



Written by [Bob Adelman](#) on March 19, 2014

Huge Increases in ObamaCare Premiums Are Coming

When Health and Human Services (HHS) Secretary Kathleen Sebelius sought to quell concerns about rising premiums under ObamaCare [last week](#), she said: “The increases [we’re seeing] are far less significant than what they were prior to the Affordable Care Act.” This was an echo of a representative of Sebelius at HHS, Joanne Peters, who told Fox News, “Since the Affordable Care Act became law, health-care costs have been slowing and premium growth has slowed to the lowest rate in years ... making it easier for [small] businesses to offer coverage.”



These claims surprised health insurance company officials, who have been wrestling with the massive takeover by the government and trying to charge enough to stay solvent. Said one official, on conditions of anonymity: “[These comments are] pretty shortsighted ... everybody knows that [ObamaCare] is going to lead to higher costs.” Privately, the same official said that his company, located in a large swing state, expects to triple its rates next year.

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Another insurance company official stated: “We’re exasperated. All of these major delays on very significant portions of the law are going to change what it’s going to cost.” Bill Hoagland, a former executive at health insurance company CIGNA, agreed: “My gut tells me that, for some people, these increases will be significant.”

Analysts have been trying to estimate precisely what those cost increases are likely to be. Three economists with the Manhattan Institute made their first estimate last September, expanded it later that month, and issued a further broader report in November. Writing in *Forbes*, one of them said the average increase will be more than 40 percent over current premiums, with some insureds seeing their premiums double:

This nearly-complete analysis finds that the average state will face underlying premium increases of 41 percent.

Men will have the steepest increases: 77, 37, and 47 percent for 27-year-olds, 40-year-olds, and 64-year-olds, respectively....

The eight states that will face the biggest increases in underlying premiums are: Nevada (+179 percent), New Mexico (+142 percent), Arkansas (+138 percent), North Carolina (+136 percent), Vermont (+117 percent), Georgia (+92 percent), South Dakota (+77 percent) and Nebraska (+74 percent).

The reason young men will suffer the biggest increases under ObamaCare is because they are the healthiest and, under the program, will be expected to carry most of the burden for the others, including women who use more healthcare services than men. ObamaCare requires insurers to charge



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them the same as men. And older people, who consume up to six times the services that young people do, may not, under those rules, be charged more than three times their premiums.

There's also the matter of subsidies, which, because oldsters pay more, will qualify them for higher subsidies. Wrote one of the authors of that study, Avik Roy:

[It's] a double whammy. Because premiums for those nearing retirement can still be three times higher than those of younger Americans, elderly individuals will disproportionately benefit from ObamaCare's subsidies.

The subsidies increase in proportion to the percentage of your income that is tied up in health insurance; for elderly people whose premiums are much higher, the subsidies are higher, too.

According to their study, a 27-year-old man was paying an average monthly premium of \$133 a month. Now, even after taking subsidies into account, his premiums will jump to \$188 a month — a 41 percent increase. But a 64-year-old woman, whose premiums were \$430 a month, will see her premiums actually decrease, to \$292 a month.

The distortion as a result of ObamaCare is obvious: Young men who don't need medical or health care services very often, will wind up paying for those who do. There's no other way to make the math work out and keep the insurance companies solvent. Wrote Roy: "Obamacare, in the average state, is a massive transfer of wealth from the young to the old."

This study preceded one reported by Fox News in February, concluding that rising premiums are going to hurt small business owners as well. Two-thirds of them, according to the Centers for Medicare & Medicaid Services (CMMS), will see sharp increases in premiums in order to come into compliance with the new law.

Reasons for the increases abound. In general, whenever government inserts itself into the private market and overrules what individuals would decide on their own to do about meeting their own personal health care needs, there will be inevitable distortions and unintended consequences. Second, the generic plans provide services that many don't need, even though they are required to pay for them. For example, how many young single men need maternity coverage, or newborn care, or pediatric services?

Then there are the assumptions insurance companies made in developing their initial premiums under ObamaCare, many of which aren't being met. One of them — the assumption that 40 percent of new signups under the plan would be between ages 18 and 34 is turning out to be way off the mark.

In addition, to stay within the premium guidelines, insurance companies were forced to increase deductibles and co-pays, which are essentially "after-the-fact" premium increases which won't show up until an insured undergoes a procedure or partakes of a medical service.

Health insurance companies will be rolling out their new rates based upon the latest signups and their demographics over the summer. Many of them will discover that they have undercharged and will try to correct those mistakes by building surpluses into their new premium structures. So the surprises will keep coming.

One of those surprises may just impact negatively precisely those politicians who voted for ObamaCare — Democrats all — who are running for reelection in November. By then, all the numbers will be in, and the insureds who are also voters will know exactly what to do when they enter the polling booth. For example, in Iowa, which hosts the first presidential caucus in the country, rates are expected



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to [more than double](#) for many individuals buying ObamaCare on the exchanges and by large double digits for those covered through their employers.

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