Will Americans Really be Able to Keep their Current Health Insurance in 2014?

By: Kate Rogers – July 3, 2013

When President Obama enacted his landmark health-care reform, he promised Americans that if "you like your health-care plan, you can keep your health-care plan."

But consumers across the country--particularly those in California--are increasingly finding out that this may not be the case.

UnitedHealthcare (NYSE: UNH) announced this week it will stop selling individual policies in California—the second major carrier to leave the state's exchange California Covered. UHC is the nation's largest health insurer, and will leave 8,000 Californians without its coverage as of January 1, 2014.

Michael Cannon, director of Health Policy Studies at the CATO Institute, says the trend of insurers exiting markets is picking up speed, with companies already leaving in California, Washington, Massachusetts, New York and New Jersey.

"These price controls, which require insurance companies to sell to consumers of any age, for the same premium, regardless of health status, triggers an adverse selection death spiral," he says.

Companies including, Aetna (NYSE: AET), Cigna Corp. (CI) and now UnitedHealthcare are leaving markets, but it's them choosing one market over another, Cannon explains: it's more about realizing where they cannot make money in individual markets.

Healthcare Blue Book President and Founder Jeffery Rice says insurers will not continue to do business in markets that are not viable.

"We will see more and more insurers leaving [states]," he says. "A lot of states may have 30 different companies today, but not all are going onto the exchange. It will be a decision that insurers have to make."

For individuals who are currently covered by plans from companies exiting the market, they will remain insured until Jan. 1, 2014. At that point, a new carrier may pick up their plan, or they will be forced to purchase new individual coverage from a state exchange, or pay a penalty, which will increase over years, Cannon says.

"The real tragedy here is that research on individual markets as they are[currently] lightly regulated shows they do a good job of providing access to care to people with high-cost conditions," Cannon says. "California has the biggest health-care market, and there are people who are covered by Aetna and UnitedHealthcare with high cost provisions, who have had protection against long-term costs of care. Now community-rated price controls just changed how insurers can treat these people."

So far, 34 states have decided not to set up insurance exchanges, therefore residents will have to purchase insurance through federal exchanges, CATO reports.

Rice says the more participants in a system, the lower costs should be. But with limited options for individuals seeking coverage, prices will likely instead rise.

"This is a hyper-regulated environment," he says. "I think rates will already go up, due to mandates and extra regulatory costs. The cost of doing business will go up [for insurers], so that increases the costs for individuals and everyone else. The business volume, versus the cost of complying, for insurers it may not be worth it."