

Affordable Care Act faces major test as enrollment opens for fourth time

By Daphne Chen

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SALT LAKE CITY — Carrie Butler, a public health master's student at the University of Utah, has always been "all for" the Affordable Care Act. For years, she was the primary caretaker for her little brother — a 22-year-old Utah Valley University student who delivered pizzas to put himself through college. He died from cancer just as President Barack Obama's health care law was coming to fruition.



"It would have changed his entire perspective for life," said Butler, who knows what it's like to plead with hospitals to write off the cost of a \$12,000 CAT scan or fight with insurance companies to accept her brother for coverage.

In the years since her brother's death, however, Butler has struggled with the rising cost of her own health insurance — a plan she has held since before the exchanges opened. This year, it is jumping from \$900 to \$1,400 a month for her family of four.

"It's hard because I don't know what to think," Butler said. "I've been such a proponent of it, and now it's going to start harming people in my situation, and that makes it difficult."

The fourth open enrollment period of the Affordable Care Act, which begins Tuesday, will be a major test for the health care law.

In the three years since the exchanges have opened, they have been hammered by rising premiums, abandoned by insurers and assaulted by calls for the law's repeal from opponents.

In Utah, the average premium for a silver plan on the individual market will be 16 percent higher than last year, according to the Utah Health Policy Project.

That's less than last year — when silver plans jumped an average of 19 percent — but more than the year before, when they rose by 4 percent.

These rate hikes are unlikely to affect the vast majority of people in the individual market who will see their subsidies increase dollar-for-dollar with the premium hikes.

But middle-class families like Butler, a part-time health department program manager, and her husband, a consultant, will feel the full impact.

Adam Barker, a self-employed lifestyle and travel photographer from Cottonwood Heights, said he was shocked when his SelectHealth plan went from \$850 per month to \$1,200 per month.

"That's another mortgage," said Barker, who has a wife and three boys.

Barker makes too much to qualify for subsidies, so this year, he's looking at a cheaper plan with a higher deductible. Next year? If this continues, it won't be a question of whether they should have insurance but whether they can afford it at all, Barker said.

"I don't want this to sound like any sort of sob story," he said. "But it's interesting to me that I make a six-figure income and yet we're struggling."

The greatest concern of analysts is that the individual markets fall into a "death spiral" — when premiums go up so high that healthy people like the Barkers stop buying it.

That means only sick people will be left in the market, which will require insurance companies to raise rates even higher.

Most analysts say the hikes are troubling but not the start of a spiral — yet.

"We're still in the sixth inning of a nine-inning game," said Dan Schuyler, senior director with the Salt Lake City-based health care consulting firm Leavitt Partners. "It's still too early to make a quantifiable determination of the long-term viability of the Affordable Care Act."

Why is this happening?

"I wouldn't say the Affordable Care Act is failing, but it's experiencing significant growing pains," Schuyler said.

Much of it comes down to one thing, according to analysts: Insurers overestimated how many healthy people would sign up.

Healthy, young individuals are needed to balance out those who are sick. Nationally, the target was 38 to 41 percent. The average is currently around 28 percent, according to Schuyler.

With little to no data to go on, insurers "essentially had to guess" how much to charge for health plans for 2014 and 2015, Schuyler said.

They guessed wrong. In Utah in 2015, insurers paid out \$1.58 in claims for every dollar they received in premiums, according to the Utah Department of Insurance.

Molina Healthcare, for example, expected the average age of new enrollees to be in the 30s, according to Ben Lynam, vice president of pricing. It actually was in the low 40s.

Why aren't healthy people signing up? Weak penalties and too many loopholes, according to insurers — like the special enrollment periods that allow people to sign up in the middle of the year if they get married or move.

That left insurers with a population that was much sicker than they expected, according to Dr. Russell Vinik, chief medical officer of University of Utah Health Plans.

"It's big claims; it's little claims," he said.

The biggest cost drivers? Rising drug prices, expensive conditions like cystic fibrosis and hepatitis C, knee and hip replacements, and opioid abuse treatment.

Many analysts hoped to see that spike in pent-up demand level off by now. But insurers say they have not seen that happen.

Also this year, federal programs meant to protect insurers from big losses or catastrophic claims for the first few years of Obamacare are expiring or were not funded.

The loss of one of those programs led to the downfall of the health care co-op Arches last year.

Still, most experts say it's not time to panic yet. Schuyler pointed out that the premiums are close to where the Congressional Budget Office in 2009 predicted they would be at this point.

"I don't think anybody is surprised by the premium increases," he said. "The question is: Will we see some stability in the market?"

Challenges and solutions

Tony Stephenson, 61, of Midvale, found himself uninsured for the first time in his life earlier this year after his divorce was finalized.

To get by, Stephenson repairs old phonographs and electronic equipment and sells them on eBay. He picked out a silver Molina plan that — with the subsidies — will run him \$56 per month.

"The price is good," he said. "It fits what I make. I'm feeling really good about it."

Stephenson has arthritis and other health problems from years of work delivering heavy cases of water. He also has a family history of prostate cancer and gets preventive screenings every six months. He's put off those screenings until his insurance kicks in next month.

As lawmakers clash over the future of the Affordable Care Act, many experts agree that it would be a difficult proposition to repeal it entirely, as Republican presidential nominee Donald Trump and House Speaker Paul Ryan have proposed.

About 20 million people, Stephenson among them, have gained coverage because of the law.

Many aspects of the law also remain popular. One is the provision allowing young people like Butler's brother — had he lived — to remain on his parents' insurance until age 26.

The biggest challenge going forward, said University of Utah economics professor Norm Waitzman, is "to get everybody to play" — including healthy, young holdouts.

That might mean tougher penalties for those who choose to remain uninsured, tightening loopholes that allow people to jump in and out of their insurance plans, and being stricter about phasing people out of grandfathered plans, experts say.

Democratic presidential nominee Hillary Clinton has called for adding the so-called public option and allowing younger people to buy into Medicare.

Trump has vowed to replace the Affordable Care Act with a system that would allow people to shop for policies across state lines and would not require them to have insurance.

Schuyler said it's too early to analyze either of their plans but said it's easier to fix the current law rather than start over again.

"If the numbers are good and utilization starts to stabilize, cost starts to stabilize, I think you could see some issuers jump back into the market," Schuyler said.

The insurers left in Utah — Molina, SelectHealth and the University of Utah Health Plans — say they're staying in the game for now.

Four carriers have left or failed out of the Utah individual market since 2014, and the number of plans has dropped from 91 to 28.

"We are cautiously optimistic," said Vinik, of University of Utah Health Plans. "We're not sure if we will break even for 2017, but we do think that by 2018 it likely will stabilize. But it's something we're watching very carefully."

Schneider, of SelectHealth, agreed there are some "real challenges."

"But that's why we're in this — to make it work," he said. "If there's going to be an opportunity to make it work at all, we're going to stick it out."

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Take Care Utah is a statewide network of experts providing free enrollment assistance. Find the nearest expert at www.takecareutah.org or by calling 211.

Email: dchen@deseretnews.com

Twitter: DaphneChen_