

# POSTOPINION

# Broken Promises

## ObamaCare's first victims



**MICHAEL TANNER**

**T**HIS month, McDonald's warned that the health-care reform law passed in March could force it to drop health coverage for some 30,000 workers. A few days later, 3M announced that starting in 2013 it will no longer provide health-insurance coverage to its retirees.

That came on the heels of a decision by Harvard Pilgrim, Massachusetts' second-largest insurer, to drop its Medicare Advantage health-insurance program at year's end, forcing 22,000 senior citizens in Massachusetts, New Hampshire and Maine back into traditional Medicare. Then there's the Principal Financial Group, which recently decided it was getting out of the health-insurance business. Roughly 840,000 people will likely lose their insurance as a result.

This is just the tip of the iceberg.

During the debate over health-care reform, President Obama told us nearly every day that if you had health insurance now and were satisfied with it, you'd be able to keep it. It should be clear by now that that statement was, well, less than accurate.

In fact, it's becoming harder to find anyone who can keep their current insurance.

As is well known by now, the health-care reform law contains both an individual and an employer mandate. By 2014, employers with 50 or more workers must provide insurance or pay a fine. Individuals who don't get insurance through work or a government program must buy it on their own or they, too, will be fined. And not just any insurance will do: To qualify, a policy must meet a host of new regulatory requirements and offer a minimum, government-devised, set of benefits.

It now looks like the secretary of Health and Human Services will grant McDonald's a waiver, so those 30,000 workers won't lose out thanks to ObamaCare.

If so, the company will join the teachers unions and other politically connected winners of exemptions.

**B**UT other businesses that offer limited-benefit plans known as "mini-meds" may not be so lucky. Those plans have cheaper premiums because they, among other things, restrict the number of covered doctor visits or impose a maximum on insurance payouts in a year. They are particularly popular with part-time, seasonal and low-wage workers in the restaurant and retail industries.

But ObamaCare's new regulations will all but eliminate those plans, so more than a million of those vulnerable workers will likely lose their current insurance. Some could be forced into Medicaid, while others will have to buy much pricier policies than they have today.

It may or may not be true that such plans are "crappy," as Jonathan Cohn of The New Republic put it in defending ObamaCare. (A lot of McDonald's employees may think they are better than nothing.) But the point is that, contrary to the Obama administration's repeated promises, those workers won't, in fact, be able to stick with their current insurance.

**E**VEN more extensive health plans may fail to meet the law's requirements.

An internal Health and Human Services Department study estimates that more than two-thirds of companies could be forced to change their coverage. For small firms, the total could reach 80 percent.

Meeting the new requirements will likely drive up what many businesses pay for insurance. If they drive those costs high enough, companies may decide it's cheaper to drop coverage and pay the penalty. In fact, a number of large companies — including Verizon, AT&T, Caterpillar and John Deere — are reportedly considering such a move.

The math is fairly simple: AT&T, for example, paid \$2.4 billion last year in medical costs for its 283,000 workers. If it dropped insurance and instead paid the penalty, \$2,000 per year for each uninsured employee, the fines would total less than



\$600 million — for a savings of about \$1.8 billion a year.

In fact, the Congressional Budget Office estimates that at least 10 million workers could lose their employer-provided insurance because firms decide it's cheaper to "pay" than to "play."

**P**EOPLE who buy policies on their own, rather than getting them through work, are better off — but only slightly. Individuals who have insurance are "grandfathered in," meaning they won't have to change their insurance to meet the new min-

imum-benefit requirements. But if they make any changes to their current plan, they lose that grandfathered status and must bring their plan into compliance with the full range of federal rules, even if that makes the new plan more expensive or includes benefits the person doesn't want.

Worse, the grandfathering may not last long — because insurers may stop offering the old policies. After all, they can't enroll new customers in them (aside from spouses and kids added to a "grandfathered" indi-

vidual) — and "holdover" products quickly become a burden to any company. Over time, most noncomplying plans will simply fade away.

As the Harvard Pilgrim example also makes clear, millions of seniors are also at risk of losing their current plan.

Some 10.2 million seniors — 22 percent of all Medicare recipients — are enrolled in the Medicare Advantage program, which lets them get their Medicare coverage via private plans and enjoy benefits not included in traditional Medicare.

**T**HE ObamaCare law slashes federal payments to insurers for offering Medicare Advantage plans. Naturally, many insurers are expected to stop participating in the program. Estimates suggest that a quarter to half of all seniors using the program could be forced out of their plan and back into traditional Medicare.

Also at risk are the more than 45 million Americans who use Health Savings Accounts, Flexible Spending Accounts and Health Reimbursement Accounts — each of which looks to be undercut, in one way or another, by the ObamaCare law.

Finally, starting in 2018, so-called "Cadillac insurance plans" — policies with an actuarial value in excess of \$10,200 for an individual or \$27,500 for families — get hit with a 40 percent excise tax. That tax is specifically designed to force employers to reduce benefits in plans that the government considers too generous.

That first year, an estimated 12 percent of all workers will have policies hit by the tax. And the tax is designed to cover more health plans each year — meaning that every year more and more workers will find their insurance plans falling subject to the tax and their benefits reduced.

**G**IVEN how demonstrably false the "keep your insurance" promise turned out to be, it is no wonder that Americans are more than a bit skeptical when Democrats tell us how great ObamaCare will ultimately be.

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