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Huge premium hikes rock employer-insured workers

By: Tom Howell Jr. - December 16, 2013

Sharon Wilson, an office manager in Iowa, figured she would lock in a good deal on health care coverage for her five-person biofuels company by renewing its policy before Obamacare kicked in for 2014. But she balked when her agent came back with a 81 percent rate hike, anyway.

Her company, Prairie City-based Midwest Renewable Biofuels, had experienced rate hikes during her career, Ms. Wilson said, but not like this. Plus, the previous jumps were accompanied by explanations for why premiums were rising.

This time, she was left guessing about her insurer and the role of President Obama's signature health care law.

"I really think there was fear on their part of the unknown," she said.

While most of the early Obamacare rollout problems have focused on the uninsured and those who get their policies through the individual market exchanges, more than 150 million Americans who get coverage through their employers are likely to feel the fallout as well.

"The more fundamental question is, 'What does this do to the commercial market?'" said Dan Mendelson, CEO of Avalere Health, a Washington-based consultancy.

Already reeling from criticism over his flawed promise that people who like their health care plans will be able to keep them, Mr. Obama risks further erosion of his credibility if people believe his health care law is cutting into job-based plans they figured were safe.

The Department of Health and Human Services insists that the Affordable Care Act as it rolls out is cutting costs and will help businesses in the long run, but an Associated Press-GfK poll said that nearly half of Americans with job-based coverage or other forms of insurance report that their policies are changing in the coming year — mostly for the worse — and that four out of five of them will blame Obamacare for it.

"No doubt, premiums have been rising consistently for some time," said Cynthia Magnuson, a spokeswoman for the National Federation of Independent Business, the advocacy group that fought Obamacare up to the Supreme Court. "However, the health care law has not addressed costs and in many cases has caused them to rise more sharply and rapidly than they would have otherwise, particularly when one considers the added cost of new regulations, etc."

Hard to measure

Assessing the impact of Obamacare on the employer-based market is tricky given the myriad factors that affect annual premium changes.

But given the political climate and the early problems with HealthCare.gov and the individual market, many critics are poised to blame any premium increases on the law.

“Any change is going to be attributed to the Affordable Care Act,” said Timothy Jost, a health care policy analyst at Washington and Lee University School of Law.

According to the Census Bureau, less than 55 percent of Americans had employment-based health care plans this year, down from nearly 63 percent over the past decade. Medicare and Medicaid provide health care for the elderly and the poor.

Analysts said smaller employers face the biggest consequences because they are less able to handle adverse changes to the balance of sick and healthy employees than larger firms can. It is a pressing concern because the law prohibits insurers from rejecting people with pre-existing conditions and from charging older consumers more than young people by more than a 3-1 ratio.

Additionally, the health care overhaul includes numerous taxes and fees.

Levies include a “reinsurance fee” of \$63 per employee from health insurance issuers and third-party administrators on behalf of self-insured plans. The revenue will be used to stabilize the individual market from 2014 to 2016, when sicker consumers enter risk pools under Obamacare.

Other costs include a \$2-per-person tax this year through 2019 to promote medical research, and a more significant tax on health insurers — phased in by 2018 — that is imposed relative to health premiums collected that year.

“Those are also going to increase the cost of insurance for all employer plans,” because the costs are passed along to firms and their employees, said Michael F. Cannon, a health care policy director at the Cato Institute.

Mr. Mendelson said the commercial insurance market is starting to notice the low-premium model that companies are using to attract people to the Obamacare exchanges. Employers are drawn to plans with low upfront costs — they seem like good deals to their employees — even though those workers find themselves saddled with higher deductibles and co-pays.

“I think we’re going to start to see this in 2014, all these things,” Mr. Mendelson said.

Defending the law

The Obama administration says the early evidence is that the health care law has worked to keep prices lower.

“Since the Affordable Care Act became law, health care costs have been slowing and premiums are increasing by the lowest rates in years,” HHS spokeswoman Joanne Peters said. “The law is making it

easier for businesses to offer coverage, just like it did in Massachusetts when employer coverage increased after reform passed.”

The agency also pointed to the small-business feature of the Obamacare exchanges, known as “SHOPs,” which will provide tax credits and more bargaining power to small firms.

But some states have struggled to set up their SHOP exchanges, and the federal exchange system that serves 36 states will not provide online services on its SHOP until 2015.

Ms. Wilson, the office manager, said she wasted a lot of time trying to get onto the federal small-business exchange online before an insurance agent helped her get through SHOP’s paper-based process. Like many other small-business executives, she said she is working quickly to lock in coverage by January that is comparable to what the company had this past year.