

WHERE IS THE 'AFFORDABLE' IN THE AFFORDABLE CARE ACT?

■ Sarah F. Fontenot, BSN, JD, CSP

In this article...

Take a look at why some people saw rate increases and others saw their premiums reduced when they bought insurance under the ACA.

I RECENTLY HAD DINNER WITH A VERY DEAR friend and received an earful about her disappointment with the cost of her health care under the Affordable Care Act (ACA). Her monthly premium is significantly higher than her old plan, and her out-of-pocket costs for office visits exceed the copay and minimal deductible she was used to.

As a supporter of President Obama and an advocate for the possibilities of health care reform, now when she hears the glowing reports out of the administration about the savings the law is creating, she feels lied to and increasingly bitter.

She said, "I fought for this thing, and now it is killing me! Where is the 'affordable' of the Affordable Care Act for me? I mean, wasn't that what this was all about?"

The answer is actually both "yes" and "no."

Since the passage of the ACA, some people have seen their insurance premiums decrease, as predicted by Deloitte in 2013.¹ In other regions, premiums have not decreased, but the annual increase in policy premiums is much lower than the double-digit inflation that was common before the 2009 law.²

Future premiums in many parts of the U.S. are expected to drop significantly as more insurance companies enter the marketplace and further drive down the cost of coverage through competition. These reductions are being driven by the effect of a dramatically increased number of insured people in the market — such as in states that expanded Medicaid. In contrast, states that have resisted ACA implementation are more likely to have premium increases, such as the 20.7 percent to 36.8 percent increases projected in Florida.³

Unfortunately, my friend lives in one of those states that opted out of Medicaid expansion, and as a self-employed

artist, she bought insurance on her exchange (not run by her state) and found that the policies there were costlier than her pre-ACA policy.

Her old plan closed because it could not meet the minimal essential benefits required under the ACA — which raises the question of what was she was paying for — but it is true that the price of plans offered on the exchanges cannot always compete with the bargain-basement plans often sold before the ACA prohibited them.

Another part of the population that has experienced a significant reduction of insurance premiums is individuals who were previously considered to be "uninsurable" because of a pre-existing disease or injury. Those who weren't insured by an employer (or family member's employer) were effectively locked out of the health insurance market, as companies would not offer them insurance even at an escalated cost.

After the Health Insurance Portability and Accountability Act (HIPAA) was passed in 1996, states created "high-risk pools" to cover residents who could not otherwise gain insurance but at a steep price.⁴

The ACA prohibits insurers from using pre-existing conditions for underwriting purposes after Jan. 1, 2014, so these people have experienced significant savings transitioning from the old "pools" to the ACA exchanges. For people with pre-existing conditions that could not afford the high risk pools of the past decades, the ACA represents the first chance they've had to enter the insurance market at all.

Paying a premium would be a new bill for these families, but given that they were previously paying for all their health care needs out-of-pocket without coverage, the cost



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of a premium is a pittance when compared to their previous expenditures.

AFFORDABILITY ARGUMENT — Fortunately, my friend is a healthy, middle-aged woman who was not limited from the insurance market before the ACA. Unfortunately, (for argument's sake) she has no personal health history that would make her current situation look like anything other than a downturn — she was already in the market and eligible for a very cheap (although substandard) policy. Her monthly costs had nowhere to go but up.

The “affordability” argument can be easily won when addressing people who were insured but sustained a catastrophic injury or disease under the “old” system, as most came to learn about the ugly realities of the insurance system before reforms under the ACA. They remember the specter of being dumped by their insurance company when they most needed care, which was a common practice but is now prohibited by the ACA.

Even if not dumped, these people also remember their concern that their escalated health care costs would push them closer toward the lifetime cap of their policy, thus leaving them uninsured. As recently as 2013, health care-related debt was the number one reason people filed for bankruptcy in this country.⁵

“Medical bankruptcies” are decreasing since the ACA became effective, although they are not disappearing entirely. This would be similar to the decline in medical bankruptcies in

Massachusetts from 59 percent to 52 percent between 2007 and 2009 as the state approached universal coverage under its own individual mandate.⁶

In keeping with that trend, a 2014 survey by the Commonwealth Fund reported that the number of Americans reporting difficulty in paying their medical bills dropped nationally from 41 percent to 35 percent in 2014,⁷ which was the first time that indicator fell since the survey started asking that question in 2005.⁸

With all of this positive change it is not surprising that for the medically needy in this country there is relief — not despair — in reaction to their costs under the ACA. Even if they are paying a new monthly bill, at least it represents reliable insurance that will never go away.

But again, in all fairness to my friend, as a healthy adult she doesn't need bells and whistles; she just needs routine health care and occasional elective treatments. The problem (and disappointment) for her is that now her monthly bill is higher and so, too, are her out-of-pocket expenses, because the plan she chose on the exchange has a significantly higher deductible.

It is not that she does not care about the successes for the most desperate people in the country, but they are not the first thing on her mind while she is sitting down to figure out how to pay her own monthly bills.

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The uninsured are the people who have always understood how hard it is to predict the price of any care, particularly when undergoing a hospitalization, delivery or trip to the emergency room. In contrast, for those insured through their employer, the full cost of care has not been as prominent a concern, for their exposure was limited to a copay and (much lower) deductible. The true cost of care fell to their employer.

For my friend — although self-employed — she rarely had to worry about price transparency, because she has been very fortunate with good health and has not had to negotiate health care much more complicated than good preventive medical attention.

As insurance plans increasingly shift toward high-deductible plans (which is an insurance company decision and not mandated by the ACA, as the industry would want you to believe) we will all need to become savvier about health care pricing. As true consumers of health care, we will walk with our wallets to the most cost-efficient providers, which economists anticipate will be a market force that decreases the cost of health care nationwide.

The expectation that the emerging consumerism in health care will eventually bend the cost curve for us all might give my friend some relief over time, but, ironically, long before that happens she will be in the protected cocoon of Medicare.

LESS MONEY TO INSURER — Last but not least, I could have tried to get my friend happy that when she pays that monthly premium bill, she can at least take satisfaction that less of it is going to the insurance industry that she loves to hate.

With the ACA restriction of the medical loss ratio, more of her dollars are going to actual health care and less to fill the pockets of the company and its investors.⁹ That, however, is an argument that might carry weight at the proverbial cocktail party, but not when trying to explain the impact of the ACA to a hard-working, middle-class and financially strapped disappointed woman who feels misled.

In essence, the short answer to her question would have been: “Yes, the ACA is all about affordability, but not for you. Not now. Not while you are healthy. And not before the entire country turns around.” So, instead, I just changed the subject and didn’t answer her question at all. Just like the White House, her reality wasn’t a truth I wanted to own up to.



Sarah Freymann Fontenot, BSN, JD, is the health law professor for Trinity University (San Antonio, Texas) MHA Program in the Department of Health Care Administration she has been a member of the association faculty since 2006.

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