New American

Written by Brian Koenig on September 29, 2011

ObamaCare Causes Health Insurance Premiums to Rise

In a survey administered from January through May 2011, Kaiser and HRET interviewed 2,088 public and private employers asking questions about enrollment numbers, average firm and worker premium contributions, total premiums for single and family coverage, and insurance changes relating to coverage and benefits. In summary, the study concluded:

> The average annual premiums for employer-sponsored health insurance in 2011 are $5,429 for single coverage and $15,073 for family coverage. Compared to 2010, premiums for single coverage are 8% higher and premiums for family coverage are 9% higher. The 9% growth rate in family premiums for 2011 is significantly higher than the 3% growth rate in 2010. Since 2001, average premiums for family coverage have increased 113%. Average premiums for family coverage are lower for workers in small firms (3–199 workers) than for workers in large firms (200 or more workers) ($14,098 vs. $15,520). Average premiums for high deductible health plans with a savings option (HDHP/SOs) are lower than the overall average for all plan types for both single and family coverage.

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"We're probably on a more modest side … but even with a 5% increase in a premium [that our workers saw] this year, they didn't get a 5% raise," asserted Jeff Franck, a compensation and health benefits manager at Altru Health System, a participant in the survey.

Although more and more Americans are forfeiting employer-sponsored insurance, about 150 million remained on employer-based plans in 2010. On average, employees pay 28 percent, or about $4,129, annually for employer-based family plans, which is over 130 percent more than a decade ago. Many workers are switching to high-deductible plans to save on insurance premiums.

To cope with rising premiums, many employers are moving their workers to less comprehensive plans that have higher out-of-pocket costs (higher co-pays, co-insurance, and deductibles). As a result, 31 percent of insured employees this year have at least a $1,000 deductible, up from 27 percent last year. "Without any real national discussion or debate, there's a quiet revolution going on in what we call health insurance in this country," suggested Drew Altman, president and CEO of the Kaiser Foundation. "Health insurance is becoming less and less comprehensive…. And we expect that trend to continue."

According to Kaiser's and HRET's analysis of employer-based health plans, ObamaCare could be responsible for as much as 50 percent of the premium hike. Altman initially denied that the healthcare reform law contributed to the increase, but later conceded that the law probably accounted for one to two percentage points of the nine-percent increase this year. That increase "reflects the costs of providing prevention benefits without cost-sharing," Altman said. "It reflects the costs of covering young adults up to 26 years of age under their parents' policies. Those are also very popular benefits, according to our tracking polls."

Kaiser and HRET reported in their analysis that health insurance premiums have been steadily rising at a rate of five percent each year, but this year jumped to eight percent for single coverage and nine percent for family coverage.

Many analysts suggest that the section in the law that allows individuals up to age 26 to add themselves to their parents' health plans, a key provision of ObamaCare, could be a prime suspect for rising insurance premiums:

> In particular, the survey estimates that employers added 2.3 million young adults to their parents' family health insurance policies as a result of the health reform provision that allows young adults up to age 26 without employer coverage on their own to be covered as dependents on their parents' plan. Young adults historically are more likely to be uninsured than any other age group.

Indeed, part of the premium hike could be because of a government mandate that has encouraged young individuals who normally would not carry insurance to add themselves to their parents' health plans. So could this exemplify what is really wrong with the U.S. healthcare system, and why healthcare costs are inflating so rapidly? Government's arbitrary role as a regulator has littered mandates throughout the healthcare system that suppress consumer market behavior, and forcing insurance providers to cover 25-year-olds under their parents' health plan is a prime example.

A healthy, fit 25-year-old most likely has different health needs from his parents who are in their 50s or 60s, yet the government, through its regulatory power, allows them to lump their healthcare needs into the same plan — without the provider's consent. This only discourages young people from pursuing alternative, more competitively priced health plans, such as perhaps a high deductible plan. For example, catastrophic health coverage, coupled with a medical savings account, may be the better choice for a person in their early 20s. Further, these young consumers would be encouraged to shop insurance providers, which in turn, allows markets to regulate prices — not the government.

So will the administration retract from its touted pledge to reduce healthcare costs through ObamaCare? Though it's still early, one thing is certain: Despite provisions in the law that have been in effect for over a year — Medicare and Medicaid requirements, mandated eligibility for individuals with pre-existing conditions, and a lengthy list of regulations on insurance providers — insurance premiums have hit price levels Americans have never seen before.