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Obamacare silences health insurers

Posted By [Michael Cannon](#) On September 17, 2010 @ 8:20 pm In [Featured,Voices and Choices](#) | [3 Comments](#)

Last week saw more bad news for Obamacare. So the Obama administration slipped on the brass knuckles. Health insurance premiums grew by a smaller increment in 2010 than in any of the past 10 years. But on Tuesday, the *Wall Street Journal* reported that Obamacare appears to be turning that around.

"Health insurers say they plan to raise premiums for some Americans as a direct result of the health overhaul in coming weeks, complicating Democrats' efforts to trumpet their signature achievement before the midterm elections. Aetna Inc., some BlueCross BlueShield plans and other smaller carriers have asked for premium increases of between 1 percent and 9 percent to pay for extra benefits required under the law, according to filings with state regulators," reported by the *Wall Street Journal*.

In addition, a Mercer survey of employers found that 79 percent expect they will lose their "grandfathered" status by 2014, and therefore will become subject to many more of Obamacare's new mandates — a much higher figure than the administration had estimated. Employers expect those additional mandates will increase premiums by 2.3 percent, on average, and boost the overall growth of premiums from 3.6 percent to 5.9 percent in 2011.

In response to the health insurers' claims, Health and Human Services (HHS) Secretary Kathleen Sebelius fired off a letter to the head of the health insurance lobby. The news release on the HHS website makes her purpose plain:

"U.S. Department of Health and Human Services Secretary Kathleen Sebelius wrote America's Health Insurance Plans (AHIP), the national association of health insurers, calling on their members to stop using scare tactics and misinformation to falsely blame premium increases for 2011 on the patient protections in the Affordable Care Act. Sebelius noted that the consumer protections and out-of-pocket savings provided for in the Affordable Care Act should result in a minimal impact on premiums for most Americans. Further, she reminded health plans that states have new resources under the Affordable Care Act to crack down on unjustified premium increases."

In the letter, Mrs. Sebelius cites HHS' internal analyses and those of Mercer and other groups to support her claim that Obamacare's effect on premiums "will be minimal" — somewhere in the range of 1 percent to 2.3 percent, on average. Mrs. Sebelius tells insurers that she will show "zero tolerance" for insurers who "falsely" blame premium increases on Obamacare, and promises aggressive action against those who do:

"[We] will require state or federal review of all potentially unreasonable rate increases filed by health insurers. ... We will also keep track of insurers with a record of unjustified rate increases: those plans may be excluded from health insurance Exchanges in 2014. Simply stated, we will not stand idly by as insurers blame their premium hikes and increased profits on the requirement that they provide consumers with basic protections."

First of all, how does Mrs. Sebelius know these claims are false? The analyses she cites project a 1 percent to 2 percent average increase in premiums. Her own agency estimated that just a couple of Obamacare's mandates will increase premiums for some health plans by 7 percent or more. Is 9 percent really that far off? Didn't her own agency write that a "paucity of data" means there is "tremendous," "substantial," and "considerable" uncertainty about the reliability of their own estimates?

More important: So what if insurers think that Obamacare is increasing premiums by 9 percent, while Mrs. Sebelius thinks it only increased premiums 7 percent? What business does she have threatening insurers because they disagree with her in public? Obamacare gave the secretary considerable new powers. Is one of those the power to regulate what insurers say about Obamacare? Excluding insurers from Obamacare's exchanges is not a minor threat. Medicare's chief actuary predicts that in the future, "essentially all" Americans will get their health insurance through those exchanges. Does anyone seriously doubt that Mrs. Sebelius' threat is about protecting politicians rather than consumers?

Here's something else to consider: Mrs. Sebelius threatened insurers for claiming Obamacare will increase premiums by as much as 9 percent. Yet there were no threats issued against the Rand Corporation when it estimated Obamacare will increase premiums for young adults by an average of 17 percent beginning in 2014, or against Milliman Inc. when it likewise estimated premium increases of 10 percent to 30 percent for young adults. The reasons for the disparate treatment are fairly obvious. Mrs. Sebelius has less power over Rand or Milliman, and bullies always find it easier to pick on the unpopular kid. But an equally important implication is that Mrs. Sebelius knows that Obamacare's largest premium increases are yet to come. Mrs. Sebelius may be intimidating insurers now to prevent them from blaming those much larger premium increases on Obamacare.

Economist Russ Roberts recently explained one of the main themes of Friedrich Hayek's 1944 book *The Road to Serfdom*: "When the state has the final say on the economy, the political opposition needs the permission of the state to act, speak and write. Economic control becomes political control." One need not agree with all of Hayek's conclusions to see how Obamacare is threatening political freedom.

When Mr. Obama promised that he would sell Obamacare to the American people, most people probably assumed he meant with his rhetorical skills. But *National Journal* reports, "Remember how the administration was going 'to sell' the controversial legislation once it passed? Obama is not doing much pitching." He can't even sell Jon Stewart on Obamacare. The administration seems to have settled on a different sales strategy: Intimidate those who say unflattering things about Obamacare.

Earlier this year, I predicted that Obamacare would get uglier and more corrupt over time. I didn't know I'd be proven right so quickly.

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