INDEPENDENCE INSTITUTE

ISSUE BACKGROUNDER

27 Ways ObamaCare Increases Your Health Insurance Premium

By Linda Gorman • IB-C-2013 • May 2013

Supporters of the Patient Protection and Affordable Care Act claim that it will reduce Colorado health care costs and health insurance premiums. Nonsense. Even economist Jonathan Gruber, an ObamaCare architect, estimated that it would increase premiums in Colorado's individual market by 19 percent. Don't be fooled when the businesses, bureaucrats, and non-profits who benefit from increasing your premiums choose to blame your higher costs on everything but the ObamaCare law. Here are 27 specific reasons why the law is the problem:

1 In 2014, insurers must pay $8 billion in taxes to the federal government. The amount rises to $14.3 billion in 2018, and is indexed to the rate of premium growth thereafter. It is not deductible for income tax purposes. The excise tax on health insurers is expected to increase premium costs by $10-$15 per employee per month. Insurers must pay taxes on the premium increases that the tax causes. If an insurer passes along a $1.00 increase in excise taxes by raising premiums by $1.00, it pays an additional $0.35 in income taxes. So, to pay the additional $1.00 tax imposed by the Law, insurers will have to charge you $1.35 just to break even. This is a heavy lift given that the overall profit margin for health insurers is between 4.2 and 4.4 percent. Nonprofit insurers get special treatment. They can exclude 50 percent of their premium revenue from the calculation. If they receive 80 percent of their revenue from government programs, they are exempt.

2 Health insurance is the most expensive way to buy medical care. Cash costs less. ObamaCare forces people to buy plans that cover at least 60 percent of their medical costs, on average. Estimates suggest that almost 40 percent of people buying individual policies in Colorado prefer less coverage. ObamaCare forces people to buy expensive coverage that they do not need.

3 ObamaCare limits premiums for older adults to no more than 3 times those charged younger adults. Without ObamaCare meddling, older adults are charged 5 to 6 times more than younger adults because they use more medical care. Young adult premiums are going up because ObamaCare makes young adults pay for the medical care that someone else uses.

4 The minimum loss ratio requires that insurers pay out 80 to 85 percent of their premium receipts in claims. Costs go up because activities that help patients and reduce fraud are penalized.

5 Guaranteed coverage for pre-existing conditions requires that plans offer coverage to the sick and the well for the same price. Insurers have historically protected current customers by charging new entrants more, if it was known that a new entrant would incur above average costs and likely raise everyone else's premiums. ObamaCare makes this illegal. ObamaCare makes individuals better off if they purchase health insurance only when they know they will have large medical expenses. New Jersey has this system. Its insurance premiums are over twice as high as those in many other states.

6 The Patient-Centered Outcomes Research Excise Tax adds to the burden. Self-insured plans and other insurers must pay a fee of $1.00 per covered life in 2013. The fee rises according to the "projected per capita amount of National Health Expenditure." It ends in 2018. There are pages and pages of red tape to follow. The money is likely to be wasted. The 29 government-funded Medicare care-coordination programs tested to date produced almost no improvement with rates of clinical improvement that were "very low" and spending reductions that were slim.

7 Employers face new reporting requirements to separate part-time and full-time workers.

8 **Transitional reinsurance program fees assess an estimated $63 per covered life per year on health insurers and employers who offer self-funded plans.**

9 **A 2.3 percent tax on the sale of medical devices increases the cost of health care and, therefore, insurance premiums.** Eyeglasses, contacts, and hearing aids are exempted so that the tax remains hidden.

10 **Patients will pay $2.3 billion a year more for prescription drugs** in order to fund the tax on innovator drug companies. Creators of drugs with more benefit pay more, taxing success. The rule is complex. Keeping track will cost a lot.

11 **You must pay for insurance benefits that you may not want but that plans are required to provide.** These include free well-woman visits, screening/counseling for domestic violence, free HIV screening, free contraceptives and, probably, free breast pumps.

12 **Your insurer must provide unlimited coverage.**

13 **Limited deductibles mean higher premiums.** Maximum is now $2,000/$4,000 per individual/family.

14 **Insurers must report coverage status to IRS.**

15 **Insurers must notify employees about wellness programs.**

16 **Charitable hospitals must perform a Community Health Needs Assessment** and meet new financial assistance and billing rules or pay a $50,000 fine. Either way, you pay.

17 **Contribution to Temporary Reinsurance Program and Temporary Risk Corridors.** Insurers who do a good job and have returns greater than 3 percent of projections must pay HHS to compensate insurers with losses greater than 3 percent. This scheme rewards business failure and penalizes good management.

18 **Employer plans must generate more paperwork on coverage modifications and exchange benefits.**

19 **Reducing waiting periods for employer plans to 90 days is expected to increase costs** for companies in the construction and transportation industries by 4 percent for those with 6-month waiting periods, and by 25 percent for those with 12-month waiting periods.

20 The automatic enrollment requirement is expected to raise employer costs by 4.4 percent.

21 **The law requires insurers to provide first dollar coverage for "preventive care."** Too much preventive care raises costs. It is less expensive to buy most preventive care with cash.

22 **Expanding coverage to "children" up to age 26 adds pure cost to plans.** The employer must verify employment status and access to coverage for the additional person. Estimated additional premium cost for 2011 was 1 percent in states that did not already have that mandate.

23 **Cost-shifting from Medicare.** Medicare already pays hospitals less than cost ObamaCare cuts Medicare reimbursements more. Hospitals will try to compensate by raising rates for private patients, which research shows that non-profit hospitals are most likely to do.

24 **ObamaCare encourages hospital control of large physician networks that hospitals use to maximize revenue.**

25 **Physician- owned hospitals are outlawed, reducing hospital competition.**

26 **Cost shifting from Medicaid occurs when people drop private coverage and enroll in Medicaid expansions.**

27 **Required electronic records reduce physician productivity and increase costs.** The additional costs are passed along to insurers, raise premiums, and cost you money.

Endnotes

1. Edward Fensholt."Barrier to Lower Health Care Costs for Workers and Employers," testimony provided to Subcommittee on Health Employment, Labor and Pensions, Education and the Workforce Committee, United States House of Representatives, May 31, 2012, p. 3.
2. Douglas Holtz-Eakin. "Higher Costs and the Affordable Care Act: The Case of the Premium Tax," American Action Forum, March 9, 2011.
3. Merrill Matthews and Mark E. Litow, "ObamaCare's Health-Insurance Sticker Shock," *The Wall Street Journal*, January 13, 2013, online version accessed January 23, 2013, http://online.wsj.com/article/SB10001424127887323936804578227890968100984.html.
4. Linda Gorman, "Does Coordinated Care Save Money?" John Goodman's Health Policy Blog, June 27, 2012, accessed January 12, 2013, http://healthblog.ncpa.org/does-coordinated-care-save-money/.
5. Fensholt testimony,May 31, 2012.
6. "PPACA causes short-term increases in costs," Managed Care, September 2010, online version accessed January 5, 2013, http://www.managedcaremag.com/archives/1009/1009.outlook.html.
7. Benjamin Domenech, "Cost Increases? Consolidation Makes it Happen," Heartlander, August 28, 2012, online edition accessed January 13, 2013, http://news.heartland.org/print/131138.