

White House sanctions employers' cut-rate health plans

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Over the past several weeks, Obama administration officials have granted waivers to companies and insurers who offer cut-rate insurance coverage for their employees. These “mini-med” plans provide minimal benefits with limits on annual coverage far below what has been stipulated in the phase-in period of Obama’s health care overhaul, the Affordable Care Act.

The Department of Health and Human Services (HHS) granted the exemptions after companies, including McDonald’s, threatened to drop coverage for their employees or hike premiums by as much as 200 percent if they did not receive the waivers. The HHS move is an indication of the chokehold the insurance industry and corporations have over provisions of the health care legislation as the Obama administration begins to implement them.

HHS has granted one-year waivers to about 30 insurers, employers’ and union plans responsible for health coverage for about one million people. Without the waivers, companies would have to provide each worker with a minimum of \$750,000 in coverage next year, rising to \$1.25 million in 2012 and \$2 million in 2013. In 2014, when most of the provisions of the health care bill take full effect, any plan offered by insurers would have to provide unlimited annual coverage.

With the waivers, however, companies like McDonald’s will be able to continue offering plans with maximum annual benefits as low as \$2,000. The coverage is sold by a profit-making company owned by insurer Blue Cross and Blue Shield, BCS Financial Corp. The fast-food chain received waivers on coverage for 115,000 workers, mainly at franchised outlets.

To participate in such a plan, a worker needs to contribute \$13.99 a week—more than \$700 a year—out of his or her already low weekly paycheck for the shoddy

coverage. McDonald’s also offers plans at \$24.30 a week with maximum annual benefits of \$5,000, and \$32.30 a week for \$10,000 in annual benefits. Any of these plans could be “maxed out” by a single serious medical event.

The biggest single waiver granted by HHS was for 351,000 people covered under the United Federation of Teachers Welfare Fund, offering coverage for New York City teachers. The United Agricultural Trust, a California-based cooperative, was exempted for coverage for 17,347 farm workers. The San Diego, California-based Jack in the Box fast-food chain was granted a waiver for 1,130 employees.

Massachusetts received a waiver on about 5,000 plans for young adults with low maximum annual benefits in the state’s universal coverage program adopted in 2006. The plans cover individuals ages 18 to 26 who are unable to get insurance coverage through work.

Aetna and Cigna, two of the largest for-profit insurance companies, also received waivers from HHS to continue selling limited-benefit policies.

Defending the move, White House spokesman Robert Gibbs commented Thursday, “We want to ensure that in the time that it takes to implement the law, workers don’t find themselves at the mercy of insurance companies jacking up rates.” The truth, however, is that while these companies and insurers claim they will not be raising their rates (at least for the time being), individuals are still left with insurance that provides little protection against a medical catastrophe, or adequate coverage for routine care.

And even with the newly granted waivers, it is not a given that the “mini-med” plans will continue to be offered by retail and restaurant firms. While HHS has granted waivers exempting companies from offering plans with defined levels of annual maximum benefits,

another provision of the health care legislation requires that insurers offering “mini-med” plans pay out a minimum percentage of premium dollars for patient care, as opposed to spending on executive salaries, marketing and other costs.

Beginning January 1, 2011, this minimum “medical-loss ratio” requirement is 80 percent for plans underwritten for small firms and 85 percent for those designed for large firms. These large firms include McDonald’s and many of the companies who were just granted the waivers on coverage requirements. About 50 firms have already requested waivers on the minimum percentage payout on policies, and could drop coverage if they aren’t granted, or raise premiums.

In a press briefing Monday, HHS Secretary Kathleen Sebelius commented on the “mini-med” plans, “There isn’t any question these aren’t full-blown insurance plans. Some are pretty good for the money that the employee pays out and what they cover. Others are just not good at all.”

Sebelius made it clear, however, that the administration would continue to be receptive to the demands of the insurers and big corporations relating to the “mini-med” plans and other issues potentially impacting their profits in the run-up to 2014. “Our goal isn’t to destabilize the market. The bottom line for some will be: Is this coverage better than no coverage at all?”

In any event, beginning in 2014, the “mini-med” plans will be prohibited when the state-run insurance exchanges begin operating. As envisioned under the health care bill, individuals and families not enrolled in a federal health plan such as Medicare or Medicaid—and not offered insurance through their employer—will be required to purchase insurance on these exchanges or pay a fine.

It is a highly likely then that companies like McDonald’s will drop their insurance coverage, pay a nominal fine for not providing it, and let their employees fend for themselves on the insurance exchanges. There will be no government-run option included on these exchanges, and HHS will wield little power over premium hikes by the private insurers who offer the policies.



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