Posted: 12:00 a.m. Sunday, Feb. 17, 2013

Wohlgemuth: High price tag of Obama health care is predictable

By Arlene Wohlgemuth

Recently, the Internal Revenue Service issued a final regulation that assumes the cheapest health insurance plan available in 2016 for a family of four — the “bronze” plan — will cost $20,000. The current national average family premium is about $15,000.

In December, Aetna’s CEO Mark Bertolini said at a conference in New York that Obamacare would double health insurance premiums — not in five years, but starting in 2014, when most of the law’s provisions take effect.

Those who make too much to qualify for the federally-subsidized exchanges — a single person who makes more than $44,680 a year, or a family of four that makes more than $92,200 — will experience a “premium rate shock” Bertolini said, and could see their premiums go up 100 percent.

He should know; he runs the nation’s third-biggest health insurance company and has been pushing Congress to delay or phase-in parts of Obamacare to mitigate the damage it will do.

This does not seem to coincide with the Obama administration’s promise to make insurance more affordable and cut premiums by $2,500 per year for families. But the sticker shock we will get in 2014 should come as no surprise, because what is likely to cause them has been tried before—with disastrous results.

Some features of Obamacare, like community rating (forcing insurers to charge the same premiums regardless of age or health) and guaranteed issue (forcing insurers to cover those with preexisting conditions) have been tried before with deleterious but predictable effects.

Most of the states that took a stroll down that road in the 1990s repealed or significantly reformed the provisions a few years later.

All the states that tried some combination of community rating and guaranteed issue, however, experienced varying degrees of the same thing: an “adverse selection death spiral” — when healthy people wait until they’re sick to get insurance, or forgo insurance altogether. When this happens, enrollment drops, rates go up, and eventually insurers pull out.

That’s what happened in Washington State, which enacted both community rating and guaranteed issue in 1993. Some premiums went up by as much as 78 percent a few years after the law took effect, and the market was in such a mess by 1999 that most of the provisions were repealed.

The solution to that old problem, proponents of Obamacare say, is the individual mandate. If everyone is required to get insurance, there will be no adverse selection. No adverse selection, no death spiral, no premium increases.

Maybe. But we will never know for sure because the mandate will very likely not be enough to induce enough healthy, uninsured people to purchase insurance at double what it costs now.

The penalty for noncompliance with the individual mandate is far less than what the cost of insurance is likely to be. A single 35-year-old making $25,000 a year in 2014, for example, would have to pay more than $1,700 out-of-pocket toward a premium (that's after getting a federal subsidy through one of the Obamacare exchanges).

If that person is healthy and simply chooses not to spend money on health insurance, they only pay a $250 fine.

The recent IRS regulations cast the issue in even starker light. According to the agency's calculations, a family of four earning $120,000 per year in 2016 can either pay $20,000 in health insurance premiums for the cheapest Obamacare-compliant plan, or pay a "penalty" of just $2,400.

Given the terrible choices the federal law forces on American families, it seems likely that many people will simply wait until they are sick or need health care to purchase insurance, and what happened on a small scale in Washington and other states will happen on a national scale.

Will the government stubbornly stay the course until the system it has created collapses, and then call for a single-payer system to replace it? Considering the implausibility of the law functioning as it now stands, and what seems certain to happen when it takes effect, one can't help but think this has been the administration's plan all along.

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- Posted by Antonious at 2:05 p.m. Feb. 17, 2013
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Obamacare is going to be a disasterous issue in 2014 for the Democrats as all those taxes and increases start hitting us. That is why the Dems are looking for other issues to have in 2014, like their anti-gun, war on women, or class warfare in the hopes the people will be distracted from the expenses associated with Obamacare.

It is still amazing to me that this bill passed while all of the country watched the last few Democrat Senators being bought before our eyes....and Pelosi said it was so complicated we would only find out what was in it after it became law. What a way to make laws that will affect us the rest of our lives.

- Posted by TheUglyCat at 8:11 a.m. Feb. 18, 2013
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Here's a simple fact I've never understood. If the median income in Austin, for example, is $57K, how the hell is that family going to afford $20K in health insurance premiums? We ought to be reforming the cost of health care. We ought not be spending 80% of the costs of health care in the last few years of a persons life. Let the old die with dignity. Don't, for example, spend tens or even hundreds of thousands on the 92 year old who is on his way out in any event.

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