UnitedHealth cuts Obamacare options for tens of thousands

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UnitedHealth, the largest US health insurer, has indicated it is drastically cutting its Affordable Health Care (ACA) public exchange offerings to only three states. This could affect some tens of thousands in the 31 states to be eliminated from the health insurer's currently served markets. The drastic reduction in its covered health exchange markets comes despite revenues rising by 28 percent in the second quarter of 2016, to $46.5 billion, and profits jumping 13 percent, to nearly $3.4 billion. This is due mainly to profits in the company's Optum division.

UnitedHealth reports that it has lost more than $1 billion over the last two years on the exchanges run by what is commonly known as Obamacare. This includes an estimated $200 million in losses in "ACA-compliant individual products" in 2016, *Forbes* reports.

In a telephone call with analysts Tuesday, UnitedHealth CEO Stephen Hemsley said the company now expects to operate "three or fewer exchange markets" in 2017, down from 34 this year. UnitedHealth plans to maintain public exchange offerings only in New York, Nevada and Virginia, pending approvals, Hemsley said.

UnitedHealth cited higher-than-expected enrollment in Obamacare insurance products as the main cause of its projected $200 million losses for 2016. According to *Investor's Business Daily*, the insurer had 820,000 exchange customers at the end of June, up by about 25,000 from the end of March. These figures were surprising, as enrollment typically declines for most companies as the year progresses.

UnitedHealth ACA enrollees since March have tended to be sicker, including customers with chronic conditions such as HIV, diabetes and hepatitis C. Under Obamacare, insurers are prohibited from discriminating against those with preexisting conditions. The moves by UnitedHealth to dump the vast majority of their ACA products demonstrate, however, that insurers are free to exit the market if they determine their profits are threatened.

Under the ACA's "individual mandate," individuals and families without health insurance from their employer or a government program such as Medicare or Medicaid must purchase coverage from a private insurer on the exchanges or pay a substantial tax penalty. But the insurer companies are under no such obligation to actually provide such coverage.

For UnitedHealth, the real driver of profits and revenue has been the company's Optum division, which saw revenues soar by 52 percent in the second-quarter, to $20.6 billion. The Optum unit includes OptumRx, a pharmacy benefit management company, which saw a 69 percent growth in revenue in the second quarter, to $15.1 billion, due to growth and acquisitions, according to *Forbes* .

Through urgent care centers and doctor's practices it owns, Optum also provides technology services to doctors and hospitals as well as a business providing outpatient care.

The giant insurers can pick and choose where to do business, letting profits and revenue be their guide, as Obamacare is based on the for-profit model. The insurance companies make no pretense that their involvement in the ACA marketplace is driven by altruistic motives.

When insurers do choose to participate in the ACA marketplace there is little meaningful oversight on the prices they charge for premiums. While premiums and the scope of plan networks vary from state to state, a recent Kaiser Family Foundation report showed that the average cost of the second-lowest-cost "silver" plan on the Obamacare marketplaces will rise by 10 percent in

2016, double last year’s rate.

The most affordable ACA plans also come with large deductibles, which must be paid in full before any coverage, except that deemed “essential,” kicks in. Many of the lowest-cost “bronze” plans come with deductibles as high as $5,000 and more.

The *Los Angeles Times* reports that Obamacare premiums in California will rise by an average of 13.2 percent in 2017, according to state officials. This follows increases of 4.2 percent in 2015 and 4 percent in 2016. Officials had previously boasted that the state’s Covered California program had insured hundreds of thousands of people while keeping costs relatively low.