Written by Michael Tennant on December 14, 2012

New $63 Insurance Fee Another Case of ObamaCare's Wealth Redistribution

As if health insurance premiums weren't rising quickly enough already, ObamaCare — sold as a way to reduce healthcare costs — is going to make them jump another $63 per person per year beginning in 2014.

As part of a 102-page regulation issued by the Department of Health and Human Services, the federal government is imposing a fee of $5.25 per month on every health plan participant.

According to HR Benefits Alert, "The money from the fee will be pooled in an account managed by the HHS. It will be used to reimburse insurance companies who end up covering a large share of individuals with pre-existing conditions. Those insurers will be eligible for reimbursement of a percentage of those individuals' claims that exceed a specified amount." Insurers will be prohibited from refusing coverage to individuals with preexisting conditions beginning January 1, 2014.

Both individual and employer-sponsored health plans, covering an estimated 190 million Americans in all, will be hit with the fee. The Associated Press reports that "the charge … works out to tens of millions of dollars for the largest companies, employers say. Most of that is likely to be passed on to workers."

Employee benefits lawyer Chantel Sheaks, a principal at Xerox subsidiary Buck Consultants, told the AP that the new fee is a "sleeper issue."

"Especially at a time when we are facing economic uncertainty, [companies will] be hit with a multimillion-dollar assessment without getting anything back for it," Sheaks said.

The fee is allegedly temporary, lasting just three years and getting smaller each year, from $63 in 2014 to about $42 in 2015 to roughly $26 in 2016. "It will phase out completely in 2017 — unless Congress, with lawmakers searching everywhere for revenue to reduce federal deficits — decides to extend the fees," the AP observes.

That is certainly a probable scenario. Remember the "temporary" telephone tax instituted to fund the Spanish-American War that remained in force — except for two brief respites in the early 20th century — until it was (mostly) repealed in 2006?

The fee came as a surprise to many employers, who have been busy trying to figure out how to comply with the myriad other rules and regulations in the behemoth healthcare law. Writes the AP:

> "This kind of came out of the blue and was a surprisingly large amount," said Gretchen Young, senior vice president for health policy at the ERISA Industry Committee, a group that represents large employers on benefits issues.

Word started getting out in the spring, said Ms. Young, but hard cost estimates surfaced only recently with the new regulation.

Insurers, one can safely assume, are pleased to be getting something for nothing. "But employers already offering coverage to their workers don't see why they have to pay into the stabilization fund, which mainly helps the individual insurance market," says the AP. "The redistribution puts the biggest companies on the hook for tens of millions of dollars."

Yes, that's "redistribution" — as in "spread[ing] the wealth around," the phrase then-Sen. Barack Obama used to describe his own tax policy in his 2008 encounter with "Joe the Plumber." Those less inclined to mince words might call it legalized theft.

Another of ObamaCare's redistributive regulations, introduced in November, will force younger, healthier, and less-affluent individuals to pay higher premiums to subsidize coverage for older, sicker, and more-affluent persons. According to *Forbes*' Chris Conover:

> The newly announced rules limit insurers to charge their oldest customers no more than three times as much as younger ones.... The rule will force insurers to hike rates for 18- to 24-year-olds by 45 percent even as rates for those 60 and older drop by 13 percent in most states. That means a 22-year-old waitress paying $2,068 for her health insurance will have to fork over $3,000 when Obamacare takes effect....

Is this fair? Ask the typical 20-24 year-old — whose median weekly earnings are $461 — whether it's fair to be asked to pay 50 percent higher premiums so that workers age 55-64 — whose median weekly earnings are $887 — can pay lower premiums. Think about that. The median earnings for older workers are $420 a *week* more than those of younger workers, or roughly $20,000 more a year. How is mandating a price break on health insurance for this far higher income group at the expense of the lower income group possibly fair? [Emphasis in original.]

Conover points out that since the increase in premiums will probably exceed the annual penalty for failing to have health insurance, many young people may make the perfectly rational decision to forego insurance, pay the penalty, and then buy coverage when they get sick, knowing that insurers can't turn them down. "In short," he concludes, "it is now even more likely that Obamacare will amplify the perverse incentives for 'free-riding' that it was intended to counter."

That assumes, of course, that ObamaCare really intended to put an end to free riding or that it had anything whatsoever to do with seeing to it that everyone could obtain affordable healthcare. In fact, every day it becomes clearer that the law had far more to do with redistributing wealth and aggrandizing the federal government's power over people's lives than it did with helping people get healthcare. Add to that the fact that the law, regardless of its intentions, vastly oversteps Washington's delegated, constitutional powers, and the case for state nullification of ObamaCare becomes clear. Fortunately, the movement to accomplish that is gathering steam; and if and when it finally barrels into Washington, Uncle Sam may not know what hit him — but Lady Liberty will.