HEALTH CARE REFORM
OUR UPDATE & ADVICE

MORRIS & REYNOLDS INSURANCE PRESENTS ADVICE & ANSWERS ON AMERICA'S HEALTH CARE REFORM FEBRUARY 2013

HEALTH INSURANCE RATES MAY RISE DRAMATICALLY

HEALTH CARE REFORM SUPPORTERS WORRY RATES WILL INCREASE DUE TO REFORM LAWS

Emerging information suggests that medical insurance rates could increase dramatically for individuals and small businesses.

Before we report who is saying and doing what, let's first start by understanding how health insurer's historically priced and underwrote their medical insurance policies.

HOW HEALTH INSURED *WAS* PRICED

INDIVIDUAL INSURANCE:

Historically, insurer's priced coverage based on insuring a *healthy* person and then assumed the risk that something may, or may not, happen to them. Insurers would ask questions in an application about one's health, past claims and family history as part of their underwriting. If the answers were acceptable the insurer would issue a policy and tin doing so would typically exclude pre-existing conditions for 18 to 24 months.

That Underwriting, those *screening* questions, along with an exclusion for pre-existing conditions, is why individual rates were often, initially low. Over time insurer's would then increase rates in anticipation of paying for pre-existing conditions.

The key to how coverage was priced before reform, is that health questions could be asked to determine one's health. And even after that took place, pre-existing conditions were initially excluded.

SMALL GROUP (BUSINESS):

The process of obtaining health insurance for small businesses has been similar (Insurers would ask health questions and make decisions about whether to offer coverage and at what cost.) to how individuals were underwritten. In most states, Florida included, insurers were not allowed to exclude pre-existing conditions when a group changed insurers as long as those on the plan had been on the prior plan.

HOW HEALTH INSURANCE WILL BE PRICED AS OF 01/01/2014

As of January 1st, 2014 insurers will not be allowed to ask health questions and must cover pre-existing conditions. Both provisions are good for consumers. Especially those in states that did not already have consumer oriented laws that other states (Florida being one of them.) have long had to protect consumers.

But the initial news about how these broader provisions will impact rates suggest they will come at a high cost in the form of large rate increases. Some of which are now being implemented.

Just last week **The Los Angeles Times** reported that with

> ***"Less than a year before Americans will be required to have insurance under President Obama's healthcare law, many of its backers are growing increasingly anxious that premiums could jump, driven up by the legislation itself."***

According to the Times, "***Higher premiums could undermine a core promise of the Affordable Care Act: To make basic health protections available to all Americans for the first time."*** **Times also wrote that** ***"Administration officials have consistently downplayed the specter of rate increases and cite provisions in the law that they say will hold down premiums, including new competitive markets they believe will make insurers offer competitive rates."***

"*A provision that will prevent insurance companies from charging older consumers more than three times what they charge young consumers* **was** *a top priority of the influential AARP*." The Times says that "***As rates come down for older people, they may increase for consumers in their 20s, regulators worry***." Should that happen, young, healthy people could elect to forgo health insurance which as a result ***"Would leave an older, sicker population in the insurance pool, a phenomenon that typically inflates premiums."***

The Washington Post, in an article entitled ***Possibility Of Rate Shock from ACA*** wrote last week that ***"Young, healthy Americans could soon see a jump in their health insurance costs, and insurance companies are saying: It's not our fault."*** **Insurers:** "***Several reasons that premiums will rise. They will soon be required to offer more-comprehensive coverage than many currently provide. Also, their costs will increase because they will be barred from rejecting the sick and they will no longer be allowed to charge older customers sharply higher premiums than younger ones***."

In a January 5th article, **The New York Times** entitled ***Health Insurers Raise Some Rates By Double Digits*** the author states

> ***"Health insurance companies across the country are seeking and winning double digit increases in premiums for some customers, even though one of the largest objectives of the Obama Administration's Health Care Law was to stem the rapid rise in insurance costs for consumers. Particularly vulnerable to high rates, are small businesses and people who do not have employer-provided insurance and must buy it on their own***.

In **California**, for example, Aetna is proposing rate increases of as much as 22%, Anthem 26%, Blue Cross 20% according to insurer's filings with the state for 2013. In **Florida** and **Ohio** insurer's have increased rates in many cases by 20% or more.

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Morris & Reynolds Insurance Presents Advice & Answers on America's Health Care Reform — February 2013

Health Insurance Rates May Rise Dramatically

Health Care Reform Supporters Worry Rates Will Increase Due to Reform Laws

In it's January 13th article, **Obamacare's Health Insurance Sticker Shock**, **The Wall Street Journal** wrote;

> ***"Thanks to mandates that take effect in 2014, premiums in the individual markets will shoot up. Some may double."***

Central to ObamaCare is the mandate that all Americans carry coverage that that will increase the number insured and lower or stabilize costs for everyone. The foundation of this theory are requirements that insurers; (1) accept everyone (guaranteed issue), (2) cannot charge more based on medical conditions (modified community rating), and (3) include numerous coverage mandates.

What *might* these changes (guaranteed issue, community rating) mean? The Journal reported that; "*Eight states-**New Jersey, New York, Maine, New Hampshire, Washington, Kentucky, Vermont** and **Massachusetts**-enacted guaranteed issue and community rating in the mid-1990s and doing so had a very negative important on their individual (non-group) health-insurance markets. Premiums increased so much that **Kentucky** repealed its law in 2000 and some other states eventually modified their community-rating provisions*".

The Journal went on to report; "***Many actuaries, such as those in the international consulting firm Oliver Wyman, are now predicting an average increase of roughly 50% in premiums for some in the individual market for the same coverage. But that is an average. Large employer groups will be less affected, at least initially, because the law grandfathers in employers that self-insure. Small employers will likely see a significant increase, though not as large as the individual market, which will be the hardest hit***".

The Journal compared premiums in states that already have similar laws to Obama Care and found consumers in **New Jersey** and **Vermont** now pay over two times what people in many states pay. Those in **Maine** and **Massachusetts** are close behind. It is anticipated that these states will see smaller increases. The Journal reported that; By contrast, ***Arizona, Arkansas, Georgia, Idaho, Iowa, Kentucky, Missouri, Ohio, Oklahoma, Tennessee, Utah, Wyoming and Virginia will likely see the largest increases-somewhere between 65% and 100%. Another 18 states will likely see a small increase.***

While ObamaCare won't take full effect until 2014, premiums in the individual market are already rising, and not just because of increases in medical costs. Insurers are adjusting in anticipation of guaranteed-issue and community-rating mandates. There are newly imposed mandates, such as the coverage for children to age 26, and what qualifies as coverage is much more comprehensive and expensive. Consolidation in the hospital system has been accelerated by ObamaCare and its push for Accountable Care Organizations. This means insurers must negotiate in a less competitive hospital market.

Aetna : *Some Markets to Increase by 100%*

Insurers have been reluctant to discuss the impact on health care reform on their rates. **Mark Bertolini, CEO of Aetna, the country's 3rd largest insurer, broke the silence in December 2012** while at a New York investor's conference by saying;

> ***"We're going to see some markets go up by as much as 100%."***

In response the Journal article stated; *Insurers know that the Administration will denounce the increases as the result of greedy insurers, greedy doctors, greedy somebody. The Department of HHS will threaten, arm-twist or investigate insurers in an effort to force them into keeping premiums in line with democratic promises-just as HHS bureaucrats have already started doing when Insurers want premium increases larger than 10%. And that may work for a while.*

*It worked in **Masssachussets**, where politicians, including then-Governor Romney, made all the same cost-lowering promises about the state's 2006 prequel to ObamaCare that have yet to come true.*

Morris & Reynolds Insurance is deeply involved in America's health care reform and looks forward to delivering the coverage, solutions and advice you need. This includes use of the forthcoming exchange(s) for individuals and small businesses. Please continue to count on our professional agents and underwriters to answer your questions as well as provide the solutions you, your family and businesses need for many years to come. **305.238.1000**

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