



The Obamacare gauge

By: Joel Dickson, *retired executive in the energy and natural resources sector* – July 12, 2013

Obamacare was signed into federal law by President Barack Obama on March 23, 2010. President Obama promised that it would reduce health insurance premiums by \$2,500 per family. I am an individual purchaser with a family health insurance plan that is a high-deductible plan with lower premiums and a \$7,000 per year family deductible. On Aug. 1, 2011 the plan cost me \$499 per month. On Aug. 1, 2012 the cost of the plan rose to \$588 per month. On Aug. 1, 2013 the cost of the plan will rise to \$726 per month. That is an increase of more than \$2,700, or 22.5 percent per year. Ouch! That really hurts. By the way, the numbers on a low-deductible family health plan look even worse.

At current rates I have to pay \$8,712 in premiums and \$7,000 in deductibles, or nearly \$16,000 annually before my insurance company pays for any of my family health care expenses. That is simply unaffordable and represents 29 percent of Utah's average household income, which is approximately \$55,000. What is equally alarming is that the Consumer Price Index (CPI) for both Medical Care and Medical Care Services increased 5.9 percent and 6.9 percent respectively over the same two-year period.

So why did my health insurance costs increase 45 percent over two years while medical costs increased only 6.5 percent during the same two years? The answer -- the difference in the percentages is the Obamacare gouge.. The Obamacare gouge is a hidden tax on middle class families. Obama had to disguise it as health insurance premiums so he could claim it wouldn't cause a tax increase. It gets worse. Obama said that Obamacare would not increase taxes on individuals earning less than \$250,000 annually. It is now clear three years down the road that the cost for paying for Obamacare will be predominately born by the middle class making less than \$250,000. It's still real money out of your pocket; it just isn't in the form of a tax increase for now.

Beginning January 2014, in six short months, all uninsured individuals as well as low-income individuals who already have insurance will be eligible for insurance with no exclusions for pre-existing health conditions through government exchanges. Some will be eligible for subsidies and some won't.

At the same time, Obama has 1) delayed the employer mandate; 2) delayed the verification of consumers' claims that they do not receive health insurance from their employer; and 3) delayed federal oversight of what applicants say they earn in order to qualify. Each of these three delayed provisions was necessary to help pay for Obamacare. These delays will cause health insurance rates to rise even higher and become more unaffordable.

According to Michael Tanner, senior fellow at the Cato Institute, the delays in the implementation of Obamacare will shift “the burden to the backs of individuals.”

According to Tanner, “The workers still face an individual mandate, meaning, even if their employer doesn’t provide them with work insurance, that they will have to buy insurance on their own or face a penalty. ... The fact that even with the penalties of the individual mandate, it’s cheaper to pay the penalty than it is to buy (the subsidized) insurance. If that happens, the concern is (individuals) will see their rates skyrocket.”

Come January of 2014, I can save up to \$12,000 of the nearly \$16,000 I am liable to pay for health care each year and avoid thousands more in future premium increases by dropping my health insurance and paying the penalty for not buying insurance; this is perfectly legal. The \$12,000 in savings covers several times over my current expenditures on doctors and prescription drugs.

Meanwhile, the pre-existing condition exclusion will allow me to purchase health insurance only if and when it is actually needed.

After individuals are priced out of the market and opt to pay the penalty instead, employer plans will be the next domino to fall as the burden of Obamacare gets shifted to them. Marginally profitable business will succumb first, to be followed by profitable businesses pushing their employees onto government exchanges in order to save costs.

If I and millions of others drop our health coverage in the coming months due to skyrocketing premiums, as it is believed most young families will do, then it is likely that Obamacare will suffer total financial collapse.

The only way out will be massive new across the board increases in payroll/income taxes or huge cuts in Medicare, Social Security, and other social programs. When that happens, it will just go to show that you can only avoid the Obamacare gouge for so long.