Rep. Glen Mulready: Withdrawal of Aetna from exchange is more evidence of failed health reform

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Health insurance providers are fleeing in droves from President Barack Obama's health insurance exchanges, primarily because structural flaws in the President's health reform law are causing them to lose hundreds of millions of dollars.

This shouldn't be shocking to anyone who has been paying attention. In fact, health insurers have been dropping out of the "Obamacare"-created exchanges by the dozens since the beginning of 2015. Research by Ed Haislmaier of the Heritage Foundation shows that 45 insurance providers left the exchanges nationwide prior to 2016, and more are likely to exit prior to 2017.

Most of those insurers exited the exchanges voluntarily after absorbing huge losses; others left involuntarily when state insurance regulators shut them down after losses left them financially unstable.

Insurers are losing money because the law requires providers to rate consumers based on age alone rather than medical history. The law imposes a 3:1 age rating requirement on policy holders, which means an insurer cannot charge an older person more than three times what they would charge a younger person, even though data shows medical costs for older, sicker citizens are more than five times what it costs to provide care for a younger person.

The result is young people are being charged up to 75 percent more than actually necessary to purchase insurance, and most are opting out altogether, preferring to pay the relatively meager penalty rather than the exorbitant insurance premium.

Insurers are left with older, sick and costly policy holders that are not being charged nearly enough premiums to offset their actual medical costs, making it almost impossible for insurance companies to make a profit inside the exchanges — despite the federal governments "risk corridor" program that redistributed profits from some insurance companies to offset losses absorbed by others. Congress has shown very little interest in continuing that program, which will give many insurers even more reason to look for the doors.

And they are. Health insurance giant Aetna recently announced that, beginning in 2017, it would no longer offer health plans for purchase in 11 of the 15 state health-insurance exchanges it

currently operates in, as well as shuttering plans to begin offering health plans in five other state exchanges, including Oklahoma.

Aetna's exit will leave the nearly 400,000 residents in Pinal County, Arizona — the third most populous county in that state — with no insurance plans available for purchase.

Aetna invested billions to offer coverage through the exchanges, but has suffered losses of more than $430 million since.

This news comes on the heels of UnitedHealthcare of Oklahoma's exit from our state exchange, which will leave Oklahoma with just one insurer — Blue Cross Blue Shield (BCBS) — participating in the state's health insurance exchange in 2017.

It is becoming increasingly likely that five additional states — Alaska, Alabama, Wyoming, South Carolina and North Carolina — will also have only one insurance provider offering health plans through their exchanges in 2017.

And even in areas where competition exists, rates are skyrocketing. Average rate increases for 2017 are expected to exceed 23 percent. BCBS of Oklahoma recently received approval for a 75 percent rate increase. But that is no guarantee they will continue to offer coverage in 2017; last week, BCBS exited the Tennessee exchange just months after receiving a 62 percent rate increase in that state.

Proponents of the law claim that increasing rates are not a big deal, because most enrollees in the exchanges are eligible for subsidies from the federal government to help pay their premiums. But, as Michael Cannon at the Cato Institute recently noted, "subsidies don't reduce the amount of the premium. They just shift the cost of "Obamacare" to taxpayers." And many people facing those premiums don't receive subsidies, which aren't available to consumers who purchase insurance outside the exchanges.

The law is flawed, as conservatives have argued all along, and now those flaws are forcing insurers to exit the marketplace. With less competition, expect insurers that choose to stay to impose huge rate increases in coming years.

That is bad news for consumers, bad news for taxpayers, and bad news for freedom and competition.