* reported, "the administration said it was unwise to tell consumers that they could get 'health insurance that fits your budget.' That message, it said, is 'seen as highly motivational, but not as believable.'"

This has left ObamaCare supporters to try a new tack: arguing that while insurance rates may increase significantly, the shock will be minimal for low-income individuals because they will get subsidies to buy insurance. While that is true, as Roy points out, those not eligible for subsidies will “face a double-whammy: higher taxes to pay for those subsidies, and higher indvidual-market [sic] insurance costs for [themselves].”

In addition, those who are not subsidized will have an even more powerful incentive not to buy coverage considering that the penalty for not having insurance will be far lower than the cost of insurance. Much of ObamaCare’s success depends on having a large pool of young and healthy individuals buying insurance to offset insurers’ costs of covering all the old and unhealthy people they now must accept at the same rates. If the young and healthy decide to forego coverage, insurers will be stuck paying vastly more in benefits than they receive in premiums — a plainly untenable situation.

The ObamaCare house of cards is already teetering on the brink of disaster. The only question remaining is how elected officials will respond when it finally comes crashing down. Will they repeal it? Or will they try to “fix” it with more interventions, culminating in a complete federal takeover of the healthcare system — and even greater disaster?

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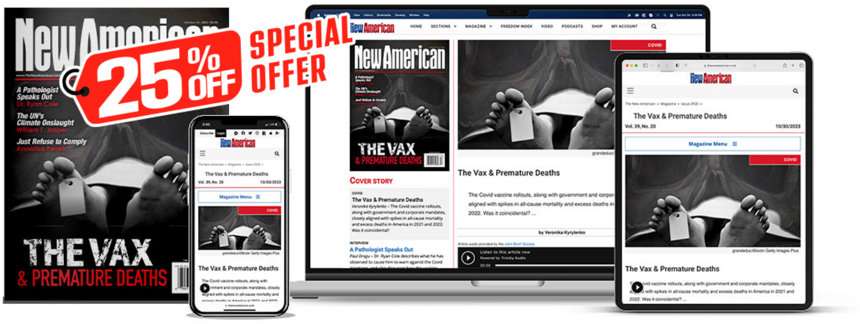

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