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Obamacare's Premium Refunds: Bad News for the Sick

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USA Today and *Politico Pulse* report that Obamacare has prompted BlueCross BlueShield of North Carolina to rebate \$156 million to its customers in the individual market. This may seem like good news, but it's actually bad news, particularly for BCBS's sickest customers.

Pre-Obamacare, BCBS's customers — whether healthy or sick — had coverage with an insurer that had already pre-funded their future medical needs. Competition protected them from BCBS skimping on care: If BCBS got a reputation for skimping, it would have a hard time enrolling new customers.

Post-Obamacare, BCBS no longer needs that pile of cash, so they're returning it to their customers. That hurts sick enrollees because BCBS is doling it out to all enrollees — not just the sick enrollees whom that money is supposed to serve. This cash-out is actually a transfer from the sick to the healthy.

Also, every BCBS customer who is sick or becomes sick in the future will have less protection against their insurer skimping on care. Competition used to discourage insurers from providing lousy access to care, but under Obamacare, competition will reward skimping. Under Obamacare's price controls, insurers that gain a reputation for providing quality coverage to the sick will attract sick people and go out of business. Insurers that gain a reputation for providing lousy access to care will drive away sick people and thrive.

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