

Obama administration allows premium hikes for sick children

Kate Randall
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On Wednesday, the US Department of Health and Human Services (HHS) said insurance companies could charge higher premiums for individual policies for children with serious medical problems, if allowed by state law. Earlier this year, many major insurers stopped issuing new child-only policies, claiming that under provisions of the Patient Protection and Affordable Care Act now being implemented, parents could buy coverage at the last minute, flooding the insurance pool with sick children (and consequently depleting insurers' profits).

As with so many aspects of the health care overhaul passed earlier this year, Obama administration officials are again bending over backwards to assure the health care industry that its bottom line is safe. Just weeks ago, HHS granted waivers to employers and insurers covering about 1 million workers, including fast-food giant McDonald's, to continue offering cut-rate plans with maximum annual benefits as low as \$2,000. (See "White House sanctions employers' cut-rate health plans")

At issue now are regulations put into effect on September 23 which stipulate that children under age 19 covered by individual policies cannot be denied coverage because of pre-existing conditions. Under the health care legislation, beginning in 2014 insurers will be required to accept all applicants, regardless of pre-existing conditions. For now, however, there is no such requirement and insurers have threatened that they will simply not offer the coverage if it is not in their economic interest.

As HHS Secretary Kathleen Sebelius admitted in an October 13 letter to the president of the National

Association of Insurance Commissioners, "Nothing in the Affordable Care Act, or any other existing federal law, allows us to require insurance companies to offer a particular type of policy at this time."

In September, in order to counter the threat by insurers to stop issuing the child-only policies, HHS officials proposed that insurance companies establish open-enrollment periods, generally one month a year, during which time they would accept all children for coverage. This would supposedly work against families who might wait until their children became seriously ill before signing up for insurance.

Responding to the open-enrollment proposal, some insurers said they would be willing to sell the new child-only policies if outside of the open-enrollment period they could accept only healthy children. In other words, parents of sick children would be restricted to purchasing coverage during open-enrollment and denied coverage outside this window.

In her October 13 letter, Sebelius said HHS had determined that this approach "is legally infirm, and inconsistent with the language and intent of the Affordable Care Act." She emphasized, however, that the administration would "continue to reach out to insurers in our effort to encourage them to sell new 'child-only' policies between now and 2014."

In this effort to "encourage" the insurance companies to continue writing these policies, the HHS secretary pointed out that "a range of practices related to 'child-only' policies are not prohibited by the Affordable Care Act." The most appealing of these options for insurers is to hike insurance premium rates for sick

children.

In guidelines updated on October 13, HHS addresses insurers “who have expressed concerns about adverse selection from newly offering child-only health insurance on a guarantee issue basis.” The following are some of the suggestions she offers to mitigate these concerns:

“Adjusting rates of health status only as permitted by State law”—This means that insurance companies are free to charge one set of premiums for “healthy” children and another, undoubtedly far higher set for seriously ill children.

“Permitting child-only rates to be different from rates for dependent children, consistent with State law”—In other words, those parents seeking child-only coverage because they cannot afford family coverage, or whose employers don’t offer coverage for dependents, could be charged higher premiums for child-only policies.

“Imposing a surcharge for dropping coverage and subsequently reapplying if permitted by State law”—Such penalties would be levied on parents of children suffering from cancer, autism, congenital defects or other debilitating conditions as they allegedly “work the system” in an effort to secure health insurance. It is not specified who would determine which families were engaged in such practices or the rate of these “surcharges.”

These statements are a clear indication of the stranglehold the insurance industry and corporations have on the implementation of Obama’s health care bill. When provisions are not to the insurers’ liking, they demand and receive waivers. HHS officials are also quick to offer helpful suggestions on how they can navigate the legislation to ensure their profit margins are not at risk.

While administration officials claim that with full implementation of the Affordable Care Act in 2014 insurance companies will not be able to deny anyone coverage due to a pre-existing condition, there are no serious mechanisms in place to stop insurers from jacking up their premiums for coverage they are

mandated to offer.



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