

Senate Democrats Bash Blue Cross' Health Reform Report

John Commins, for HealthLeaders Media, December 4, 2009

Senate Democrats are dismissing as "deception and distortion" a new health insurance industry study that alleges that the cost of premiums in the individual market would increase by 54% if healthcare reform passes.

"As Senate Democrats move closer to fixing our broken health system, the insurance industry continues their 'say anything' strategy to deceive the public," said Jim Manley, spokesman for Senate Majority Leader Harry Reid of Nevada.

"So far, all we've gotten from the defenders of our broken health system is a series of misleading reports, scare tactics and an obstruction manual. They still have no plan to fix our broken system, no plan to curb the abuses within the insurance industry, and no plan to combat skyrocketing healthcare costs," Manley said in a media release. "These insurers and their defenders are scrambling to stand in the way of progress. But their campaign of deception and distortion will not derail our efforts because Americans' strong desire for reform grows with each passing day."

Manley was responding to a [new actuarial analysis](#) commissioned by the Blue Cross and Blue Shield Association, which stated that average annual medical claims in the new individual market will be 54% higher than they are today five years after implementation of the Patient Protection and Affordable Care Act.

The increase would translate into premiums for people purchasing new policies of \$4,561 for single coverage and \$9,669 for family coverage in today's dollars—representing premium increases of \$1,576 and \$3,341, respectively.

The study, conducted by Oliver Wyman, Inc., attributes the increases in costs for individuals to the inclusion of new guarantee issue rules without stronger coverage mandates.

"This means that many people are likely to wait to purchase coverage until they need it, raising premiums for everyone. Without a stronger coverage mechanism, and other changes to improve affordability, coverage levels are unlikely to reach more than 91% of the population," according to the report.

"Healthcare reform cannot be considered successful if it makes coverage more expensive," said Scott P. Serota, BCBSA president/CEO. "This analysis illustrates that is exactly what will happen if new insurance market reforms in the individual market are not paired with effective mechanisms to ensure broad participation in the market, as well as with sensible discounts for young people."

The analysis also found that premiums for the youngest 30% of the population, who are needed to help pay into a health insurance system that accepts more Americans, will increase by 35% as a direct result of the 3:1 age band included in PPACA.

"Significantly restricting age discounts coupled with a weak mandate will cause young people—who are critical to providing cross subsidies—to forgo coverage resulting in higher premiums for everyone," said Kurt Giesa, director, Oliver Wyman, Inc.

Individuals also would see premium increases as a result of new minimum benefit requirements, according to the analysis. The proposed benefit design requirements, including covered services and 60% minimal actuarial value, would lead to an average total premium increase of 14% in the individual market.

The Oliver Wyman analysis also found that costs would increase in the small group market as a result of the reforms included in the PPACA. Small employers purchasing new policies in the reformed market would experience premiums up to 20% higher in year five of reform, not including the impact of medical inflation. The analysis concluded that these premium increases would lead to fewer small employers offering coverage, with as many as 2.9 million fewer people insured through small-employer policies.

The new Oliver Wyman, Inc., analysis projects premium increases that are much higher than what the Congressional Budget Office recently estimated. While CBO's estimate recognizes the Senate proposal would increase premiums significantly in the individual market, it understates the impact in a few key areas that would affect the magnitude of expected premium changes:

- Adverse selection would occur with weak coverage incentives as currently included in the Senate bill. CBO believes there will be "limited" adverse selection. However, experience shows if healthy individuals can wait to get coverage until they need it, many people will make that rational choice, according to the BCBSA report.
- Newly insured people would be more costly than expected. Adding the previously uninsured would significantly increase premiums in the individual market. Contrary to CBO, Oliver Wyman's analysis of actual claims' costs in the individual market predicts that the uninsured would actually be 20% more expensive to insure than those in the individual market today, whose current population is much healthier. Had CBO adopted a similar assumption, their premium impact would have been higher.
- The subsidies included in the bill would encourage participation, but are insufficient to drive effective coverage levels. Subsidies would lead a large percentage of those with incomes below 200% of the federal poverty level to purchase insurance. But subsidies would decline at higher income levels, and more than 18 million people, including both currently uninsured individuals and current members of the individual market, would be ineligible for subsidies. As a result, participation rates would be much lower for those above 200% FPL without meaningful incentives. In the first year of reform, 25% of the exchange eligible population is projected to exceed the 8% "affordability" threshold and are exempt from the mandate. Premium increases over a 10-year period are projected to result in nearly half of the population qualifying for mandate exemption status.

- National estimates do not capture the true impact at the state level. The impact would vary significantly by state because of regional differences in rating laws today. Oliver Wyman found that two-thirds of Americans live in states where the average premium impact would be much higher than a national average.

John Commins is an editor with HealthLeaders Media. He can be reached at jcommins@healthleadersmedia.com.

Back