



Written by [Brian Koenig](#) on April 27, 2012

ObamaCare Backers Tout \$1.3B in Consumer Rebates; Mum on Premium Costs

Millions of employers and health insurance policyholders will collectively receive \$1.3 billion in rebates this year, as part of President Obama's healthcare reform law, a research group reported Thursday. As the constitutionality of ObamaCare remains under contention, the White House and Democrats in Congress are touting the rebate scheme as an indication that the law is giving back to American consumers.



The sovereign debt crisis in the European Union can be summed up fairly simply: The governments of overspending nations are asking the governments of fiscally prudent nations to prop them up. The prudent nations, whose governments pay their obligations out of revenue, rather than by selling bonds, tend to be those in the more financially conservative parts of Europe, such as Finland, Holland, and Germany. Those nations that are waist deep in debt, whose bond offerings have in some cases been reduced to junk bond status, tend to be in the south of Europe around the Mediterranean Sea.

The consumer dividends will average \$127 per policyholder, and they stem from an ObamaCare provision requiring insurance providers to spend 80 percent of their collected premiums (for large employers, the requirement is 85 percent) on medical care and quality development or reimburse the difference to individuals and businesses. The stipulation was championed by Democrats and consumer advocacy groups who were worried that providers would spike premiums to inflate executive salaries, shareholder dividends, and other expenses unrelated to consumers' medical care. Recipients of the rebates are [described](#) as follows:

- Almost one-third of consumers in the individual market will get rebates averaging \$127. These are consumers who are not covered by an employer and purchase their policies directly from an insurance company.
- Nationwide, rebates to individual consumers will total \$426 million.
- In the small-employer market, 146 insurance plans covering nearly 5 million workers and dependents will issue \$377 million in refunds. Employers do not have to pass those on to workers. They also can opt for a discount on next year's premiums.
- In the large-employer market, 125 plans covering 7.5 million workers and dependents will issue \$541 million in rebates.

"This is one of the most tangible benefits of the health reform law that consumers will have seen to date," asserts Larry Levitt, an insurance analyst with the Kaiser Family Foundation, a nonpartisan healthcare research group that used industry filings to compile the [report](#).

However, \$127 is a pittance compared to overall premium costs, as employer coverage averages \$5,400 a year for individuals and \$15,100 for families. The rebate equates to about two percent for an individual plan, and less than one percent for a family plan. In fact, the cost of employer-sponsored



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family plans spiked [nine percent](#) last year, according to a survey published in September by the Kaiser Foundation and the Health Research & Education Trust.

“If it saved you \$200 on a \$10,000 premium, does it feel like your insurance is more affordable?” asked Robert Laszewski, a health insurance industry consultant and former industry executive. Laszewski said many sales agents who are seeing their commissions plummet — as a result of the healthcare law — have begun charging fees to help clients choose their policies.

Insurance experts say the net savings are well below zero, because premiums are likely to increase overall from new benefits and regulations stemming from the law. “The net of all the requirements will be an increase in costs for consumers,” said Robert Zirkelbach, spokesman for the industry trade group America’s Health Insurance Plans. “Given that health care costs are inherently unpredictable, it’s not surprising that some plans will be paying rebates to policyholders in certain markets.”

According to America’s Health Insurance Plans, the spending rule also could deliver some unintended consequences, such as insurance providers withdrawing from certain markets. “Moreover, the taxes, benefit mandates and other regulations in the health care reform law will cause premium increases that far exceed the value of any prospective rebates,” the group affirmed in a statement.

The percentage of individuals and employers who will be receiving the rebates varies widely among states. In Texas, for instance, 92 percent of consumers with individual health plans will receive rebates, because insurance providers spent a small portion of their premium dollars on health services. Conversely, in Iowa, Hawaii, Vermont, and Rhode Island, providers are estimated to pay less than one percent to consumers who purchased plans on the individual market. Kaiser Health News expounded on the findings:

Nationally, an estimated 3.4 million people who bought their own coverage are projected to receive rebates this year from 215 insurance plans, according to the study. The biggest dollar amounts are expected to go to consumers in Alaska, where per person rebates are expected to average \$305, Maryland, \$294, Pennsylvania, \$243 and Idaho, \$241. Insurers hit the spending targets for policies sold directly to consumers in several states, including Hawaii, Maine and the District of Columbia, so no rebates are expected for individual consumers there.

All in all, Obama’s healthcare law has become widely unpopular, and could soon be declared unconstitutional by the Supreme Court, or repealed next year if Republicans capture Congress and the White House in the 2012 elections. In effect, the Obama administration and congressional Democrats who voted for the law are searching for every opportunity to defend their support of it — because, for some, their thumbs-up vote for ObamaCare could lead to thumbs down for them come November.



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