More private insurers to hop on Obamacare gravy train

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A number of private insurance companies that have not yet sold policies on the Affordable Care Act (ACA) exchanges plan to do so in the coming year. The reason is simple: the health care overhaul popularly known as Obamacare offers a virtually risk-free opportunity for insurers to increase their profits.

Insurance giants such as UnitedHealth Group and Cigna, as well as smaller companies, plan to enter the Obamacare market in 2015 and beyond. "Insurers continue to see this as a good business opportunity," Larry Levitt of the Kaiser Family Foundation told the *New York Times*. "They see it as an attractive market, with enrollment expected to ramp up in the second year."

The ACA was designed from the start as a pro-corporate piece of legislation, boosting the bottom line of the insurance industry. The law's core component, the so-called individual mandate, requires those without insurance from a government program such as Medicare or Medicaid to purchase coverage from a private insurer in the Obamacare "marketplace" or pay a penalty.

New changes to the legislation by the Obama administration virtually guarantee the insurance companies that any dent in their profits will be offset by a complex system of government funds. The Department of Health and Human Services (HHS) has assured the private insurers that ACA mechanisms already in place will be made fully available to them, if need be at taxpayer expense.

The tweaks were buried in ACA regulations issued late last month and reported May 21 by the *Los Angeles Times*. Adjustments to key provisions of the legislation, largely unreported in the press, will potentially make billions of additional taxpayer dollars available to the insurance companies if they lose money on the exchanges.

At all costs, the White House wants to avoid the political fallout for Democrats in the midterm elections if insurers significantly increase their premiums. As with all things Obamacare, there is no expectation by President Obama and his supporters that the insurance companies should sacrifice any of their profits in the course of doing business on the exchanges.

And while business is booming for the insurers, there are new signs that health costs—both on the government exchanges and in private workplaces—are being increasingly shifted to workers and their families, threatening the availability and quality of medical services.

The ACA set up a complex system of funds to dole out to insurers if they lose money through selling Obamacare coverage. This includes the Temporary Risk Corridors Program, which collects money from insurers that have attracted healthier, more profitable customers and transfers it to those with sicker, more costly enrollees.

The system was supposed to be self-contained and pay for itself. But insurers, wary that any portion of their profits might be threatened, have pressured the Obama administration to guarantee they will be paid. As has been the case with virtually every demand made by the health care industry related to the design of the ACA, the White House has acquiesced. With the new changes, if insurers lose money as a result of keeping rate increases moderate over the next few years, the government will tap federal funds to cover shortfalls.

"In the unlikely event of a shortfall for the 2015 program year, HHS recognizes that the Affordable Care Act requires the secretary to make full payments to insurers," the government regulation published May 16 notes. "In that event, HHS will use other sources of funding for the risk corridor payments, subject to the availability of appropriations."

Insurers in most states are only beginning to submit their premium rate increases for 2015, so it is unclear how much they will be seeking to tap from the risk corridors and federal funds to cover shortfalls. However, one insurer, Humana Inc., announced in February that it expected to access three Obamacare risk-adjustment mechanisms for 2014 of between $250 million and $450 million. Humana, a for-profit managed health care company with over 11 million customers in 50 states, brings in $36.5 billion in annual revenue.

The Obama administration's new "no-risk" guarantee is but one of the factors influencing private insurers, big and small, to enter the ACA exchanges. UnitedHealth Group, which was cautious about participating last year, is one of four new insurers informing regulators in the state of Washington of their interest in offering Obamacare plans. Harvard Pilgrim Health Care, the nominally nonprofit Massachusetts insurer, has indicated it will participate in exchanges in New Hampshire and Maine in 2015, and Connecticut in 2016.

The insurance companies and employers are not expected to absorb any of the costs associated with the implementation of Obamacare. On the government exchanges, if an inadequate proportion of healthy, young people fail to purchase coverage, the insurers will tap the government "risk corridor" funds. One factor contributing to this phenomenon is President Obama's decision to allow those privately insured in substandard plans to keep them, in an effort to live up to his pledge, "If you like your plan, you can keep your plan."

Large employers, who are now required to cover 100 percent of certain preventive care services such as immunizations and contraceptive care, will pass these costs onto employees through higher deductibles and other out-of-pocket costs. A recent Mercer study found that 80 percent of employers are either considering raising deductibles or have already done so.

A recent study by the American Health Policy Institute (AHPI) projects that the ACA will save US businesses $3.25 trillion through 2025, largely by shifting health insurance costs to workers and their families, through increasing cost-sharing, forcing employees onto the Obamacare and private exchanges, or ending insurance coverage altogether.

The excise tax set to go into effect in 2018 on "lavish" health plans—those with premiums greater than $10,200 for individuals and $27,500 for families—will levy a 40 percent penalty on corporations. As with the other features of Obamacare, companies are expected to dodge the financial impact of this "Cadillac tax" through gutting their health coverage or passing the costs on to workers in the form of decreased wages and other benefit cuts.

A calculation by executive pay research firm Equilar and the Associated Press found that executive pay in the health care industry last year topped all other industries for the fifth time in six years. Median health care CEO pay in 2013 stood at $12.3 million, up 3 percent over 2012. Through the implementation of the Affordable Care Act, the Obama administration continually consents to the enrichment of this parasitic layer at the expense of the health and very lives of the vast majority of Americans.