



Written by [Michael Tennant](#) on April 26, 2013

Citing ObamaCare, Maryland's Largest Insurer Seeks 25-percent Rate Hike

If you're wondering just how affordable healthcare will be under the Affordable Care Act (ACA), consider this: Maryland's largest insurer just proposed, on average, a 25-percent rate hike for individuals next year, with much of that increase directly attributable to the ACA's mandates.



CareFirst BlueCross BlueShield, which insures about 70 percent of Marylanders who buy insurance on the individual market — 120,000 people — submitted its proposed rates to the Maryland Insurance Administration. The agency then posted the proposals on its [website](#) as required for those carriers seeking to sell coverage on the state's insurance exchange. (Maryland is one of [24 states plus the District of Columbia](#) that have opted to set up their own exchanges, either alone or in partnership with the federal government.)

The huge premium increase — CareFirst's rates have risen about seven to 10 percent annually in recent years — “is the practical result of opening the pool to everyone,” CareFirst CEO Chet Burrell told the [Baltimore Business Journal](#). That is, by forcing insurers to accept all comers and charge them the same rates regardless of pre-existing conditions, ObamaCare has vastly increased insurers' liability, and the only way for them to remain solvent under such conditions is to charge their customers significantly higher rates.

Not all CareFirst customers will be affected equally. The 60 percent whose plans aren't changing next year will experience smaller increases because they will be exempt from some of the ACA's requirements; but as soon as their plans do change, these people can expect to see their rates skyrocket, too.

Customers who have been paying low premiums because they are healthy can expect to pay much more in order to foot the bill for the benefits the newly insured sick will begin collecting. Those who have purchased relatively inexpensive catastrophic plans with high deductibles will also see significant increases because ObamaCare essentially outlaws such plans by mandating a wide variety of benefits.

The biggest determining factor in how much one's premiums rise may be age. The ACA requires insurers to charge their oldest customers no more than three times as much as their youngest ones. Since insurers end up spending about six times as much on each old person as on each young person, this can mean only one thing: Rates on the young are going to [go through the roof](#). CareFirst is estimating that older individuals may experience slight decreases in their premiums next year but that



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younger ones could find themselves paying as much as 150 percent more.

“The younger you are, the higher the likelihood your rates will go up,” Burrell told the [Washington Post](#). CareFirst is also expecting small-group rates to increase by about 15 percent next year because of “new taxes and fees associated with the Affordable Care Act, as well as regular health care cost growth,” according to the [Business Journal](#).

Those in favor of ObamaCare argue that while the healthcare law does indeed drive rates up — a point conceded last month by [Health and Human Services Secretary Kathleen Sebelius](#) — most people will now have increased benefits, and many will qualify for federal subsidies to offset the higher premiums.

“Some people may actually spend much less out of pocket ... and end up with a much better product and a much better situation to protect their family from financial devastation from illness,” Kathleen Stoll, director of health policy for the strongly pro-ObamaCare Families USA, told [Kaiser Health News \(KHN\)](#).

However, as physician and American Enterprise Institute resident fellow Scott Gottlieb pointed out to the [Post](#), “Many purchasers prefer the bare-bones plans because they are cheaper.” Their preferences, unfortunately, were overruled in favor of Washington’s.

Moreover, if premiums go up, so will subsidies, which means those who aren’t eligible for them will end up paying twice, once in the form of higher insurance rates and again in taxes to subsidize others.

Despite the major rate hikes, CareFirst isn’t expecting to reap a windfall next year. In a nod to Maryland’s requirement that the nonprofit insurer make healthcare affordable and accessible, Burrell told KHN: “We’re not expecting to make money. We’re expecting to lose money. If we’re going to lose it we’re going to lose it on behalf of subscribers and the community.”

A law that practically guarantees losses cannot be a good thing for the insurance industry, which probably thought it was getting a sweetheart deal in ObamaCare’s individual and employer mandates. Unfortunately, insurers are largely prevented from charging rates — even within the confines of the ACA’s restrictions — sufficient to cover their increased costs under the law. Most states, including Maryland, heavily regulate insurance premiums and can veto any they deem excessive. Furthermore, to raise rates to what is necessary might well price most customers out of the market. CareFirst initially considered seeking a 50-percent rate increase but halved its request because of “worries about affordability” for both existing and potential customers, KHN reports.

Maryland is one of the first states to discover just how unaffordable the ACA is making healthcare, but it surely will not be the last. In fact, insurance premiums may increase even more in other states, particularly those that have heretofore only lightly regulated the insurance industry and thus have experienced lower rates than heavy regulators such as Maryland. Gottlieb told the [Post](#) that he believes “25 percent [rate hikes] may end up being around the median” among states.

If so, prepare for a new round of regulations to fix the problems ObamaCare has created — and, in turn, to create new ones. The only effective solution is to get rid of the law through either repeal or nullification and then to dismantle the dozens of other obstacles to a free market in healthcare. Anything less is a treatment of the American healthcare system’s symptoms rather than its disease.



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