THE DAILY CALLER

Obamacare insurer bailout could cue up premium hikes before 2016 election

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If young and healthy Americans never come around to the Obamacare exchanges, an insurance company bailout provision written into the healthcare law might prevent premiums from spiking — until after the midterm elections.

Nationally, just 24 percent of Obamacare exchange customers are between the ages of 18 and 35, while the Obama administration estimated the program would need at least 38 percent of enrollees in that group to remain financially viable. Just one exchange, Washington, D.C.'s, has beat the threshold, with young adults reportedly making up to 44 percent of enrollees.

If exchange insurance pools turn out to be largely made up of older and sicker individuals, insurers won't be making enough off of exchange customers, and premiums will rise. Higher premiums would then encourage more young and healthier individuals to drop out of the exchanges, beginning a "death spiral" that would see insurer costs and customer premiums going up up even more.

"The possibility of an adverse selection death spiral is very real," Cato Institute healthcare expert Michael Tanner told The Daily Caller News Foundation.

If enough young adults don't sign up quickly, Tanner said, "the bailout's built into the legislation, and that's certainly going to occur."

While there's still time for young adults to sign up, the Obama administration has a lot of ground to cover in just two months. If not, a bailout via the "risk corridor" provision could offer a temporary fix.

“If [a bailout] does occur, it’s certainly going to hold down the size of the premium increases next fall and the year after,” Tanner told TheDCNF, “but the bailout only goes until about 2016 — so in 2015 we can begin to see significant increases” in the amount Americans pay for their health care costs on Obamacare exchanges.

The risk corridor program would partially reimburse insurers for losses only through 2016, allowing the underlying problem to come out in full force during the presidential election season.

Should the bailout kick in, health plans whose costs are higher than anticipated (above 103 percent of original estimates) could be reimbursed for 78 percent of insurance claims between $45,000 and $250,000. On top of that, the Obama administration has promised more money to insurers that incur losses due to the many Obamacare delays and changes the Obama administration ordered, Tanner found. The bailout’s cost to taxpayers could run as high as $25 billion, according to Tanner’s newest study — but wouldn’t solve price hikes, just delay them.

If young adults still haven’t signed up in large enough amounts by the time the bailout provision runs out, insurers will have the same problem. And it’s probably that many young adults won’t be swayed several years down the road; a recent study by think tank the American Action Forum found that in even in when the penalty for going uninsured reaches its peak in 2016, 62 percent of young adult households will be better off financially if they remain without health coverage.

A 2015-2016 price hike for exchange customers across the board could be anathema to Democrats hoping to run on the program. The Obama administration is already losing support from its own ranks; retiring Democratic Rep. Jim Moran recently admitted that he’s given up hope on ever getting enough young participants.

“I don’t think we’re going to get enough young people signing up to make this bill work as it was intended to financially,” Rep. Moran told WAMU American University Radio Friday. Bailout or not, if Rep. Moran’s prediction proves true and young adults never warm to Obamacare’s exchanges, consumer premiums will end up rising in the end.

“They can postpone it, but they can’t eliminate it,” Tanner concluded. “They’ve got to find a way to get young people enrolled or they’ve got a big problem.”

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