Written by Michael Tennant on March 28, 2013

Insurance Rates Skyrocketing Under ObamaCare, Say Republicans

ObamaCare will make — and is already making — healthcare cost more. That's the message of a recent report from congressional Republicans that details just a few of the ways in which the healthcare law, supposedly passed to reduce costs, is actually causing them to explode.

The report, "The Price of Obamacare's Broken Promises," begins by noting that while President Barack Obama promised that his healthcare law would shrink premiums by $2,500 for the typical family, "since 2008, the average family premium has instead grown by over $3,000." What's more, this has taken place "before Obamacare's most costly requirements go into effect in 2014." In other words, it can only get worse.

How much worse? It won't take long to find out. According to the more than 30 studies used to compile the report, Americans buying insurance in the individual market can expect their premiums to rise dramatically next year. One study, by the American Action Forum, found that in some cities premiums could increase by more than 200 percent. Others project smaller but still quite significant increases.

Proponents of the law might counter that while premiums may go up, many people buying individual insurance will be eligible for federal subsidies to offset these new costs. The GOP report begs to differ:

> Despite the availability of $1 trillion in subsidies, Americans across the country will still pay a higher premium in 2014 as a result of Obamacare. In fact, households earning as little as $46,000 will receive no premium assistance, yet they will be forced to accept unaffordable premium increases as a result of Obamacare's mandates and regulations nonetheless. Even after receiving subsidies, Americans earning as little as $25,000 will still pay more.

Four ObamaCare provisions, the report asserts, are most responsible for the rate hikes.

The first two are "guaranteed issue," the requirement that insurers cover everyone who applies for coverage, and "community rating," which prohibits price discrimination on the part of insurers, so even someone with a serious condition likely to incur large, long-term expenses will pay the same rate as someone who is perfectly healthy. Naturally, these mandates will force insurers to raise rates on the healthy to make up for losses on the sick. The Society of Actuaries estimates that claims costs will grow by 32 percent under ObamaCare — and that these costs will largely be passed on to consumers in the form of higher premiums.

The outlook is even bleaker for young adults, heretofore paying relatively low premiums because they tend to be healthy. Regulations issued under ObamaCare require insurers to charge their oldest customers no more than three times what they charge younger ones. Consulting firm Oliver Wyman estimates that "the rule will force insurers to hike rates for 18- to 24-year-olds by 45 percent even as rates for those 60 and older drop by 13 percent in most states," writes *Forbes*' Chris Conover. "That means a 22-year-old waitress paying $2,068 for her health insurance will have to fork over $3,000 when Obamacare takes effect." And it's not just the youngest who will feel the pinch: The same consulting firm concluded that "most people under the age of 50 will see their rates increase significantly" under ObamaCare.

"Essential health benefits" will also cause premiums to rise, says the congressional report. These include mandated "coverage for categories of benefits" such as preventive and wellness services or chronic disease management and the requirement that consumers "purchase plans that cover at least 60 percent of medical costs with limited cost-sharing." The report observes:

> These requirements restrict consumer choice in the design of their health plans and add to the premiums that individuals and families pay upfront…. A study by the Council for Affordable Health Insurance (CAHI) found that in some state markets, mandated benefits increased premiums by as much as 50 percent. One state estimates that essential health benefits will increase premiums by 33 percent for their residents.

Then there are ObamaCare's taxes and fees — $165 billion worth, imposed on health plans, drug makers, and medical device manufacturers. These, too, will end up costing consumers more.

The health insurance tax, distributed across all health plans, starts at $8 billion in 2014, grows to $14.3 billion in 2018, and is based on premium trends in subsequent years. "One study," writes the congressional report, "has found that the law's health insurance tax will increase premiums over $2,636 [initially] and $7,186 over a decade." Even plans sold on federal exchanges, where the objective supposedly is to make insurance cost as little as possible, will be subject to a 3.5-percent tax. The Congressional Budget Office estimates that "the annual cost of this fee alone is $180 for individual[s] and $500 for families," says the report.

The fees on drugs and medical devices will be passed on to consumers as well. The 2.3-percent device tax may even result in higher veterinary bills because many devices subject to the levy are used on both humans and animals. It has also led to layoffs in the device industry.

The report goes on to offer examples of state experiments with mandates similar to those in ObamaCare — and the disastrous effects those experiments had on insurance premiums and availability. For instance, just one month after New York passed ObamaCare-like reforms in 1993, insurance rates rose by as much as 170 percent. When Kentucky tried its hand at command-and-control healthcare the next year, "average premiums jumped between 36 and 165 percent," and "insurance providers dwindled to just one." Ten years later the Bluegrass State repealed much of the earlier law in an attempt to rescue its health insurance market.

Finally, the report tackles the notion that ObamaCare's individual mandate, which penalizes people for not having health insurance, will alleviate one huge problem that guaranteed issue and community rating cause, namely that individuals will put off buying insurance until they need it, knowing they can't be turned down or charged more for it. Simply put, the penalty is still far cheaper than the insurance premiums. "This contrast means that many Americans will pay the Obamacare penalty rather than buy coverage — potentially leading to an insurance 'death spiral' and skyrocketing premiums," the Republicans aver. "In fact, reports indicate that [the Department of Health and Human Services] may now be considering emergency options to slow the rate shock coming in 2014."

"Obamacare," they conclude, "will make coverage dramatically more expensive and unaffordable for individuals and families." And that, among many other reasons, is why nullification — and preferably repeal — of the healthcare law is absolutely essential to the health of Americans and their economy.