Obamacare insurance rates set to spike in California in 2017

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Halfway into the third year of the Affordable Care Act, commonly referred to as Obamacare, average premium rate increases of 13.2 percent have been announced in California for 2017.

The rate spikes come after a four percent or more average increase in both 2015 and 2016, leading to a three year average increase of seven percent. California is the first state to announce the official costs although similar leaps in premiums are expected throughout the nation.

Over the first three years, around 1.4 million individuals have signed up on the state's health care exchange, Covered California. Another 12-13 million individuals are enrolled in Medi-Cal, California's Medicaid program for those who are below the income limits for insurance on the exchange.

Insurance companies and state officials largely attribute the increased premiums to rising health care costs and prescription drug costs. Next year also marks the end of a federal funding measure known as “reinsurance,” which kept the prices from drastically increasing during the first three years of the Affordable Care Act (ACA).

The ACA has been heralded by President Barack Obama and virtually every Democrat as a means of providing affordable universal health coverage. This lie must once again be exposed. What is becoming clearer each year is a prognosis the WSWS made in 2013 as the legislation was about to go into effect.

At the time we wrote, "The ACA will cut costs dramatically for employers and the government while reducing and rationing medical services for millions of ordinary people—while boosting the profits of the health care industry."

According to Kaiser Family Foundation (KFF), the share of insured workers in plans with a general annual deductible has increased from 55 percent in 2006 to 81 percent in 2015, and the average deductible amount has increased from $584 to $1,318 over the same period.

Another report from KFF states that between 2004 and 2014, the average payments made towards deductibles by enrollees rose 256 percent (from $99 to $353) and average total costs for patients, including coinsurance and copayments, rose by 77 percent—meaning that the upfront costs increased over three times faster than the total spent on insurance.

During the same period, wages only increased 32 percent. The trend has been steadily turning towards insurance companies collecting more money in the form of deductibles and premiums—before any services are provided.

Plans purchased through the ACA exchanges have annual deductibles of up to $5,000 and out-of-pocket maximums can be as high as $6,850 for single coverage and $13,700 per family in 2016. The plans include additional expenses to individuals through increased copayments and coinsurance for prescriptions and hospital & outpatient visits (depending on the plan, from 10 to 40 percent of the total cost of service).

What this all means is the shifting of the health care costs from the corporations squarely onto the backs of the working class, while at the same time, gutting the quality of care. Numerous media outlets have proclaimed that Obamacare has caused the total rates of those insured to fall to all-time lows. This claim is deceitful. Most working class individuals and families that have enrolled are paying exorbitant amounts for what is really only “catastrophic” coverage.

The section of the population enrolled in the ACA plans, roughly 11-12 million across the nation at present, are of the lowest paid layers of the working class—those earning between 138-400 percent of the Federal Poverty Level. In 2016, this is an annual income of $16,242 to $47,080 for an individual and $33,465 to $97,000 for a family of four.

Over the past three years, many individuals and

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families, who previously had health coverage with their employers, have been cut off of plans and pointed in the direction of the health exchange with the threat of being fined by the Internal Revenue Service each year they fail to purchase coverage that meets the ACA guidelines.

The IRS fine, referred to as the "individual mandate," increased to 2.5 percent of adjusted gross income in 2016—or $695 per adult and $347.50 per child—whichever amount is greater. The fines are assessed when taxes are filed each year, often completely wiping out long awaited tax refunds or leaving a balance due for already struggling families.

One of the touted benefits of the insurance "marketplaces" is that competition between the different companies will keep prices lower. In reality, plans that offer the cheapest insurance one year may be the most expensive the next and in order to keep the monthly expenses from skyrocketing, households are often required to switch plans or insurance companies each year during the open enrollment period.

This is along the lines of the advice given by Covered California Director Peter V. Lee on California's exchange web site, CoveredCA.com.

In an article published Tuesday, Lee stated, "Shopping is going to be more important this year than ever before, almost 80 percent of our consumers will either be able to pay less than they are paying now, or see their rates go up by no more than 5 percent, if they shop and buy the lowest-cost plan at their same benefit level. That's the power of shopping."

In addition to the increased bureaucratic burden placed on families, switching insurance often means changing doctors, health care facilities, or in the case of changing between the various tiered plans, changing copays and benefits actually covered by the plan. Furthermore, after not seeing lucrative enough profits some companies have left the exchanges altogether and enrollees in these plans are forced to seek new coverage.

Lee goes on to say, "Under the new rules of the Affordable Care Act, insurers face strict limits on the amount of profit they can make selling health insurance…we can be confident their rate increases are directly linked to health care costs…."

According to the Covered California web site, some insurance companies have claimed the increased rates are due in part to "consumers who may be enrolling in health insurance only after they become sick or need care." The site goes on to state, "the exchange is aggressively marketing to attract healthy consumers year-round, and it is working to ensure special enrollment is available only to those who meet qualifying circumstances."

Along with the IRS fine through the Individual Mandate, one of the main tenets of the ACA when it was pitched to Congress was the enrollment of a high number of young healthy individuals who were previously uninsured to help cover the costs of the elderly and sick. Essentially, the insurance companies are seeking to enroll more individuals who won't actually need insurance but will pay the costly premiums in order to offset the costs.

Cost increases will be announced throughout the country leading up to the vote for the presidential election in November. Both candidates stand for the further enrichment of the health care industry at the expense of the working class, albeit by different means.

Donald Trump's initial call relating to Obamacare in replacing it with "something terrific" has been more formally defined along the typical right-wing lines of opening the industry up more broadly to the free market and implementing Medicaid block grants to the states, a way of reducing government spending.

Hillary Clinton would like to further enshrine the reactionary Affordable Care Act and, while claiming to support a few modest expansions to Medicaid and Medicare, her statements are almost indistinguishable from Obama's when the act was first introduced.

Health care costs in the United States are currently the highest in the world, with per capita spending reaching nearly $10,000 per individual. Yet the US population suffers from more disease and obesity and has shorter life spans than other industrialized countries—problems that disproportionately impact the working class and poor.

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