Obamacare: Nearly a million Californians receive cancellation letters

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Nearly one million Californians have received cancellation letters informing them that their health insurance will end effective December 31, 2013. As a result of the Affordable Care Act (ACA), certain "essential benefits" must now be a part of every insurance plan.

Those currently on plans not meeting the new requirements will be cut off and, if ineligible for Medi-Cal, the California Medicaid program, will be forced to purchase a new plan on the Covered California exchange or through another plan that meets the regulations of what is commonly known as Obamacare. If not signed up for qualified insurance by March 31, 2014, individuals and families will be forced to pay a penalty at the time of their tax filing.

From October 1 through November 19, there were 360,464 applications completed through the California web site set up under Obamacare. In the past two weeks, approximately 10,000 Californians have been applying each day. Of those who have applied up through November 19, approximately 80,000 individuals have chosen a plan.

Based on the recent Covered California executive director's report, published November 21, 39 percent of applications received through October 31 include the names of individuals who are potentially eligible for Medi-Cal. Of the remaining 61 percent, about half are potentially eligible for subsidized care and another half will have to foot the bill for the entire premium amount.

Thus far, the health care exchange appears to be dominated by roughly four major providers: Anthem Blue Cross of California, Blue Shield of California, Health Net, and Kaiser Permanente, enrolling 28.1 percent, 25.6 percent, 15.7 percent, and 26.8 percent of applicants from October 1-31, respectively. Seven other providers make up the additional 3.8 percent of enrollments.

Significantly, 25,978 of the 30,830 enrolling in plans through the marketplace are being enrolled in non-subsidized plans. In other words, of the newly created health policies (excluding Medi-Cal), only 15.74 percent of insured will be provided with any kind of subsidy from the federal government under Obamacare. The remaining 84.26 percent of enrollees who have selected plans on CoveredCA.com during October will be paying for premiums, copays, coinsurances, and deductibles entirely out of pocket.

Although they make up only 11 percent of California's population distribution, 55-64 year-olds make up 34 percent of the total individuals enrolled in October. While Californians up to 25 years old make up 35 percent of California's population distribution, only 13 percent were signed up for enrollment. Insurers and the government are counting on these younger, healthier people to sign up in adequate numbers to offset the cost of insuring older, less healthy people.

As hundreds of thousands of Californians and other state residents began receiving cancellation notices from their insurers, Barack Obama came under heat for his repeated promise: "If you like your health plan, you can keep it." The president executed an administrative "fix" earlier this month, allowing the insurance companies to reinstate the cancelled policies.

However, insurance providers and commissioners in California--along with their counterparts in five other states--have opposed this "fix" and decided to push through with the original ACA requirements. Various vested interests in the new marketplace have argued against the legality of the extension of current health plans, as well as the damage it would do toward the ultimate goal of the ACA, which is to force more people to purchase coverage from private insurers on the exchanges.

The CEO of the California Association of Health Plans, Patrick Johnson, argues that giving insurers the option of maintaining their current plan would discourage new consumers--specifically young workers, who are expected to bear the financial burden of the new health program. Insurers are seeking to intimidate those who may go without insurance, gambling that they will not get sick.

Authorities are seeking to pressure people into purchasing coverage on the exchanges with the threat that the cost of not being covered may be more than the ACA penalty for not being insured. Peter V. Lee, executive director of Covered California, stated during a recent interview, “I’d say the biggest penalty isn’t $95 or 1 percent of your income. The biggest penalty is you go to the hospital in January and walk out with a $400,000 debt, that’s the penalty.”

The first penalty Lee refers to is the fine that will be charged to those who have not purchased health care that meets the ACA requirements by March 31, 2014. Households will pay a sharply graduated fee each year, starting in 2014: either 1 percent of annual income or $95 per person ($47.50 per child), whichever is greater. In 2015, the fee goes up to the greater of 2 percent of yearly household income or $325 per person. In 2016 the penalty increases to 2.5 percent of income or $695 per person. From that point forward, the penalty will increase with inflation.

As stated on the federal Healthare.Gov web site, for the first year, “The maximum penalty is the national average yearly premium for a bronze plan.” What is implicit here is that the penalty is essentially a method of forcing working families and individuals onto the only plans they have even a remote chance of being able to afford. Not coincidentally, these inferior “bronze” plans are also the most lucrative for the providers on the new marketplace, providing essentially catastrophic coverage which, if used, require large out-of-pocket costs up to the individual maximum of $6,350 per person or $12,700 per family.

Those who are just above the income threshold for the state Medi-Cal program--an abysmally low 138 percent of the Federal Poverty Level for adults and around 250 percent of the FPL for children--will be forced to pay a fine or look for coverage on the exchange.

The “essential benefits” are often extolled by promoters of the ACA as proof of its progressive content. Ten benefits are mandated to be covered in every insurance policy by January 1, 2014, including ambulatory patient services, emergency services, hospitalization, prescription drugs, and other common health needs.

While few would argue the essential character of these services, the delivery of these needs as posed by the ACA is another matter entirely. The law places virtually no restrictions on what private insurers can charge for premiums on plans that include these services. The plans range from “bronze” to “platinum,” generally costing more for premiums and a smaller percentage for copays and deductibles as one climbs up the metal scale. Therefore the law, far from addressing unequal access to health care, takes this existing inequality as a point of departure and further codifies it.

According to Consumer Watchdog, 50 percent of California policyholders will see an increase in premium rates. Half of that 50 percent will be paying much more for very similar care, while the other half will need to upgrade from their original plan to meet the ACA guidelines.

Blue Shield reported that approximately two-thirds of its customers would see a rate increase when switching to essentially the same insurance under the ACA. The insurer also stated that if enough people did not sign up on the marketplace, there would be a premium increase for all policyholders in 2015.

Obama and other Democrats have touted the bill as a “landmark” in the history of health care reform and a step towards providing universal affordable health care for all Americans. Nothing could be further from the truth. The legislation’s goal is to further codify the privatization of the insurance markets, providing windfall profits to the major insurance, pharmaceutical, and financial institutions related to the health industry.

By forcing millions of working families and individuals onto insurance plans with high premiums, staggering deductibles, copays, and other out-of-pocket expenses, the only direct and predictable outcome of the law will be a substantial increase in the profits of these companies.