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How Obamacare Bailouts Work - A Struggling City's Best New Budget Tool

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Diane Alter writes: Call it an "Obamacare Bailout" - while millions of Americans look for ways to opt out of Obamacare, broke Detroit is trying to get its residents signed up as soon as possible.

You see, Detroit has grossly over-pledged its benefits, pensions and fully-funded health care plans to thousands of public sector employees for decades, while its tax revenue dwindled.

Now Detroit - after filing for Chapter 9 bankruptcy July 18 - can't deliver on its pricey promises.

But thanks to the rushed healthcare law, peppered with loopholes, Detroit wants to hand off that heavy financial burden to the federal government's national healthcare mandate - which is funded by U.S. taxpayers who have no control over the decision.

In other words: You're welcome, Detroit...

According to the Detroit Free Press, the city is presently $18 billion in debt. The crumbling city's greatest cost, at nearly half of that staggering amount, is the $9 billion in pension liabilities to 21,000 retirees.

The Motor City hopes to push many retirees who are too-young-to-qualify for Medicare out of city-run coverage and into the new insurance markets that are being established under U.S. President Barack Obama's signature health care bill.

Additionally, those who are at or below 400% of the federal poverty limit will be eligible for subsidies.

"If Detroit went to Congress and asked them to pay for their plans, Congress would say, 'no,'" Michael Tanner, a senior fellow at the Cato Institute told FOX. "They are getting a bailout from taxpayers."

The shift could trim some of the whopping $5.7 billion in health costs owed by the city to retirees.

Unfortunately for these retirees, Detroit might not even be eligible for the Obamacare Bailout because Michigan opted out of expanding Medicaid under the health care law...

But other states have already proposed an Obamacare Bailout of their own.

More Obamacare Bailouts to Come?

"This is being talked about in a number of cities," Michael Tanner, a senior fellow at the Cato Institute told FOX. "The fact is that Detroit will have to cut its health-care plans and this is a way of shifting those costs."

Chicago has already proposed a similar strategy, and Harrisburg, PA is interested, too.

"I'm applauding Detroit," Dan Miller, the controller in Harrisburg, told The New York Times. "I'm hoping that Obamacare turns out to be a great solution, and I would love for our city to have the opportunity to do that." Currently a state-appointed receiver is working to restructure hundreds of millions of dollars in debt, wrote The Times.

According to a recent Pew Charitable Trust study, 61 of the United States' leading cities have made a combined promise of $126.2 billion worth of retiree health coverage to their public sector workers, of which only 6% of this cost is actually funded.

Moreover, Pew research found that cities have been permitting public employees to manipulate their pension and health care retiree funds, often at the city's (quickly becoming the taxpayers') expense, to the tune of thousands of dollars per public sector employee.

A plethora of cities have allowed workers to include overtime, unused sick leave or unused vacation time to lift final average salary (a figure commonly used to base the level of benefits).

Furthermore, career promotions awarded shortly prior to retirement can also spike salaries and benefits.

Since Obamacare's creation, the president has peddled his legacy healthcare bill as a benefit to all Americans. But it is increasingly looking like Obamacare's real benefit is as a universal bankrupt city backstop.

Add the Obamacare Bailout mechanism to the long list of frightening Obamacare facts that make this new law look like the worst decision in health care history...