Obama administration again extends life of "skinny" health plans

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For the second time in four months, the Obama administration has extended the time insurance companies can continue selling plans that do not meet the standards of the Affordable Care Act (ACA). The change was the most significant of an array of rule changes announced Wednesday to the law commonly known as Obamacare.

The ACA has been tweaked multiple times in the interest of private insurers and employers since its passage in March 2010. A Fact Sheet from the Department of Health and Human Services (HHS) states that insurance companies can continue selling bare-bones, "skinny" plans, in some cases through October 2016 in those states that approve the extension.

The first delay came last November, after several million people with such plans began to receive notices from their insurers that their policies would be cancelled on January 1, 2014, when the new benefit requirements were to take effect. When people began to shop for coverage on the insurance exchanges set up under the ACA, they found that the plans offered there by private insurers were in most cases far more expensive than the ones being cancelled.

Responding to criticism that his pledge "if you like your plan, you can keep it" was not proving true in practice for a substantial number of people, President Obama announced in November that the substandard plans could remain in place through September 2015.

In a statement Tuesday, HHS spokeswoman Joanne Peters commented on the latest changes in the ACA rules: "The Administration has committed to doing all we can to smooth the transition for hard-working Americans. We've taken steps already and are continuing to look at options."

While White House officials are presenting the extension of the substandard plans as a gift to consumers, in reality it is nothing of the sort. The policies may be less expensive than those offered on the exchanges, but insurers are being allowed to continue to sell policies that may not offer even the minimal protections the president promised would be covered with passage of the ACA, including preventative screenings, maternity care, and prescription drug coverage.

When Obama first advanced the health care reform more than five years ago, he pledged that the legislation would provide "near-universal," affordable coverage for the American population. After first balking at the prospect of a change, the health care industry eventually came on board to insure that any legislation would be crafted in its interests.

A common sense approach to the "skinny" plan dilemma would see the private insurers assuming the costs of compliance with the ACA. But as Obamacare as a whole is based on maintaining the for-profit health care system—while cutting costs for the government and employers—consumers are instead being given the "opportunity" to continue buying the shoddy plans from private companies.

The White House has made concession after concession to the insurance companies, who are determined that any standards required by the health care legislation will not be funded through any drain on their multi-billion-dollar profits.

As originally written, beginning in January 2014 all companies with 50 or more employees would have been required to offer health insurance coverage to their full-time employees or face a penalty. Last summer, however, the White House granted a year's reprieve to all businesses, until January 2015, to comply with the law's employer mandate.

Just last month, the Obama administration announced that medium-sized businesses, those with 50 to 99 employees, would be given until January 2016 before they risked a federal penalty for not providing health insurance to their full-time employees. Companies with 100 workers or more were also notified that they would be required to offer coverage to only 70 percent of their full-time workers, instead of the 95 percent originally stipulated by the ACA.

Individuals and families, however, have been granted no such reprieve to Obamacare's so-called individual mandate. Under the law, people who are not insured through their employer or through a government program such as Medicare or Medicaid must obtain insurance or pay a penalty, with few exceptions. The success of the health care bill depends upon a steady stream of new, cash-paying customers to purchase policies from private insurers on the exchanges.

Obama's extension of the sale of noncompliant plans has not been universally accepted by state insurance commissioners. As of late January, 24 states had decided to extend the sale of the plans through this fall, while 23 states had rejected the proposal. A few states are still undecided.

Some private insurers are concerned that maintaining these plans will keep younger, healthier people from purchasing coverage on the insurance exchanges. The insurance companies need a sufficient pool of healthy people to offset the higher cost of insuring older, sicker people on the exchanges. As there is no meaningful oversight on what insurers can charge for coverage, the insurers can be counted on to hike premiums if these costs cut into their bottom line.