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Lies of ObamaCare

Three years after passage, the law's promises are falling apart

By: Michael D. Tanner – April 13, 2013

We've now reached the third anniversary of the Patient Protection and Affordable Care Act, a k a ObamaCare. The Obama administration celebrated this important milestone by announcing that it was postponing part of the law that was designed to reduce costs for small businesses.

Oops.

This was hardly the first ObamaCare promise to fall by the wayside. Indeed, the entire first three years of the new health-care law have been one long story of unfulfilled expectations.

Take, for example, the "affordable" part of the Affordable Care Act. While the recession has artificially held down health-care costs and the associated rise in insurance premiums over the past couple of years, now that the economy has begun to recover, both are expected to rise rapidly. For example, the American Society of Actuaries estimates that claims costs (the primary driver of premiums) for the individual insurance market will rise by an average of 32% over the next three years.

Rising health-care costs are already beginning to show up as higher premiums. California health insurers are proposing increases for some customers of 20% or more: 26% by Blue Cross, 22% by Aetna and 20% by Blue Shield.

In New York, the Department of Financial Services has limited insurers to a 7.5% increase this year, better but still substantial. And, according to The Wall Street Journal, insurers are warning that premiums in the individual and small group markets could double in the next few years. While these are worst-case scenarios — and it would be unfair to attribute all the premium rise directly to ObamaCare — there is no doubt that the new health-care law will drive premiums up.

Even HHS Secretary Kathleen Sebelius admits that some Americans will face higher premiums, especially for the young and healthy. "It's sort of a one-to-one shift," Secretary Sebelius told reporters, "some of the older customers may see a slight decline, and some of the younger ones are going to see a slight increase."

That is because of ObamaCare's "community rating" provisions, which prohibit charging premiums based on a person's health and limit the degree to which insurers can charge based on age.

Then again, the premium increases might not be so "slight" after all. According a survey by the American Action Forum, healthy young people in the individual or small-group insurance markets can look forward to rate increases averaging as much as 169%.

In addition, ObamaCare requires all insurance plans to offer new and more expensive benefits. Remember President Obama's promise that "If you like your health-care plan, you'll be able to keep your health-care plan, period?" Well, a recent study of more than 11,000 plans on the individual market found that less than 2% of existing plans are fully in compliance with the law's benefit requirements. While current plans are technically grandfathered in, allowing people to keep them for now, any change in the plans requires that their coverage be brought into compliance.

Moreover, because non-compliant plans cannot enroll new members, most of the existing plans will eventually disappear, requiring even those members who have been grandfathered in to switch plans eventually, even if that means more expensive plans that include benefits that people don't necessarily want.

As Secretary Sebelius puts it, "These folks will be moving into a really fully insured product for the first time, and so there may be a higher cost associated with getting into that market."

New federal subsidies will offset rising premiums to some degree. But that will only further drive up the law's already rising price tag, shifting the cost to taxpayers. The price of the average exchange subsidy per person is now projected to be $5,510 in 2014, $700 more than was estimated to be last year. Indeed, according to the CBO, the total cost of exchange subsidies under ObamaCare has increased by $125 billion, on a year-over-year basis, since initial estimates.

That means more taxes or more debt to pay for the program. A report issued last month by Sen. Jeff Sessions (R-Ala.), based on information provided by the Government Accountability Office, concluded that Obamacare would add $1.4 trillion to the national debt over the next 10 years, and as much as $6.2 trillion over the next 75 years.

And while taxpayers will have to pay more, those subsidies might not exactly make exchange plans affordable. The IRS recently estimated that in 2016, for a family of five, a policy available through the exchange would cost roughly $20,000. At the same time, the IRS has decided that subsidy eligibility will be based on whether one's employer offers an "affordable" individual plan (meaning the premium is less than 9.5% of the worker's income), whatever the cost of a family plan might be. As a result, the Kaiser Family Foundation estimates that 3.9 million family dependents could be left unable to afford either employer-provided family coverage or insurance offered through an exchange.

That is just one more reason why ObamaCare won't even accomplish its expressed goal of providing health insurance for all Americans. In fact, the Congressional Budget Office now estimates that by 2023, there will still be more than 30 million uninsured Americans. Moreover, roughly 40% of those that ObamaCare does cover don't really receive health insurance but are simply dumped into Medicaid, hardly known for high-quality care. In fact, according to the CBO, by the end of the decade almost 11 million fewer Americans will have private unsubsidized health insurance than do today.

Just three years old and already ObamaCare is a monster. One trembles at the thought of what it will be like as a teenager.