

Proposed premium hikes rattle consumers paying their own way

12 June 2016, by Ricardo Alonso-Zaldivar And Tom Murphy



Kirk Smith poses for a photograph on June 8, 2016, in Lufkin, Texas. Smith's insurance company, Blue Cross Blue Shield of Texas, is the only insurer in his county and it is requesting average premium increases of nearly 60 percent for 2017. Smith works installing telecommunications equipment and his employer does not offer health insurance. Millions of people who pay the full cost of their health insurance will face the sting of rising premiums next year, with no financial help from government subsidies. (AP Photo/David J. Phillip)

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Renewal notices bearing the bad news will go out this fall, just as the presidential election is in the homestretch.

"I don't know if I could swallow another 30 or 40 percent without severely cutting into other things I'm trying to do, like retirement savings or reducing debt," said Bob Byrnes, of Blaine, Minnesota, a Twin Cities suburb. His monthly premium of \$524 is already about 50 percent more than he was paying in 2015, and he has a higher deductible.

President Barack Obama's health law provides income-based subsidies for consumers who buy individual policies on HealthCare.gov and state insurance markets. About 10 million people get assistance, helping reduce the uninsured rate to a historically low 9 percent.

But there's no subsidy for those making more than \$47,520 for an individual and \$97,200 for a family of four—cutoffs that represent four times the [federal poverty level](#). Also, subsidies are not available for consumers at any income level who purchase outside of HealthCare.gov or a state marketplace. Those who remain uninsured risk fines.

Premiums are expected to climb next year in many areas because major insurers have taken significant financial losses under the health law. Enrollment has been lower than anticipated, new customers were sicker than expected and a government system to stabilize the markets had problems.

"People receiving subsidies can protect themselves from premium increases, but others who buy their own coverage don't have that option," said Larry Levitt, who tracks the health law for the nonpartisan Kaiser Family Foundation. He estimated 5 million to 7 million consumers nationally may be paying full freight.

Byrnes, a manager for a medical courier service, says he supports the law's goal of expanded coverage, but he hasn't found his policy particularly affordable.

In the small East Texas city of Lufkin, Kirk Smith buys his policy from the only insurer available, which also happens to be the state's largest.

Blue Cross Blue Shield of Texas is seeking an average premium increase of nearly 60 percent for 2017, and Smith says his monthly bill of about \$350 is already about as much as a car payment.

Moreover, he's had to drive to a neighboring county for medical care because he couldn't get an appointment close to home.



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"I've got a problem when you can't see somebody in the county, and they want an increase?" said Smith, who works for a contractor installing telecommunications equipment. He said the government should subsidize everyone in rural communities with no insurer competition.

Michelle Scarola of Queens, a borough of New York City, said she has received notice that her 2017 premiums will be going up in a range of 8 percent to 25 percent. Scarola, who's in the midst of a career transition from advertising to interior design, isn't happy that her insurer dropped the hospital network she's interested in.

"For people like me who are in the middle, there is very limited choice, and now that limited choice is going to get more expensive," she said.

Insurance broker Liz Gallops in Raleigh, North Carolina, says she tries to let customers vent about large increases. Some see insurance bills that surpass their mortgage payments. The state's biggest insurer is proposing average increases of nearly 19 percent.

"I've had people yell on the phone," she said. "I've had people curse."

Back in 2010, the Obama administration used public anger about premium increases as leverage to win passage of the health law. It now says worries about next year's premiums are premature because final rates have not been approved. Officials say people who don't receive subsidies still have options.

For example, some people buying directly from an insurer might find that they qualify for subsidies if they go through HealthCare.gov.

Those who make too much for a subsidy still can shop for lower premiums. Under the health law, insurers have to accept consumers with health problems. People are no longer locked into a plan indefinitely.

Another wrinkle is that people who pay their own premiums may be able to later deduct the cost on their income taxes. But the rules are complex, and it's not the same as getting an upfront subsidy.

It may seem counterintuitive that premium increases for [health law](#) policies also hit people who get no financial assistance. It's happening because the law created one big insurance pool in each state for consumers buying individual coverage, whether or not they go through markets such as HealthCare.gov.

Many people respond to premium hikes by switching to skimpier coverage, yet that leads to bigger medical bills if they need treatment. Some insurance brokers encourage customers to get plans linked to a health savings account. But rising premiums can cut into how much people stash away.

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