

Premiums to Skyrocket Under Obamacare

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Skyrocketing insurance premiums will slam millions of consumers next year because of "indirect taxes" contained in both the House and Senate versions of healthcare reform, according to various medical and insurance industry experts.

Healthcare reforms that were supposed to contain costs actually will cause a sharp hike in premiums, they add. In fact, several studies indicate consumers' premiums could more than double next year if healthcare reform takes effect.

"So even though this bill tries to hide these costs as indirect taxes," Sen. Orrin Hatch, R-Utah, recently told a business symposium, "average Americans who purchase health plans, take prescription drugs, or use medical devices will end up footing the bill."

The rate hikes stem from the hundreds of billions in proposed fees and taxes levied on providers.

For example, the Finance Committee's proposal would assess \$322 billion in taxes and fees on insurance premiums, prescription drugs, and medical devices, according to the Senate's Joint Committee on Taxation.

The committee and other experts say virtually all of those costs will be passed along to consumers in all tax brackets — despite President Barack Obama's pledge not to raise taxes "one dime" on those earning less than \$250,000 per year.

Another likely frustration for consumers: The premium hikes will take effect right away, while the subsidies and benefits in healthcare reform won't kick in completely until 2014.

Scott Gottlieb, a physician and American Enterprise Institute resident fellow, stated Thursday in a New York Post op-ed that, by front-loading the costs and back-loading benefits, Congress is resorting to "a gimmick that imposes a stiff price on the public."

That "gimmick," Gottlieb claims: using 10 years of added fees and taxes on providers to offset about five years worth of benefits. Those costs "will immediately shift onto consumers, in the form of higher prices on medical products and rising premiums," he says.



Protesters demonstrate Thursday near the Capitol as House Democrats unveiled sweeping healthcare reform legislation. Several studies indicate consumers' premiums could more than double next year if healthcare reform takes effect. The rate hikes stem from the hundreds of billions in proposed fees and taxes levied on providers. (Getty Images)

Democrats have promised to insure an additional 35 million Americans, without raising taxes or increasing the tsunami of deficit red ink spilling out of Washington these days.

Douglas Holtz-Eakin, the former director of the Congressional Budget Office, appeared to concur with Gottlieb's assessment in a recent Wall Street Journal op-ed.

"These costs will be passed on to consumers by either directly raising insurance premiums, or by fueling higher health-care costs that inevitably lead to higher premiums," he wrote.

The bottom line: Most voters will be paying higher premiums for years before they see any benefits. That could spell serious trouble for Democrats in the 2010 midterm elections.

The Senate bill proposes \$2.3 billion in fees on brand-name drugs, \$4 billion on medical devices, and \$6.7 billion levied on insurance companies, plus more than \$100 billion in Medicare reimbursements to medical providers — all costs that would be shifted back onto consumers.

Speaker Nancy Pelosi's House bill appears even more expensive. It would impose \$150 billion in Medicare cuts on the pharmaceutical industry, and a 2.5 percent tax on companies that manufacture medical devices.

"Most of astounding of all," Holtz-Eakin wrote, "is what this Congress is willing to do to struggling middle-class families. The bill would impose nearly \$400 billion in new taxes and fees. Nearly 90 percent of that burden will be shouldered by those making \$200,000 or less."

Just how much will insurance premiums jump once the Democratic reforms kick in? The figures vary from state to state.

According to a recent study by Wellpoint, the massive Blue Cross/Blue Shield licensee that provides insurance coverage to one in nine Americans, some older and less healthy consumers could actually see rate reductions. But those cuts would be more than offset by the spiraling premium increases hitting other insurance customers.

Based on provisions in the bill passed by the Senate Finance Committee, which is more conservative than the broad proposals put forth by Senate Majority Leader Harry Reid and Speaker Pelosi, Wellpoint projects that healthy people in their mid-20s could see their annual premiums increase by more than 150 percent in at least seven states: Indiana (199 percent); Kentucky (199 percent); Maine (172 percent); Missouri (199 percent); Ohio (199 percent); Virginia (175 percent); and Wisconsin (199 percent).

For individuals of average age and health, and the small businesses employing them, the estimated rate hikes in the 14 states where Wellpoint does business would be:

California

Individual – 53 percent

Small Employer – 22 percent

Colorado

Individual – 52 percent

Small Employer – 9 percent

Connecticut

Individual – 64 percent

Small Employer – 8 percent

Georgia

Individual – 85 percent

Small Employer – 16 percent

Indiana

Individual – 122 percent

Small Employer – 20 percent

Kentucky

Individual – 122 percent

Small Employer – 22 percent

Maine

Individual – 172 percent

Small Employer - 18 percent

Missouri

Individual – 122 percent

Small Employer – 18 percent

Nevada

Individual – 61 percent

Small Employer – 16 percent

New Hampshire

Individual – 19 percent

Small Employer – 15 percent

New York

Individual – 82 percent

Small Employer – 6 percent

Ohio

Individual – 122 percent

Small Employer – 16 percent

Virginia

Individual – 96 percent

Small Employer – 25 percent

Wisconsin

Individual – 122 percent

Small Employer -17 percent

It's important to note, however, that Wellpoint's projected rate increases do not account for the increase in medical-service costs over time. Nor do they account for other, less obvious costs likely to accompany reform. So the actual premium increases might be higher.

Assuming voters aren't happy with skyrocketing premiums, the political pressure to limit the cost-shifting could be tremendous. Dr. Russell L. Blaylock, a board-certified neurosurgeon and staunch opponent of the reform proposals, who authors the Blaylock Wellness Report for Newsmax Media, predicts that politicians would attempt to block the cost-shifting to consumers.

Doing so, he warns, would seriously impact the quality of U.S. healthcare.

"Of course, the government will anticipate this and prevent the doctors and hospitals from passing these costs to their patients," Blaylock tells Newsmax. "And this leaves one option: Severe rationing of care, which the government has wanted all along."

The spiraling costs contained in the Affordable Health Care for America Act that Pelosi unveiled Thursday drew heavy fire:

- **Competitive Enterprise Institute senior fellow Gregory Conko called the bill "a recipe for exploding costs," adding: "The Affordable Health Care for America Act is anything but affordable. It will force millions of Americans to pay higher health insurance premiums, it taxes individuals who would like to purchase insurance options that don't meet standards set by Washington bureaucrats, and it forces businesses and individuals to pay for insurance benefits they don't want and don't need."**
- **The U.S. Chamber of Commerce, the National Retail Federation, the National Association of Manufacturers, and seven other major associations sent a letter to Pelosi warning the legislation "falls short of the bipartisan goal of controlling costs."**
- **Rep. Mike Pence, R-Ind., the chairman of the House Republican Conference, told CNN the Pelosi plan "looks like another freight train of big government with more taxes, more mandate and more spending – and that's not what the American people want in healthcare reform." He added that a search showed the nearly 2,000-page bill contains the directive "shall" 3,425 times.**
- **Rep. Tom Price, R-Ga., remarked: "The people of this country want reforms that provide them with more choices, more competition, more innovation, higher quality, and lower costs. Instead, Democrat leaders have worked in secret to write a bill that does exactly the opposite."**
- **Karen Ignagni, the president of the America's Health Insurance Plans trade group that lobbies Congress on behalf of insurance companies, called the proposal "a missed opportunity." Ignagni predicted "families and employers will not be able to afford coverage and healthcare costs will rise at a rate much faster than the overall economy is able to sustain." In addition to the Wellpoint study, AHIP says three other reports, including one by PricewaterhouseCoopers, project that the legislative proposals will cause premiums to increase "far faster and higher" than they would under the present system.**

Voters probably won't like getting socked with higher premiums if the reforms pass. But most of them won't be that surprised.

A recent Rasmussen Reports poll showed 57 percent of voters nationwide expect the reforms that were supposed to reduce costs actually will make them go up. Also, 53 percent of voters expect the quality of healthcare in the post-reform era will get worse.

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