California insurance rates rise under Obamacare

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Insurers in California have requested considerable rate hikes for their plans in 2016 on the Covered California exchange established under the Affordable Care Act (ACA). On average, the hikes will reach 4 percent statewide, but those in rural areas and cities in Northern California will experience much higher rate increases. In Santa Cruz County, 12.8 percent hikes are being requested along with 7 percent in Santa Clara and 6 percent in both Alameda and San Mateo counties.

Despite being sold as a progressive health care reform, the legislation commonly known as Obamacare has always been about ensuring corporate profitability while reducing the quality of care available to the working class. Peter Lee, executive director of Covered California, claims these “modest” premium hikes are “further evidence that the Affordable Care Act is working.”

These increases, however, are coming as insurers are making record profits off of a captive market. Under the ACA’s “individual mandate,” individuals and families without insurance through their employer or a government program such as Medicare or Medicaid are required to purchase insurance or face fines every year they go without it.

A family of four in Santa Cruz County with a median household income of $66,000 and “moderate” medical needs, can currently expect to pay more than $400 a month in premiums after state subsidies. The Covered California web site estimates total yearly medical expenses for such a family at over $10,000.

The cheapest bronze plans on the exchange offer lower premiums, but people who opt for these plans are forced to pay more out-of-pocket costs than those insured in platinum and gold plans. People with the bronze plans have to pay more than $4,000 in deductibles before their medical insurance even begins to cover them.

In the two years since the Affordable Care Act went into effect, Covered California rates have increased a total of 16 percent in Santa Cruz County. Family incomes, by comparison, have stagnated and declined since the 2008 economic crisis. The current median household income in the state is $67,000, almost 10 percent lower than its peak in 2007 when adjusted for inflation.

For many, it is more affordable to just pay the fines for not having insurance or avoid medical care, even if insured. This denies both routine and life-saving treatments to those who cannot afford the out-of-pocket costs and co-payments for their medical bills or prescriptions. Many of the cheaper plans have co-payments of 30 percent for all but “essential” services, even after the deductible has been paid.

In 2013, California had 7 million uninsured people. A full quarter of Californians with jobs were uninsured. There are not yet accurate statistics for the overall impact of Obamacare, but total enrollment in Covered California is just 1.3 million, including people who were previously insured elsewhere.

California is by no means the only state facing large rate hikes under the ACA. In Michigan, the average rate increase request is 6.5 percent. Some companies are using their near-monopoly position in certain states to really gouge customers. Blue Cross Blue Shield of Tennessee, which insures 70 percent of those on the state exchange, is seeking a 36.3 percent rate increase.

These increases are not to cover new expenses, but to increase profits. Among four of the largest health insurance companies, Aetna, Anthem, Cigna and Humana, stock prices doubled in a matter of two years. On the Covered California exchange, Aetna has 16 plans that are seeking premium hikes between 10 and

22 percent.

Anthem Inc. has seen the biggest gains with a 17.5 percent growth in profit, from $731 million in 2014 to $859 million in 2015. Anthem also collected $20.02 billion in total revenue in three months alone ending in July, an increase of 8.3 percent. In Connecticut, where Anthem insures a third of those covered by Obamacare, the insurer is requesting a 6.7 percent rate increase.

In the economy overall, inflation for the past 12 months is just 0.1 percent, meaning these increases mark an enormous rise in the cost of insurance for American workers.

Kaiser Permanente, one of the major insurers and health care providers in California, highlights the direct connection between Obamacare, rising profits and reduced care. Thanks to the ACA, Kaiser has enrolled a million new members since August 2013, bringing total enrollment to 10 million.

Kaiser has coupled this enormous growth with cutting its number of nurse practitioners in 2014 by 10 percent. This has meant deteriorating working conditions for doctors and nurses, who are forced to limit their time with each patient and provide inferior care. At the same time, Kaiser raked in $3 billion in 2014 to add to its $30 billion cash hoard, and is on schedule to make the same amount in 2015.