



664

November 2014

Share



Like 533 Tweet 17

14 Ways ObamaCare Is Still a Big Mess – That You Won't Learn from the Liberal Website Vox

by David Hogberg, Ph.D.

"In conservative media, ObamaCare is a disaster. In the real world, it's working."¹

So claims the usually over-confident liberal editorialist Ezra Klein on his website, Vox.

Klein says ObamaCare is working because premiums on the ObamaCare exchanges are "lower than expected" and that the number of companies offering plans on the exchanges "in 2015 will increase by 25 percent." But, Klein complains, most conservatives probably don't know this since right-leaning websites "run multiple articles every day on the problems and nothing on the broader trends."²

"The law is working," Klein concludes, "but a lot of the people who are convinced ObamaCare is a disaster will never know that, because the voices they trust will never tell them."³

Despite what Klein suggests, ObamaCare is becoming an even bigger mess.

Here's a round-up of the problems ObamaCare has caused as the exchanges head into the second open enrollment season November 15:

Premium Increases: Although President Obama promised a family of four would save \$2,500 in premium costs thanks to ObamaCare, almost the exact opposite has proven true. The Kaiser Family Foundation shows that the average employer-based family policy that cost \$13,770 in 2010 cost \$16,834 in 2014, an increase of over \$3,000.⁴

Exchange Subsidy Roller Coaster: While the left hailed the new insurance companies entering the exchanges and the lower premium costs that would result, they forgot to mention that exchange subsidies could also decline.⁵ Since 83 percent of exchange consumers have subsidies, a lot of people could be in for hefty premium increases as their subsidies begin to decrease.⁶

The subsidy is a formula based on the second lowest-cost silver plan on an exchange minus the amount of money the individual is required by law to put toward the insurance premiums, known as the "applicable percentage." Let's say that the second lowest-cost silver plan last year was \$200 per month while an enrollee's applicable percentage was \$150 per month. The enrollee's subsidy was \$200 - \$150 = \$50 per month. This year, however, if a new company enters the exchange offering lower cost insurance, and the second lowest-cost silver plan becomes \$175 per month. The enrollee's subsidy is now \$175 - \$150 = \$25 a month. If the enrollee keeps the same plan (ObamaCare automatically re-enrolls individuals in the plans they had in 2014), he would pay \$300 more per year for it.

This is far from hypothetical. A preliminary analysis by the state of Colorado found that the new lower-cost silver plans could cause exchange consumers to see the premiums rise by an average of 77 percent next year if they keep their current plans.⁷

Poor Quality: The regulations governing ObamaCare exchanges have worsened the quality of insurance plans. To cover the cost of the regulations and keep premiums even remotely reasonable, insurers had to increase out-of-pocket costs and reduce provider networks. A National Center for Public Policy Research study found there was an average of 33 policies for a 27-year-old on the individual market in 2013 that had both lower premiums and lower or equal out-of-pocket costs than the cheapest policy on the exchange.⁸ There were ten such policies for a 57-year-old couple. A Health Pocket study found that deductibles were, on average, 42 percent higher than plans that were on the individual market in 2013.⁹

The pejorative term "skinny network" came to describe the networks of physician hospitals and other providers available through exchange plans, and for good reason. An Associated Press survey found that only four of the top 19 cancer centers in the country said they "have access through each of the insurance companies in the state exchanges."¹⁰ Dr. Scott Gottlieb of the American Enterprise Institute examined exchange policies in nine states and found that access to specialists was up to 65 percent lower than in comparable preferred provider organization (PPO) plans.¹¹ A recent Avalere study found that, on average, only 32 percent of the top ten cardiologists, neurologists, and diagnostic radiologists in ten major cities were available through the three cheapest silver plans on the exchanges.¹² The National Center study found that the

average number of PPO plans on the exchange declined when compared to the individual market while the number of plans with more restrictive health maintenance organizations (HMO) increased considerably.

In short, people who lost their plans in 2013 and had to go on the exchange were extremely likely to face both higher out-of-pocket costs and a harder time finding health care providers who would take their insurance.

Even Worse Quality?: The network side of ObamaCare doesn't appear likely to improve anytime soon. In California, insurers on the exchange plan to keep the skinny provider networks despite substantial consumer criticism. A *Los Angeles Times* analysis of company data shows that some networks will continue to shrink. Insurer HealthNet, the *Times* says, is dumping one of its Preferred Provider Network plans and "switching to a plan with 54 percent fewer doctors and no out-of-network coverage, state data show." Adding insult to injury, the premiums are increasing nine percent. The *Times* reports the company said "its cutbacks were necessary to avoid even steeper rate hikes."¹³

ObamaCare's impact on quality is beginning to be felt in the employer-based market, too. Surveys by the New York and Philadelphia Federal Reserve Banks found there were more businesses reducing the size of their networks and the range of services covered than those that were increasing them.¹⁴ They also found the percentage of businesses that are increasing employee contributions, premiums, deductibles, out-of-pocket maximums and co-pays far exceeds the percentage of those that are reducing them.

Here Come the Trial Lawyers!: It was probably only a matter of time before skinny networks brought out the sharks. A class action lawsuit has been filed against Anthem Blue Cross in California accusing the insurer of "misleading 'millions of enrollees' about whether their doctors and hospitals participate in its new reform plans."¹⁵ This lawsuit is probably the first of many.

Older and Sicker than Average: The insurance risk pools on the ObamaCare exchanges need a substantial number of young and healthy people to keep premiums from skyrocketing over the long run. Only 28 percent of exchange enrollees are between the ages 18-34, far short of the 38 to 40 percent the Obama Administration said would be needed.

What those who read only liberal websites probably won't know is that exchange enrollees tend to be sicker, too. For example, a good indicator of a person's health is his or her self-reported health status. A Gallup poll found that newly-insured people who obtained policies on the exchanges were self-reported being less healthy, on average. About 37 percent said they were in excellent or very good health while 22 percent said they were in fair or poor health.¹⁶ Among the entire adult population, the corresponding numbers are 50 percent and 18 percent, respectively.

There are other hints that the exchange population may not be healthy enough to keep the insurance pools stable. In May, North Carolina Blue Cross Blue Shield officials complained in a

press release that not as many young and healthy applicants had signed up for their exchange products as the company wanted. Worse, the release stated, "Early self-reported data indicates that BCBSNC's young [ObamaCare] customers (ages 18-34) are less healthy and seeking more medical treatment than we typically see in this age group."¹⁷

Finally, research from Express Scripts shows that about 1.3 percent of prescriptions filled for exchange enrollees were specialty drugs. The comparable number in other private plans is about 0.8 percent. That may not seem like a big difference, but specialty drugs are usually quite expensive. As the Express Scripts' study notes, "despite comprising less than 1% of all U.S. prescriptions, specialty medications now account for more than 25% of total pharmacy" spending.¹⁸

Who Has Dropped Out?: What will make the risk pools even worse is that the people dropping out of the exchanges are likely younger. Thus far, at least 700,000 people have been dropped from the exchanges for not paying their premiums. While we don't have any demographic data on them yet, a survey from April found that those aged 18-29 were twice as likely to have failed to pay their first premium as compared to people over age 30.¹⁹ Given that people under age 30 also have lower credit scores — *i.e.*, they are less likely to make payments on time if at all — it's a good bet that a disproportionate share of the people who have dropped out of the exchanges are "young invincibles."²⁰

Exchanges Harm Competition: A recent Government Accountability Office (GAO) report found that consumers had access to an average of 36 insurers in their states in 2012. That dropped to an average of three on the ObamaCare exchanges. Large insurers were the most likely to participate on the exchanges, while "most smaller issuers with less than 5 percent of the 2012 market did not participate in the 2014 exchanges," according to the GAO report.²¹ It's not clear why the small companies didn't participate, but Senator Tom Coburn (R-OK) identified perhaps the likeliest reason when he said, "the GAO report provides evidence that the health care law's burdensome requirements may be giving an unfair advantage to big insurers over smaller ones."²²

Cancellation Déjà Vu: Insurance cancellations are the gift no one wants but keeps on giving. Last year, roughly 6 million policyholders lost their insurance in the individual market because it did not meet ObamaCare requirements. This year, about 350,000 additional policyholders have lost their plans.²³ That accounts for policyholders in only eight states, so more policy cancellations are probably to come.

Medical Device Tax: Investment in the medical device industry tanked in 2012 after the medical device tax took effect.²⁴ It has only recently begun to recover. Medical device makers such as Medtronic, Boston Scientific, Stryker, Abbott Laboratories, Johnson & Johnson and Smith & Nephew all announced layoffs during the last two years. Perhaps that's why revenues from the medical device tax have come in under estimates. The tax was supposed to yield about \$1.2 billion in revenue in the first six months of 2013, according to the I.R.S. A report from the Treasury Inspector General for Tax Administration, however, found that it had taken in

about \$913 million.²⁵

Medicaid: Since October of last year, 8.7 million people have signed up for Medicaid, although over one million of them would have qualified for Medicaid even without the ObamaCare expansion.²⁶ The Medicaid expansion, however, doesn't seem to have improved access to health care.

Thus far, the new Medicaid beneficiaries are going to the same place for health care Medicaid beneficiaries have always gone, the emergency room. A Colorado Hospital Association study found that ER visits increased 5.6 percent in Medicaid expansion states from the second quarter of 2013 to the second quarter of this year.²⁷ By contrast, hospitals in non-expansion states saw ER visits increase by less than two percent. During that same period, Medicaid charges also increased 26 percent at hospitals in expansion states but rose less than four percent in non-expansion states.

Research shows that Medicaid beneficiaries have more trouble getting appointments with primary care physicians,²⁸ specialists²⁹ and ambulatory clinics³⁰ than patients with private insurance, likely due to Medicaid low reimbursement rates. That's also a big reason they end up seeking care in ERs.³¹

The logic behind the Medicaid expansion appears to have been "let's try more of the same and see if we get different results." So far, it hasn't worked.

So Much for Reducing the Deficit: For years, liberals have clung to Congressional Budget Office (CBO) estimates that ObamaCare will reduce the deficit. Yet Republicans on the Senate Budget Committee recently updated the CBO's number and found that ObamaCare now increases the deficit by \$131 billion over the next ten years.³² The biggest change is a drop in revenue due to ObamaCare's effect on employment. In February, a CBO analysis found that, by 2024, ObamaCare would reduce the number of hours employees work by an equivalent of 2.5 million jobs.³³ Fewer hours worked, of course, means fewer taxes paid.

Jobs I: ObamaCare's employer mandate requires employers with 50 or more full-time employees — "full time" defined as 30 hours or more per week — to provide their workers with health insurance or pay a fine. Critics claimed this would lead to an increase in part-time work leading up to the mandate's imposition, but many liberal economists insisted part-time work was not increasing.³⁴ Then Jed Graham of *Investor's Business Daily* dug into the data and found that work hours had declined for employees in industries where the average hourly wage was \$14.50 or less. Graham showed that part-time work appeared stable because the decline in hours for low-wage workers was offset by an increase in hours for higher-paid workers.

As Graham states, "Overall, in these low-wage industries which employ 30 million rank-and-file workers, the average workweek shrank to 27.3 hours per week in July [2014].... For low-wage industry workers... the recovery in the workweek from a then-record low 27.5 hours in mid-2009 began to reverse in the latter half of 2012, and it's been pretty much all downhill since then."³⁵

Employers appear to be limiting the work hours of employees who are least likely to have employer-provided insurance. Given the low wages, there are likely many workers in this group who are in need of full-time hours.

Jobs II: The employer mandate is causing even more damage as its January 1, 2015 imposition nears. In August, the Federal Reserve Banks of Dallas, New York and Philadelphia released survey data on how businesses in their regions were responding to the costs of ObamaCare. Businesses that had or were expecting to increase part-time employees, outsourcing and prices far exceeded the number that had or intended to reduce them. More business also had or intended to reduce the total number of workers and/or wages in response to ObamaCare than expected to increase them.³⁶

Interestingly, with the exception of skinny networks and the Medicaid problems, none of what appears above is mentioned on Vox. Amusingly, Vox did mention that premiums for silver plans are dropping, but only noted "it's good for the federal budget" because the government would be spending less on subsidies.³⁷

Apparently, a person can get an even more biased view of ObamaCare if he pays attention only to liberal websites such as Vox.

Klein wrote, "It's easy to give people a skewed impression of ObamaCare without ever running a false story."

Indeed, it is.

David Hogberg, Ph. D., is senior fellow for health care policy at the National Center for Public Policy Research.

Footnotes:

¹ Ezra Klein, "In conservative media, ObamaCare is a disaster. In the real world, it's working," Vox, September 24, 2014, at <http://www.vox.com/2014/9/24/6836181/in-conservative-media-obamacare-is-a-disaster-in-the-real-world-it-s> (November 2, 2014).

² *Ibid.*

³ *Ibid.*

⁴ Kaiser Family Foundation, "Employer Health Benefits 2014 Annual Survey: Survey Design and Methods," September 10, 2014, at <http://kff.org/health-costs/report/2014-employer-health-benefits-survey/> (November 10, 2014).

⁵ Sarah Kliff, "Some big ObamaCare news: premiums will fall in seven big cities," Vox, September 5, 2014, at

<http://www.vox.com/2014/9/5/6107003/obamacare-premiums-falling> (November 10, 2014).

- ⁶ Amy Ridenour, "What Obama Never Told You About ObamaCare Costs Could Hurt YOU Next Year," Amy Ridenour's National Center Blog, October 25, 2014, at <http://www.conservativeblog.org/amyridenour/2014/10/25/what-obama-never-told-you-about-obamacare-costs-could-hurt-y.html> (November 10, 2014).
- ⁷ Electa Draper, "Colorado health-insurance buyers may get smaller tax credits in 2015," *The Denver Post*, October 27, 2014, at http://www.denverpost.com/news/ci_26810814/colorado-health-insurance-buyers-may-get-smaller-tax?source=infinite (November 10, 2014).
- ⁸ David Hogberg, "Despite ObamaCare Supporters' Claims, Health Insurance Plans Prior to ObamaCare Exchanges Were Neither 'Crappy' Nor 'Substandard'," September 2014, at <http://www.nationalcenter.org/NPA663.html> (November 10, 2014).
- ⁹ HealthPocket, "Deductibles, Out-Of-Pocket Costs, and the Affordable Care Act," December 12, 2013, at <https://www.healthpocket.com/healthcare-research/infostat/2014-obamacare-deductible-out-of-pocket-costs#.VGEiYvnF9Pb> (November 10, 2014).
- ¹⁰ Sarah Hurtubise, "Report: Obamacare exchanges not covering best hospitals for cancer care," *The Daily Caller*, March 19, 2014, at <http://dailycaller.com/2014/03/19/report-obamacare-exchanges-not-covering-best-hospitals-for-cancer-care/> (November 10, 2014).
- ¹¹ Scott Gottlieb, "Testimony before the Committee on Ways and Means Subcommittee on Health Challenges of the Affordable Care Act," December 4, 2013, at <http://www.scribd.com/doc/189237750/Challenges-of-the-Affordable-Care-Act> (November 10, 2014).
- ¹² Avalere Health LLC, "Access to Comprehensive Stroke Centers & Specialty Physicians in Exchange Plans," September 2014, at http://www.heart.org/idc/groups/public/@wcm/@adv/documents/downloadable/ucm_468318.pdf (November 10, 2014).
- ¹³ Chad Terhune, Sandra Poindexter, Doug Smith, "Obamacare doctor networks to stay limited in 2015," *The Los Angeles Times*, September 28, 2014, at <http://www.latimes.com/business/la-fi-0928-obamacare-doctors-20140928-story.html#page=1> (November 10, 2014).
- ¹⁴ David Hogberg, "ObamaCare And Employer-Based Insurance: Costs Going Up, Quality Going Down," October 10, 2014, at <http://www.conservativeblog.org/amyridenour/2014/10/10/obamacare-and-employer-based-insurance-costs-going-up-qualit.html> (November 10, 2014).
- ¹⁵ Judy Packer-Tursman, "Anthem Blue Cross of CA sued over narrow networks," July 10, 2014, *Healthcare Dive*, at <http://www.healthcaredive.com/news/anthem-blue-cross-of-ca-sued-over-narrow-networks/284442/> (November 10, 2014).
- ¹⁶ Frank Newport, "Newly Insured in 2014 Represent About 4% of U.S. Adults," Gallup, April 16, 2014, at <http://www.gallup.com/poll/168548/newly-insured-2014-represent-adults.aspx> (November 2, 2104).
- ¹⁷ Blue Cross Blue Shield of North Carolina, "2014 BCBSNC Enrollment Data for Individual Health Insurance Under the ACA," May 8, 2014, at http://mediacenter.bcbsnc.com/internal_redirect/cms.ipressroom.com.s3.amazonaws.com/49/files/20144/2014_Enrollment_infoq_FINAL.pdf (November 10, 2014).
- ¹⁸ Express Scripts, "Exchange Pulse," Public Health Exchange and Off-Exchange Report, October 2014, p. 9, at <http://lab.express-scripts.com/publications/exchange-pulse-public-exchanges-report-october-2014> (November 2,

2014).

- ¹⁹ McKinsey and Company: McKinsey Center for U.S. Health System Reform, "Individual market: Insights into consumer behavior at the end of open enrollment," April 2014, at <http://healthcare.mckinsey.com/sites/default/files/McKinsey%20Reform%20Center%20Individual%20Market%20Post%20OEP%20Trends.pdf> (November 10, 2014).
- ²⁰ David Hogberg, "Young People And That First Premium: Why The ObamaCare Risk Pool Is Worse Than You Think," February 12, 2014, at <http://www.conservativeblog.org/amyridenour/2014/2/12/young-people-and-that-first-premium-why-the-obamacare-risk-p.html> (November 10, 2014).
- ²¹ United States Government Accountability Office, "Patient Protection and Affordable Care Act: Largest Issuers of Health Coverage Participated in Most Exchanges, and Number of Plans Available Varied," GAO-14-657, August 2014, under "What GAO Found" section, first paragraph.
- ²² Richard Pollock, "Small insurers devastated by big corporations in Obamacare state exchanges," *Washington Examiner*, October 2, 2014, at <http://www.washingtonexaminer.com/small-insurers-devastated-by-big-corporations-in-obamacare-state-exchanges/article/2554254> (November 10, 2014).
- ²³ David Hogberg, "Insurance Cancellations Up To About 350,000. Thanks ObamaCare!" Amy Ridenour's National Center Blog, November 4, 2014, at <http://www.conservativeblog.org/amyridenour/2014/11/4/insurance-cancellations-up-to-about-350000-thanks-obamacare.html> (November 10, 2014).
- ²⁴ PricewaterhouseCoopers LLP, "Life Sciences Venture Capital Funding Drops 14% During 2012, According To The Moneytree Report," February 7, 2013, at <http://www.pwc.com/us/en/press-releases/2013/2q-life-sciences-moneytree.jhtml> (November 2, 2014).
- ²⁵ Treasury Inspector General For Tax Administration, "The Affordable Care Act: An Improved Strategy Is Needed to Ensure Accurate Reporting of the Medical Device Excise Tax," No. 2014-43-043, July 17, 2014.
- ²⁶ Centers for Medicare and Medicaid Services, "Medicaid & CHIP: August 2014 Monthly Applications, Eligibility Determinations and Enrollment Report," Department of Health and Human Services, October 17, 2014.
- ²⁷ Colorado Hospital Association, "Impact of Medicaid Expansion on Hospitals: Update for Second-Quarter 2014," Center for Health Information and Data Analytics, September 2014.
- ²⁸ Paul T. Cheung, Jennifer L. Wiler, Robert A. Lowe, and Adit A. Ginde, "National Study of Barriers to Timely Primary Care and Emergency Department Utilization Among Medicaid Beneficiaries," *Annals of Emergency Medicine*, Vol. 60, No. 1, July 2012.
- ²⁹ Joanna Bisgaier and Karin V. Rhodes, "Auditing to Specialty Care to Children with Public Insurance," *The New England Journal of Medicine*, Vol. 364, No. 24, June 16, 2011.
- ³⁰ Brent R. Asplin, Karin V. Rhodes, Helen Levy, Nicole Lurie, Lauren Crain, Bradley P. Carlin, Arthur L. Kellermann, "Insurance Status and Access to Urgent Ambulatory Care Follow-up Appointments," *Journal of the American Medical Association*, Vol, 294, No. 10, September 14, 2005.
- ³¹ Medicaid and CHIP Payment Access Commission, "Revisiting Emergency Department Use in Medicaid," MACfacts: Key Finding On Medicaid and CHIP, July 2014.
- ³² United States Senate Committee on The Budget, Republicans, "Analysis Of CBO Data Show That Obamacare Will Increase Deficit Over Next Decade," Budget Background, October 14, 2014, at <http://www.budget.senate.gov/republican/public/index.cfm/2014/10/analysis-of-cbo-data-shows-that-obamacare-will-increase-deficit-over-next-decade> (November 2, 2014).

- ³³ Congressional Budget Office, "The Budget and Economic Outlook: 2014 to 2024," February 4, 2014.
- ³⁴ Max B. Sawicky, "Obamacare Isn't Causing an Increase in Part-Time Employment, In One Chart," October 3, 2013, Working Economics Blog, The Economic Policy Institute, at <http://www.epi.org/blog/obamacare-isnt-causing-increase-part-time/> (November 2, 2014).
- ³⁵ Jed Graham, "The Worst Job Stat Continues To Get Even Worse," *Investor's Business Daily*, September 5, 2014, at <http://news.investors.com/economy/090514-716193-worst-job-stat-keeps-getting-worse.htm> (November 2, 2014.)
- ³⁶ David Hogberg, "The Ripple Effect Of ObamaCare on Jobs," Amy Ridenour's National Center Blog, October 8, 2014 at <http://www.conservativeblog.org/amyridenour/2014/10/8/the-ripple-effect-of-obamacare-on-jobs.html> (November 10, 2014.)
- ³⁷ Kliff, September 14, 2014.

[Donate](#) | [Subscribe](#) | [Search](#) | [About Us](#) | [What's New](#) | [Blog](#) | [Home](#)

Consider a tax-deductible donation

The National Center for Public Policy Research
501 Capitol Court, N.E.
Washington, D.C. 20002
(202) 543-4110
Fax (202) 543-5975
E-Mail: info@nationalcenter.org
Web: www.nationalcenter.org