Insurance Premiums: Affordable Care Act

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Insurance premiums for people in their 20s are skyrocketing under Obamacare, leaving serious concerns about the future viability of the entire system.

A recently released Heritage Foundation report found that the cost of purchasing a health insurance policy for an Illinois 27-year-old has more than doubled since the advent of Obamacare, and recruiting young people to enroll is a major goal of the Obama administration, because insurers need healthy customers to offset the cost of caring for those with costly medical needs.

A carrot-and-stick approach is taken to get uninsured people to join in the Affordable Care Act's health insurance exchanges.

Subsidies are given to some people who enroll, and fines are levied against those who choose not to buy insurance. The fines amount to either $95 per year or one percent of a person's annual income, whichever is greater.

"A lot of young people are going to choose not to buy insurance because they are going to figure out it is cheaper to pay the fine and go without," said David Hogberg, a health care policy analyst for the National Center for Public Policy Research.

This is hardly a small number of people, said Chris Conover, a researcher at Duke University's School for Health Policy and Inequality.

"About one-half of the uninsured people between 19 and 30 have at least a $500 incentive not to buy health insurance under Obamacare, and about one-third have a $1,000 incentive not to purchase it," Conover said.

That $1,000 "incentive" represents how much the insurance would cost if they opted to buy it rather than pay the fine," he said.

"You could argue that they are getting insurance in exchange for paying that money," Conover said. "But, for many young people that is not much of an incentive. The policies generally have high deductibles, and people in these age ranges generally are in good health."

Conover predicted that few young people will sign-up for Obamacare, which will result in risk pools having disproportionate numbers of older and less healthy people. As a result, insurance companies would have to raise their premiums further, he said.

"We call it the 'death spiral.' The premiums go up so more young people drop out and pay the fine, which results in the premiums going up even more and more people dropping out," Hogberg said.

This already has happened in states that have overregulated the individual health insurance market, Conover said.

"Other than out of some sense of civic duty, it's hard to see why a young person would purchase insurance, especially if they currently are uninsured," Hogberg said. "If they were to get some subsidy, obviously it might drive the price of a plan down enough that it might be worth their time. But, if they are not going to get a subsidy, why would you do that, and pay at least $100 a month, maybe more, when you could pay a fine of either $95 dollars or one percent of your taxable income, whichever is more?"

Families are doing the same calculations.

Donna Moore, who lives in Springfield, Ill., has three adult children 25 or younger - all of whom are insured either through an employer, the military, or Moore's own policy.

She said cost/benefit calculations on insurance are something her family and many others are having to do now.

"We don't like having to pay for things we don't use, and we think it is really ridiculous," Moore said. "But, what can we do? If they don't pay for the insurance, then they'll have to pay the penalty. So, if I'm advising somebody not to sign up for it, I'm putting them in the position of having to pay the penalty."

Josh Archambault, a senior fellow with the Foundation for Government Accountability, anticipates states, such as Illinois, or the federal government may try to encourage more young people to enroll by increasing the penalty in future years.

Subsidies also are a factor people use in determining whether to enroll, he said.

The cutoff level for subsidies is based not only on a person's income, but also their age and where they live.

For example, unmarried 20-year-olds in Rock Island, Ill., are eligible for subsidized insurance if they earn less than $21,337 a year. But, unmarried 60-year-olds living in the same county are eligible for subsidized insurance if they earn $45,960.

Lawmakers who support the law want people to focus on its benefits for young people.

"We're hearing so much about what's wrong that we're not getting the information out about what's right," said State Rep. Monique Davis, D-Chicago. "You can stay on your parent's insurance until you're 26 years old. Say you're a young woman, your insurance is required to give you a mammogram and other procedures that a young woman is required to have. Now, if I were a young woman, I wouldn't want to keep the plan I had, I'd want to have those new things included."

Obamacare proponents also point out that having insurance encourages young people to take more steps to avoid health problems.

"We need to educate people to go to physicians when they're healthy, not the emergency room when they are sick," said State Rep. Sara Feigenholtz, D-Chicago. "Insurance is the way to encourage them to do that."

Unfortunately, the Affordable Care Act may end up having the reverse effect of pricing people out of the insurance market altogether.

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