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# Obamacare Makes Healthcare Less Affordable, Execs Tell House Panel


The Patient Protection and Affordable Care Act (PPACA), the legislation that created ObamaCare, is failing miserably in its attempt to make healthcare affordable and, in fact, is making it even more expensive than it was before, executives told the House Subcommittee on Health, Employment, Labor, and Pensions during a May 31 hearing.

"There's no question the PPACA has, to this date, bent the health insurance cost curve north, not south," Edward Fensholt, senior vice president of Lockton Companies, LLC, the world's largest privately held insurance brokerage and consulting firm, told the subcommittee. "As additional taxes, fees and mandates on employer-based health coverage come on line, we fear the health insurance affordability forecast will continue to deteriorate."

Fensholt pointed to a number of ObamaCare mandates already in force that have increased employers' health insurance costs by "2–3 percent." Among these are requirements that health plans cover "children" to age 26 on their parents' plans, ignore preexisting conditions when covering children, eliminate lifetime and some annual benefit caps, and cover various preventive services. In addition, he maintained, a new rule requiring employers to offer the same level of health coverage at the same cost to all employees will likely become so expensive that many "employers will simply have to terminate their existing group coverage" — leaving all their employees, rather than just some, uninsured.

Looming PPACA mandates are only expected to make matters worse, according to Fensholt.

Beginning in 2014, he noted, "health plans must reduce waiting periods to 90 days, and auto-enroll eligible full-time employees in available employer-based coverage." Some industries, he said, have "6-month or even 12-month waiting periods" and "can expect to see significant cost increases" — perhaps as high as 25 percent — under the new mandate. Overall, Lockton's clients are looking at a 4.4-percent cost increase as a result of this mandate.

New taxes on medical devices and third-party medical claims administrators are expected to increase group health insurance costs by an additional two to three percent, Fensholt stated.

One of the areas of "great frustration" for many businesses, observed Fensholt, is "the many additional administrative burdens, and their attendant costs, imposed by the health reform law."

> For example, under federal law and regulations today, a simple group health plan is required to supply up to more than 50 separate notices, disclosures and reports to its enrollees and the

> government (many of those more than once). Virtually every aspect of plan administration, from enrollment to benefit summaries to specific eligibility and benefit requirements, to claim processing times and the timing, form and cost of post-employment coverage, are now under (primarily federal) statutory or regulatory dictates.

The PPACA has added more than a dozen additional notice and disclosure obligations to health plan administration. This frustrates our clients immensely. They do not understand why, at a time when they struggle to supply this valuable fringe benefit — which is now the most expensive element of employee compensation, behind wages — Congress would make the process more expensive and more complicated, rather than less so.

ObamaCare requires that employers offer "affordable" coverage to their full-time employees or face a fine of $3,000 for each employee who obtains government-subsidized coverage instead. The law defines "affordable" as costing less than 9.5 percent of an employee's household income. As bad as that arbitrary definition is, the latest word is that the Internal Revenue Service is considering applying that rule not just to employee-only coverage, as was apparently the law's intent, but also to family coverage.

"If federal authorities are going to require employers to heavily subsidize a full-time employee's *family* coverage, so that family coverage does not cost the employee more than 9.5 percent of his or her household income, the number of employers exiting the group insurance market, and dumping their employees into the health insurance exchanges, will be far greater than the Congressional Budget Office has estimated to date," Fensholt said, adding that this would be "most acute in industries where the employees tend to be modestly paid, hourly workers" and that many employers are likely to convert full-time positions to part-time to avoid the mandate.

Indeed, Fensholt reported, Lockton's clients say "the additional costs, complexity and uncertainty wrought by the PPACA affect their ability to hire additional workers, or to retain full-time employees."

William Streitberger, vice president of human resources for the Red Robin restaurant chain, echoed Fensholt's sentiments, telling the subcommittee: "Increasing health care costs through mandates that can negatively impact the ability of companies to offer attractive benefits to employees forces companies like Red Robin to decide either to reduce benefits and maintain affordable coverage or accept the burden of increased company contributions — limiting our ability to grow the business, attract talented people to our organization and add to our payrolls."

Roy J. Ramthun, president of HSA Consulting Services, LLC, voiced his concern that "account-based health plans," plans that combine traditional group health insurance with Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs), will not be able to survive ObamaCare. Account-based plans, he said, "are the fastest growing product in the market for employer-based group health plans," accounting for "about 15 percent of all employer-sponsored health coverage." These plans offer similar benefits to traditional plans; but because the accounts allow individuals to control their healthcare spending, employees naturally tend to be more careful with how they spend the money and to make lifestyle modifications to improve their health, thereby saving money. In other words, account-based plans do help to curb healthcare costs — by as much as $1,000 per employee, according to Ramthun — without rationing care.

One ObamaCare mandate has already taken its toll on account-based plans, Ramthun told the subcommittee. As of January 1, 2011, individuals are prohibited from purchasing over-the-counter drugs with the money in their HSAs, HRAs, or Flexible Spending Accounts unless they get prescriptions for these drugs from their doctors, making these types of plans less attractive.

Ramthun listed some upcoming mandates that are also likely to make account-based health plans less attractive for both employers and employees: ceilings on health insurance deductibles and floors on plans' actuarial value (the portion of medical costs plans cover) and medical loss ratios (the portion of premiums spent on benefits).

If ObamaCare succeeds in reversing the trend toward account-based plans, it will further increase healthcare costs. As the American Academy of Actuaries put it in a letter to the Department of Health and Human Services cited by Ramthun: "To the extent that HSAs encourage plan enrollees to seek cost-effective care, discouraging this option may run counter to goals of achieving more effective use of health care dollars."

Of course, this assumes that the objective of ObamaCare was to make healthcare affordable. If, as many critics suspect, the real objective was to drive private insurers out of business and force everyone into government-run insurance (a la Britain's National Health Service), then forcing health insurance costs so high that employers can no longer afford to offer such benefits makes perfect sense.

This should surprise no one. As Rep. Ron Paul (R-Texas) is fond of saying, "The names of a bill are exactly the opposite of what the bill does."

*Photo:* **Health Insurance Claim Form** *via Shutterstock*