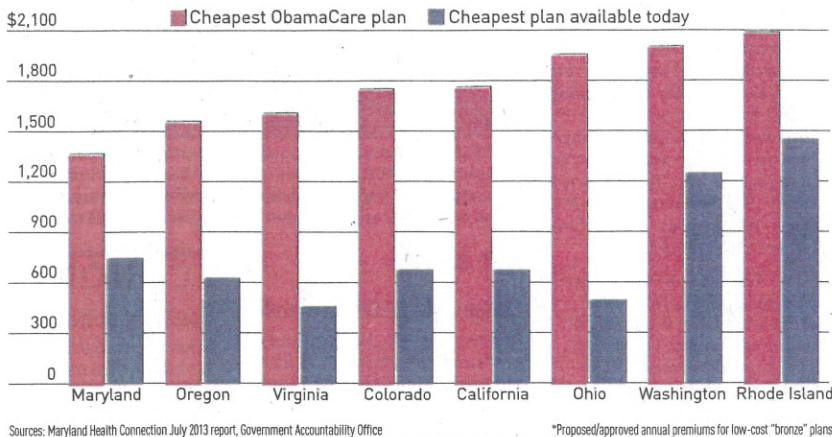


## Premium Shock For Young People

Insurers in several states have proposed plans under ObamaCare\* and, in most, the lowest-cost "bronze" plans for young people cost much more than the cheapest plans available now.



### ISSUES & INSIGHTS

# Rate Shock: Young People Face Big ObamaCare Premium Hike

BY JOHN MERLINE  
INVESTOR'S BUSINESS DAILY

The average price for the lowest-cost ObamaCare "bronze" plan in eight states is 122% higher than the cheapest plan currently available in those states, according to an IBD analysis of rate filings and a recent Government Accountability Office report.

The late July report, largely overlooked by the press, provides detailed information on insurance plans today in all 50 states, from the cheapest plans offered to a 30-year-old non-smoker to the most expensive plans 55-year-old couples can buy.

A separate report from the Maryland insurance department lists the lowest-cost "bronze" plans proposed for ObamaCare exchanges in eight states.

Comparing the two reveals a wide gulf between the cheapest plans available now and those that will be sold next year under ObamaCare.

In Ohio, for example, the least expensive "bronze" plan for a

25-year-old will cost \$1,956 a year. That's almost three times higher than the cheapest plan in that state today, and higher than even the median-priced plan in the state, according to the GAO report.

In Virginia, the lowest "bronze" premium is \$1,608 — which is 252% higher than the cheapest policy available today.

And Maryland's least expensive ObamaCare plan will be 83% higher than the lowest-cost plan sold in that state this year.

Aetna<sup>NET</sup> on Thursday pulled out of Maryland's exchange after state officials pressed it to lower its proposed rates by up to 29%.

#### Subsidies, Benefits Touted

ObamaCare backers point out that many people couldn't get these current low rates either because they aren't sold in their local area, or because of their health status. And these plans often include higher deductibles and skimpier benefits than ObamaCare allows.

They also point out that exchange subsidies will offset higher ObamaCare costs for many,

and that in any case, higher premiums are worth it given the protections against coverage denials and the more comprehensive benefits required.

But not everyone will be eligible for these subsidies, which phase out entirely at 400% of the poverty rate. And even with them, costs will still go up for many. A young worker making \$20,000 in Maryland, for example, would pay about \$1,000 for the cheapest ObamaCare plan, after the subsidy. That's still \$278 more than the least expensive plan offered in the state today.

And higher rates pose a significant risk to ObamaCare's success. If not enough young people sign up, premium costs will spiral upward.

That's been the experience in six states that have already imposed ObamaCare-style market reforms — known as "guaranteed issue" and "community rating." These rules prevent insurers from denying coverage or charging more to people who are sick. But they can easily backfire. SEE OBAMACARE ON A6

## ObamaCare Risks A 'Death Spiral' If Young People Shun Costly Premiums

### OBAMACARE FROM A1

Because coverage is guaranteed, people have an incentive to put off buying insurance until they get sick, thereby saving premium costs in the meantime. And the community rating rules reduce premiums for the sick, but raise them for the healthy.

The combination of the two can create a premium "death spiral." If young, healthy people refuse to buy coverage, the insurance pool gets older and sicker, and premiums climb still higher.

The GAO data support this. The lowest-cost plans in the six states with guaranteed issue and community rating rules average \$1,703 a year. But in the 44 states without these rules, the cheapest plans average only \$615.

Two states — Kentucky and New Hampshire — abandoned these market regulations precisely because of this death spiral. And in New York, these rules left the state with just thousands able to afford individual policies, down from more than 1 million who bought them in 1992.

The designers of ObamaCare say the individual mandate will prevent sky-high rates by forcing

young and healthy people to buy coverage or pay a fine. But there's no guarantee this will work.

In Massachusetts, for example, which has both the ObamaCare market reforms and an individual mandate, the cheapest plan available today costs \$2,564 a year, according to the GAO. That's higher than any other state in the country, and more than three times the national average.

And while Washington state has guaranteed issue and community rating rules but no individual mandate, ObamaCare will nevertheless push its premiums still higher. The cheapest "bronze" plan proposed for a 25-year-old would run \$2,000 a year — which amounts to a 60% increase over what's available to a young person in that state today.

Plus, even ObamaCare backers say that the penalties for not complying with the mandate are likely to be too weak to work effectively, according to the Washington Examiner's Philip Klein — who was one of the few to pick up on the GAO report.

Klein notes that liberal economist Uwe Reinhardt called these low penalties a "major design flaw in the law."