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# BCBSNC's premium refunds show the perils of ObamaCare

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From Michael F. Cannon, director of health policy studies at the Cato Institute:

Some of the worst news for President Barack Obama's beleaguered health care law comes from North Carolina. Yet the law's supporters are treating it like good news.

When President Obama signed his health care overhaul into law in March, he said it would "lower costs for families and for businesses" and that "children who have a pre-existing condition will finally be able to purchase the coverage they need." Much has already been made of the fact that ObamaCare is instead triggering premiums hikes as high as 30 percent and causing insurers to flee the market for child-only coverage.

But BlueCross BlueShield of North Carolina's announcement that it will refund \$156 million to policyholders shows that ObamaCare is replacing badly needed consumer protections with price controls that imperil access to care for the seriously ill.

Market competition long ago generated a consumer protection called a renewal guarantee: if you get sick, your premiums rise at the same rate as the healthy people in your pool. To deliver that protection, insurers collect extra money from healthy policyholders up front to cover the future medical bills of those who become seriously ill. That \$156 million is the money BCBSNC collected to pay the future medical bills of its policyholders.

In 2014, however, ObamaCare will eliminate BCBSNC's "guaranteed renewable" plans. The law will also require insurers to charge everyone in a given age group the same premium, regardless of risk.

Since BCBSNC now only needs enough to cover their sick policyholders for three more years, they refunded policyholders an average of \$725. Secretary of Health and Human Services Kathleen Sebelius praised the refunds as evidence of ObamaCare's benevolence.

Sebelius has it entirely backward. Guaranteed renewability protects consumers by enabling insurers to profit from covering the sick. ObamaCare is replacing that protection with government price controls that will reduce access to care for the seriously ill by turning the sick into a losing proposition for insurers.

Here's how. Suppose that, within a given age group, healthy people cost \$5,000 to insure, while the seriously ill cost \$25,000. When ObamaCare's price controls force insurers to charge everyone the same premium (say, \$10,000), insurers will compete to enroll healthy people (profit: \$5,000) and

avoid the sick (loss: \$15,000).

If they don't flee the market entirely - which is already happening in the market for child-only coverage - insurers will keep seriously ill patients away by providing lousy access to care.

BCBSNC's refunds show that ObamaCare is leaving seriously ill patients with less protection, not more. Health insurance was hardly perfect before ObamaCare, but BCBSNC's policyholders had insurance that had pre-funded many of their future medical bills.

Now, ObamaCare has effectively transferred those reserves from the sick to the healthy. Seriously ill policyholders now have less protection against BCBSNC reneging on its commitments to them. Competition used to discourage skimping; ObamaCare rewards it.

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