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ObamaCare Forcing Americans Out of Their Health Plans

by John Rossomando (more by this author)
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Health care rationing could be the end result of ObamaCare, as smaller insurers are forced out of the market and as employers race for the exits amid rising costs stemming from the law.

“A lot of people are saying it’s cheaper to pay the penalty for not offering health insurance and to force their employees to go find their health insurance in the marketplace,” said Tennessee GOP Sen. Lamar Alexander. “The insurance in the marketplace is going to be more expensive than the insurance they have from their employer now because of the requirements of the ObamaCare law.

“It will lead to higher costs and to employees losing the insurance that they now have.”

ObamaCare’s features, such as the minimum-loss ratio, the ban on lifetime health coverage limits, eliminating annual caps on payments and preventing insurers from refusing to cover preexisting conditions, will require insurance companies to pay more money out, resulting in dramatically higher premiums.

Insurance industry executives have told Congress they anticipate that ObamaCare’s medical-loss ratio requirement of 80% in individual and group markets or 85% in large markets will have a dramatic impact on health care consumers, employers and health insurance plans.

The medical-loss ratio dictates how much private insurers need to spend on medical claims and how much can be spent on overhead costs such as payroll and advertising, and on the profit they can earn.

Insurance executives say the imposition of this provision of the law last January is already destabilizing the marketplace because insurers did not have enough time to make adjustments to comply.

"This is going to inhibit health plans' abilities to invest in new innovations, technologies and types of programs and services that are necessary to transform the health care system," said Robert Zirkelbach, spokesman for America's Health Insurance Plans (AHIP).

Some health plans will be forced to exit the market altogether because of rising administrative costs, according to Zirkelbach.

Small- and medium-sized insurers are expected to be hit especially hard by this rule, with the net result being the reduction of competition and choices.

The medical-loss ratio has raised the ire of at least two dozen states, which have applied to the Obama administration for waivers, and so far only Maine, Nevada and New Hampshire have been approved.

This, combined with the expected loss of the grandfathered status of countless employer health insurance plans, could prove deciding factors for employers as to whether or not they keep their current health plans once 2014 rolls around and the employer mandate comes into place.

At least two recent employer surveys found a substantial number of employers who anticipate dropping their health insurance once 2014 rolls around and the health insurance exchanges become available due to higher costs stemming from the law's mandates.

A McKinsey & Company survey found that between 45% and 50% of the 1,300 employers it interviewed across the country plan to drop their employee coverage and pursue alternatives to employer-sponsored health plans after 2014.

And according to recent congressional testimony provided by Rep. Joe Pitts (R.-Pa.), during a hearing of his health care subcommittee of the House Energy and Commerce Committee, the Department of Health and Human Services expects roughly half of all employers and as many as 80% of small businesses to give up their existing health plans in the next two years as their existing plans lose their grandfathered status.

Losing grandfathered status will drive up costs for employers as they are forced to cope with having to offer the array of coverages required under the law. More affordable health care insurance packages such as high-deductible plans and their accompanying health savings accounts will largely become a thing of the past.

“We said that health care costs would go up and that millions of Americans would lose their individual policies, and that’s all proven to be true,” Alexander said.

This provision has caused hundreds of unions and companies to apply for waivers, and the fact that unions and other groups aligned with the administration have received a large percentage of the more than 1,300 waivers that the administration has given has proven controversial.

“Let me get this straight,” Colin Hanna, president of Let Freedom Ring, said in a recent press release touting his organization’s “Where’s My Waiver?” campaign. “A government agency can decide with a stroke of a pen who is exempt from a health care plan that very few now want to support. But when regular Americans want the same provision, the answer is ‘No.’

“And when Americans want to know who was denied a waiver and why, the answer is ‘No.’ Whatever happened to President's Obama campaign pledge for unprecedented transparency? If anything, we've only seen unprecedented obfuscation."

Cato Institute health care expert Michael Tanner expects the current ObamaCare system to eventually collapse under its own weight as millions of Americans are dumped into the federally subsidized health insurance exchanges after 2014 as a consequence of their losing their employer coverage.

“I think rationing is inevitable under ObamaCare,” Tanner said. “But I want to be careful to say that it is not in the bill. It’s just an inevitable consequence.”

John Rossomando is an experienced journalist whose work has been featured in numerous publications.
