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Paying the Health-Care Piper

Obamacare's mandates are coming due for millions of Americans.

By Michael Tanner
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Last week roughly 250,000 Virginians began receiving notices that their health insurance was being canceled because it failed to meet all the mandates and other regulatory requirements of Obamacare. They are likely to be just the first in a new wave of Americans who are being thrown off their current insurance plan — even if they like it, to recall President Obama's now inoperative promise.

You will recall that last fall, roughly 6 million Americans were kicked off their insurance because their plans failed to offer a lengthy-enough maternity stay, didn't provide sufficient drug and alcohol rehabilitation benefits, or otherwise fell short of the insurance that federal bureaucrats thought that they should have. Of course, all but roughly 1 million eventually found other insurance, although in many cases the new insurance was more expensive or no longer covered their preferred doctors and hospitals.

In response to the public outcry, President Obama unilaterally decided to allow people with non-Obamacare-compliant insurance to keep their plans for an extra year, provided that both their state insurance commissioner and their insurance company agreed to go along. This past March, the president extended to 2017 the time that Americans would have to bring their insurance plans into compliance with Obamacare or lose them.

However, 22 states, including New York, California, and Virginia, chose not to go along with the extension, meaning residents with non-compliant plans lost their coverage and were forced to enroll in new Obamacare plans. The exceptions were those who were able to renew their non-compliant plans prior to the effective start date for Obamacare, October 1 of last year. Unfortunately, those plans are now again coming up for renewal, meaning they are no longer compliant. Hence, 250,000 Virginians, and perhaps millions more Americans in other states, are out of luck.

It should be noted that, as with previous cancellations, those Americans who lose their plans because of Obamacare will most likely find new insurance. But a new study from the National Center for Public Policy Research found that, on average, Obamacare plans were worse than the plans they replaced, in terms of both providers covered and cost-sharing.

The study compared plans sold on the individual market in 2013, prior to Obamacare, with plans sold through Obamacare exchanges in ten major metropolitan areas. In general, Obamacare plans had more restrictive networks and required higher out-of-pocket payments than plans widely available on the market before the law took effect.

Those forced to shop on the exchanges may also find that more than a few “glitches” remain with HealthCare.gov. While a repeat of last fall’s rollout debacle is not expected, officials remain concerned about whether the website will be able to handle the heavy enrollment traffic expected this fall. In particular, officials note that the enrollment period is only half as long this year as it was last year, meaning that daily traffic could be much higher. An estimated 5 million new enrollees will be signing up for insurance through the exchanges this year, and many more people will return to the exchanges to shop for a different policy instead of auto-enrolling, which could place an enormous strain on the exchange websites.

As bad as this news is, it affects only those buying insurance in the individual market. The worse news is that next year marks the start of the employer mandate for companies with more than 100 employees (although they will have to cover only 70 percent of their employees in 2015). Employers with 50 to 99 workers will be given until 2016 to provide their workers with insurance. As with individual plans, insurance that does not meet Obamacare standards will not satisfy the mandate. That means we should shortly start to see cancellation notices for non-compliant, non-grandfathered employer-based insurance plans.

A new report from the Kaiser Family Foundation estimates that only 37 percent of companies that offer insurance still have a grandfathered insurance plan. Only 26 percent of covered workers remain in those plans. Both numbers represent significant declines over the last few years. While some non-grandfathered plans may still be Obamacare compliant, most are likely to fall short in some respect.

Of course, employer-provided health insurance matters only if you have a job, especially a full-time job. In that regard, it is worth noting that recently released surveys from Federal Reserve Banks in New York, Philadelphia, and Atlanta found that businesses were cutting employment and shifting workers to part-time positions because of Obamacare. In one of these Fed surveys, roughly 20 percent of employers reported that they had moved workers from full- to part-time work, and another 17 percent said that they had increased outsourcing to avoid costs imposed by the health-care law. The New York survey also indicated that roughly a third of businesses were raising prices to offset some of the costs.

Democrats are undoubtedly hoping that voters have become inured to the drumbeat of bad news about Obamacare. The public has a short attention span, and one can hear only so many reports of Obamacare disasters before tuning out. This latest wave of bad news, however, may hit home in ways that are pretty tough to ignore.

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