

California first US state to implement health care exchange

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In compliance with the Patient Protection and Affordable Care Act (ACA), signed into law in 2010 by President Barack Obama, the state of California is the first to implement its own health insurance market under the name Covered California. The 13 carriers available will include both for-profit and so-called non-profit insurers, as well as local entities.

Covered California includes four main coverage plans—bronze, silver, gold and platinum—the lowest of which (bronze) only covers 60 percent of average annual costs, resulting in an annual out-of-pocket maximum cost of \$6,350/individual or \$12,700/family. The most expensive plan (platinum) will cover 90 percent of average annual costs with an annual out-of-pocket maximum cost of \$4,000/individual and \$8,000/family.

A fifth, so-called catastrophic plan will be available to people under 30 and will trigger only after \$6,000 in medical costs has been paid by the insured.

For working people, the plans are not inexpensive to begin with. Insurance companies will charge 25-year-olds up to \$190 per month for a bare-bones plan in Los Angeles, while a 40-year-old in San Francisco will pay up to \$525 per month for decent coverage. Uninsured Californians must pick from between one and six companies, varying by location.

One of the most reactionary provisions of the law is the “individual mandate,” which will legally coerce people who are not covered by Medicare or Medicaid, and who do not receive coverage from their employer, to purchase private insurance or pay a penalty. This is the feature that insurers have enthusiastically welcomed, as it creates a new market worth hundreds of millions of dollars for the insurance industry.

Penalties are steep. As the Congressional Budget Office (CBO) spells out, “That penalty will be the

greater of a flat dollar amount per person that rises to \$695 in 2016 and is indexed by inflation thereafter (the penalty for children will be half that amount and an overall cap will apply to family payments) or a percentage of the household’s income that rises to 2.5 percent for 2016 and subsequent years (also subject to a cap).”

The CBO also notes, “In total, about 4 million people [in the US] are projected to pay a penalty because they will be uninsured in 2016 (a figure that includes uninsured dependents who have the penalty paid on their behalf).” This is a rather conservative estimate: last March, the CBO had already revised that number to 6 million, to include those who will opt for a penalty instead of buying coverage.

The health care bill has been designed for the benefit of the insurance companies at the expense of the working class by creating a captive customer base. For the working class, the choice would be between getting substandard insurance or paying a penalty, deeply affecting households already crushed by unemployment and the rising costs of living.

The fact that an estimated 2.6 million Californians (more than 7 percent of the total population) are expected to qualify for some level of subsidy under the ACA underlines the level of social inequality in the richest state of the richest country in the world.

Paul Markovich, president and CEO of insurer Blue Shield of California, stated that “[his] firm’s policies are expected to rise by an average of 13 percent next year, partly because of the mandatory increase in benefits,” as reported by the *Sacramento Bee*. Because coverage is mandatory and subsidies will be given to those who qualify, insurance companies now have even more incentive to raise prices, effectively canceling out any subsidies that are given.

The Affordable Care Act guarantees insurance companies even greater profits on two counts: those who would otherwise not buy insurance will be forced to do so or pay a fine, and those with pre-existing conditions will now qualify for coverage, prompting companies to raise premiums as people utilize their insurance to seek ongoing treatment for their conditions. These two factors, coupled with a guaranteed monopoly of the market in some regions, will undoubtedly prompt additional price increases.

Moreover, undocumented immigrants who are ineligible for Medicaid benefits are excluded altogether from the program, further underlining the deeply reactionary character of the health care legislation as a whole. This is part of the Obama administration's ongoing redistribution of wealth to the top and intensification of social inequality. Not only will coverage not be "universal," the ACA guarantees corporations more profits as the living standards of the working class continue to decline.

In California, the trade unions have attempted to portray the health care overhaul in glowing terms. The Service Employees International Union (SEIU) has promoted it as "better, more affordable, quality health care. SEIU wants everyone to know how the law benefits them."

Similarly, the California Teachers Association (CTA) has blatantly misrepresented the law, stating that ACA "puts in place health insurance reform to: hold insurance companies more accountable, lower health care costs, guarantee more choices, enhance quality of health care."

The American Federation of State, County and Municipal Employees (AFSCME) has called the ACA "an historic achievement." The purpose of such support is to subordinate workers to the repressive policies of the Democratic Party, as the unions seek to head off an independent mobilization against the ongoing attacks on the living standards of millions of working people.



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