

Sent: Mon, 27 May 2013 19:15:15 -0400
From: DMCOS <dmcos@who.eop.gov>
To: [REDACTED]
Subject: Personal

P6/b(6)

Sir,

This is worth a read.

Thanks -

DM

From: Childress, Mark
Sent: Monday, May 27, 2013 04:57 PM
To: DMCOS
Subject: Fw: From a Forbes blog

See below -- incredibly good piece from forbes!!!

From: Lambrew, Jeanne
Sent: Monday, May 27, 2013 02:47 PM
To: Childress, Mark
Subject: From a Forbes blog

Unexpected Health Insurance Rate Shock-California Obamacare Insurance Exchange Announces Premium Rates

Rick Ungar, *Contributor*

Every now and again, a political pundit is required to stand up and admit to the world that he or she got it wrong.

For me, this would be one of those moments.

For quite some time, I have been predicting that Obamacare would likely mean higher

insurance rates in the individual market for the “young immortals” and others under the age of 40. At the same time, my expectation was that those who fall into the older age ranges would benefit greatly as their premium charges would be lowered thanks to the Affordable Care Act.

It is increasingly clear that I had it wrong.

Yesterday, Covered California—the name given to the healthcare exchange created pursuant to the Affordable Care Act that will serve the largest population of insured citizens in the nation—released the premium rates submitted by participating health insurance companies for the three health insurance program categories (bronze, silver and gold) established by the Affordable Care Act, along with the catastrophic policy created for and available to those under the age of 30.

Upon reviewing the data, I was indeed shocked by the proposed premium rates—but not in the way you might expect. The jolt that I was experiencing was not the result of the predicted out-of-control premium costs but the shock of rates far *lower* than what I expected—even at the *lowest end of the age scale*.

So, why the all too popular narrative that Obamacare would mean unaffordable healthcare premium costs for so many Americans?

Setting aside the never-ending nonsense peddled by the opponents of healthcare reform, everyone from the Congressional Budget Office to numerous private actuaries have warned that premium shock could be expected to set in once the public began to see the reality of what Obamacare would mean to their pocketbooks. And yet, the only real jolt to the system being felt by these public and private prognosticators today is utter amazement over just how reasonable the California prices have turned out to be.

How did the CBO and the actuaries get it so wrong?

As Jonathan Cohn of The New Republic correctly points out—

“One reason for the misplaced expectations may be that actuaries have been making worst-case assumptions, even as insurers—eyeing the prospects of so many new customers—have been calculating that it’s worth bidding low in order to gobble up market share. This would help explain why premium bids in several other states have proven similarly reasonable. “The premiums and participation in California, Oregon, Washington and other states show that insurers want to compete for the new enrollees in this market,” Gary Claxton, a vice president at the Kaiser Family Foundation, said via e-mail. “The premiums have not skyrocketed and the insurers that serve this market now are continuing. The rates look like what we would expect for decent coverage offered to a standard population.”

Cohn is saying that, despite the political naysayers, the healthcare exchange concept appears to be working very well indeed in states like California, Oregon and Washington—the first states to publish the expected health exchange prices for purchasing coverage. These are also states that are actually committed to seeing the program work as opposed to those states whose leaders have a vested political interest in seeing the Affordable Care Act fail.

Keep in mind that the entire idea of the exchanges is to require health insurance companies to compete openly with one another by offering identical coverage programs in the three created classes—each offering insurance coverage that actually delivers meaningful protection to customers—and then openly disclosing the price each insurance company will charge for that policy. Thus, shoppers can clearly see which company has the best price on an apples-to-apples basis.

For all the negative chatter about how including older and sicker Americans in the health insurance pools would drive up the price for younger participants in the pool less likely to be ill, what we are now seeing in states like California is that the desire on the part of the health insurance companies to *increase market share*—thanks to the large influx of customers as a result of Obamacare—is driving prices downward.

That is *precisely* what the President said would happen.

[Sarah Kliff at The Washington Post](#) reveals just far off the prognosticators have been.

"The Congressional Budget Office predicted back in November 2009 that a medium-cost plan on the health exchange – known as a "silver plan" – would have an annual premium of \$5,200. A separate report from actuarial firm Milliman projected that, in California, the average silver plan would have a \$450 monthly premium."

The actual costs?

Kliff continues, "On average, the most affordable "silver plan" – which covers 70 percent of the average subscriber's medical costs – comes with a \$276 monthly premium. For the 2.6 million Californians who will receive federal subsidies, the price is a good deal *less* expensive..."

As you can see, the actuaries missed by a huge percentage.

To see how younger Californians will make out when they shop on the public exchanges, take a look at the graphs Kliff provides [here](#). You may be very surprised to learn that the meaningful insurance that you are now required to purchase is far more reasonably priced than you imagined.

There is a moral to this story for those open to receive the message.

If you are among the many Americans who have bought into the fear and loathing that has been the campaign against Obamacare, you just might wish to reconsider. With every passing day, the various myths, legends and lies put forward by those with a political axe to grind, TV or radio rating to be raised or vote to be purchased, are falling victim to the facts.

Of course, if you continue to find it more useful to hate the Affordable Care Act than to recognize the benefit of what this program offers to you and your family, nothing I can say is likely to change your mind.

But, accept it or not, the reality is that the early report card on Obamacare—at least in those states willing to give the law a chance to succeed—is looking pretty darn good. So good, in fact, that the data reveals that even a supporter such as myself was off the mark when predicting significantly higher rates for the youngest among us.

This is one time that I could not be happier to be proven wrong.

UPDATE: A number of readers have responded to this article by asking the question, "If the California exchange is so good, why have United Healthcare, [Aetna](#) AET_-1.79% and [Cigna](#) CI_-1.02% decided not to participate?"

It is true that these companies are not going to participate in the [CA](#) CA_+0.2% healthcare exchange. And while this makes a great meme for the opponents of healthcare reform, there is something they are not telling you —these three companies have never been players in the California individual insurance market so there was never any expectation that they would participate. While each of these companies are a major factor in group health insurance-both large and small- their combined participation in the

individual market in CA has not been more than 8 percent for a great many years. Meanwhile, the other large insurance companies that have participated in the individual policy business in California have comprised 85 percent of the market. Each of these insurers are participating on the exchange. So, things are not always as they may seem which is why it is so important to read beyond the headline.