

Study: Premium hikes add \$10B to taxpayers' health law tab (Update)

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In this Oct. 6, 2015, file photo, the HealthCare.gov website, where people can buy health insurance, is displayed on a laptop screen in Washington. Taxpayers will fork over an additional \$10 billion next year to cover double-digit premium hikes for subsidized health insurance under President Barack Obama's law, according to a study to be released Thursday, Dec. 15, 2016. (AP Photo/Andrew Harnik, File)

Taxpayers will fork over nearly \$10 billion more next year to cover double-digit premium hikes for subsidized health insurance under President Barack Obama's law, according to a study being released Thursday.

The analysis from the Center for Health and Economy comes as the Republican-led Congress is preparing to repeal "Obamacare" and replace it with a GOP alternative whose details have yet to be worked out. With incoming President Donald Trump likely to sign such legislation, historic coverage gains under the 2010 health law are at stake.

The study estimates that the cost of premium subsidies under the Affordable Care Act will increase by \$9.8 billion next year, rising from \$32.8

billion currently to \$42.6 billion.

The average monthly subsidy will increase by \$76, or 26 percent, from \$291 currently to \$367 in 2017.

Currently more than 8 in 10 consumers buying private health insurance through HealthCare.gov and state markets receive tax credits from the government to help pay their premiums. Those subsidies are designed to rise along with premiums, shielding consumers from sudden increases. But the bill ultimately gets passed on to taxpayers.

Shortly before Election Day, the administration revealed that premiums for a midlevel benchmark plan on HealthCare.gov would jump by an average of 25 percent next year.

Administration officials are touting the premium subsidies as they race to sign up as many people as possible before open enrollment ends Jan. 31, about a week after Obama leaves the White House. Upbeat, carefree ads for HealthCare.gov say most consumers can find subsidized coverage for as little as \$50 to \$100 a month.

Republicans are planning a multistep process to first repeal the health law and replace it later. The new study is unlikely to affect the "repeal" part of the debate.

However, the findings could affect how Republicans design future subsidies that would be part of their replacement legislation. Some kind of limit on assistance is more likely to appeal to them.

Under current law, "you get a premium increase, you pour more money in," said economist Douglas Holtz-Eakin, founder of the Center for Health and Economy. "The concern is that will feed more premium increases." He predicted that Republicans would take a different approach.

Holtz-Eakin, a former Congressional Budget Office director, is also a longtime GOP adviser. However, the center functions as a nonpartisan research organization, and its work is overseen by a board of experts that spans the political spectrum. The Associated Press requested the center's new estimate.

After reviewing the study, the Obama administration said that despite the increase in premiums, the health care law is still helping to reduce federal deficits, keeping the program affordable for taxpayers. The law also raised taxes and cut Medicare spending.

"The Affordable Care Act is covering 20 million Americans, and 2017 marketplace premiums remain on par with the Congressional Budget Office's November 2009 projections," spokesman Aaron Albright said.

On Capitol Hill, a top Republican said the findings validate some of their criticisms of Obama's signature law.

"While Washington has been assuring all Americans that, 'Don't worry, those premium increases don't affect you because Washington is covering more of the subsidies,' in truth a lot of taxpayers are bearing a higher burden for those subsidies," House Ways and Means Committee Chairman Kevin Brady, R-Texas, told reporters.

The health care law has helped drive the nation's uninsured rate to a historic low of about 9 percent. It offers subsidized private health insurance to people don't have access to job-based coverage, along with a state option to expand Medicaid for low-income people.

Insurers say the spike in premiums is due to lower-than-projected enrollment, patients who turned out to be sicker than expected, people gaming the system to get coverage only when they need medical care, and a premium stabilization system that has not worked as intended.

The administration says the higher premiums are a one-time market correction, and not a sign that the law's insurance markets are slipping into a "death

spiral" of rising premiums and declining enrollment.

Although Congress will begin the repeal debate soon after it convenes in January, immediate changes that would affect coverage for 2017 appear to be highly unlikely. Republican leaders have said they want a smooth transition to the new system.

Thursday is expected to be a big day for HealthCare.gov because Dec. 15 is the last day that consumers can sign up or make changes to existing coverage and have them take effect Jan. 1.

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