



Written by [Steven J. DuBord](#) on October 13, 2009

Insurance Industry Criticizes Healthcare Bill

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"The overall impact will be to increase the cost of private insurance coverage for individuals, families and businesses above what these costs would be in the absence of reform," said Karen Ignagni, president of AHIP, basing her remarks on the report created by the accounting firm PricewaterhouseCoopers.

According to the report, the price of average family coverage will rise from its present level of \$12,300 to \$18,400 by 2016 under current law, but would shoot up to \$21,300 if the Senate Finance Committee bill is enacted. Similarly, the report stated that average individual coverage will go from \$4,600 today to \$6,900 in 2016 under current law, though the committee's proposal would instead cause it to reach \$7,900.

The [New York Times](#) for October 12 noted that "the study provides ammunition to Republicans attacking the legislation and might intensify the concerns of some Democrats who worry that the bill does not provide enough help to low- and middle-income people to enable them to buy insurance."

Scott Mulhauser, speaking on behalf of Finance Committee Democrats, was quick to counter AHIP's criticism: "This report is untrue, disingenuous and bought and paid for by the same health insurance companies that have been gouging consumers for too long. Now that health care reform grows ever closer, these health insurers are breaking out the same tired playbook of deception. It's a health insurance company hatchet job."

AHIP may be holding a hatchet, and its reasons for coming out swinging certainly do relate to self-preservation, but the group's report is no hack job. The facts it presents do warrant consideration. Even if President Obama and the Democrats don't get their beloved government-run public insurance option immediately, they may be able to achieve their goal by gradually driving up the cost of private insurance until the American people are driven to seek relief that the government will be all too happy to provide.

For instance, the Senate Finance Committee bill would require insurance companies to cover anyone who applies for coverage regardless of preexisting conditions. The bill also mandates that all Americans purchase health insurance or suffer a financial penalty. Because the penalty is modest and possibly less





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than the cost of insurance, there is no real incentive for currently healthy people to buy insurance.

In fact, what this really does is create “a powerful incentive for people to wait until they are sick to purchase coverage,” Ignagni pointed out. Those who get sick can be secure in the knowledge that their application for coverage can’t be turned down. As these sick people who haven’t been paying into the system suddenly must be accepted, the insurance companies will end up paying out more than they take in through premiums. Premiums in general will rise as a result.

Also, the bill would establish a new tax on high-cost policies and new fees on insurance companies. The AHIP report, the Congressional Budget Office, and common sense all indicate that private insurers will pass along these costs to customers by charging higher premiums.

And last but not least, the Committee’s bill would trim the growth of Medicare by hundreds of billions of dollars. As healthcare providers begin to notice the lower level of reimbursement, they will eventually be forced to compensate by charging higher fees to those with private insurance. Once again, insurance companies would need to increase premiums to make up for the greater amounts they are paying out.

But government really won’t be too concerned about all of this. As health insurance policies become more expensive and private insurance companies are driven out of business, the door is only opened wider for the federal government to step in and “save the day” with single-payer, socialized medicine.

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