

Op-ed: Health refund not a victory

By Joseph Coletti  
Raleigh

The head of Blue Cross Blue Shield of North Carolina and the state insurance commissioner recently held a joint press conference to announce a major refund of insurance premiums to some 215,000 North Carolinians, including me. Both men cited federal health care legislation passed by the Democratic Congress and President Obama as responsible for the refunds.

ObamaCare supporters and much of the news media treated the announcement as good news. It was not.

In reality, Blue Cross is preparing to end many insurance products marketed directly to young adults and families. By 2014, ObamaCare mandates will make these policies difficult to maintain - although grandfathered in, a single change in offerings or contractual arrangements would likely render them illegal.

As for Insurance Commissioner Wayne Goodwin's role, now we know what the phrase "zero tolerance" means. North Carolina's insurance commissioner bullied the state's largest insurer to refund reserves prematurely, even though Blue Cross might still need the reserves after 2014.

Goodwin channeled Godfather Vito Corleone on his personal blog. "I strongly encouraged Blue Cross to refund all of the money back to policyholders and, after very thorough and rigorous review and negotiations, the company agreed." Truly, it was an offer Blue Cross CEO Brad Wilson couldn't refuse.

The end result is the North Carolina Blues will refund \$156 million to people who purchased individual policies before March 23, when President Obama signed the health care law. Wilson and Goodwin explained the refunds were of the insurer's "active life reserve," which would not be needed after 2013 because the health law would effectively kill those policies.

### Vulnerability

A one-time refund doesn't make this good news for consumers. It's another sign that, contrary to what was promised, under ObamaCare you will not enjoy the right to keep your current health plan if you like it.

North Carolina's Blue Cross was especially vulnerable. It administers the financially troubled state employee health plan and is far and away the state's largest insurer. In July, Consumers Union targeted Blues across the country, including North Carolina, for keeping "excessive" reserves. Most reserves were held in compliance with state solvency requirements.

When Blue Cross submitted a proposed 7 percent rate hike in August, it cited "provisions in the new law (that) will have an impact on 2011 . rates. These changes provide more benefits, but come at a greater cost. These changes include unlimited lifetime maximums, enhanced preventive care coverage, and no dollar limits for certain types of care. ."

Regardless of Blue Cross' reasoning, Michael Cannon of the Cato Institute calls it a transfer from the sick to the healthy. The reserve is designed to guarantee adequate coverage, but the refund is going to both sick and healthy alike. So the refund is another sign that forcing everyone to buy insurance will leave everyone with less assurance of care, if they stay insured.

### Dropping coverage

The subsidy to the healthy might offset higher premiums they will pay as Blue Cross and other insurers adapt pricing to new ObamaCare rules that limit how much more sick populations can pay than healthy ones. Wilson explained that younger, healthier subscribers will pay more, and older, sicker subscribers will pay somewhat less.

How much more the healthy have to pay depends in part on how many of them stay insured. Other incentives under ObamaCare make it likely that more people will drop coverage and that more insurers will stop offering it. Coincidentally, we have evidence of this.

Major insurers have announced they will stop selling child-only plans. In marked contrast to Goodwin's claim that the irresponsible North Carolina refunds are good for consumers, Ethan Rome, executive director of Health Care for America Now, condemned insurers' trimming of their risk exposure as "immoral" and "appalling behavior."

Given this inversion of morality and prudence, expect more insurance commissioners across the country to go after insurance companies. For his meritorious act for the good of the people, Goodwin will join Obama in Washington in trying again to convince people to like ObamaCare. Consumers cannot afford many more victories like Goodwin's.

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