Top 10

Top Ten Ways ObamaCare Sticks It to Young Adults

By Dean Clancy:

ObamaCare should really be called the Unaffordable Care Act, especially when it comes to adults in their twenties and thirties. ObamaCare's "individual mandate," which takes full effect on January 1, 2014, requires all Americans to purchase expensive government-controlled health insurance, even if they don't want or need it[1]. The defenders of this mandate, and especially the health insurance lobby, claim a mandate on all of us is necessary to "help the uninsured." In fact, the mandate's real purpose is to prevent the system's new government-run "health exchanges" from collapsing. Young adults are being singled out as the group who will have to bear the brunt of preventing this collapse. They're being asked to sacrifice their dollars and their freedom. Eighty percent of 20-somethings who earn more than about $18,500 a year will see their health insurance costs go up as a result of ObamaCare. In California, the cost of a basic plan for a 25-year-old male will jump as much as 92 percent, in Ohio as much as 700 percent! Meanwhile, the Administration is enforcing ObamaCare selectively, having granted more than 1,200 waivers to politically connected labor unions and corporations over the past three years, and more recently exempting all large businesses. In short, ObamaCare is unfair, unnecessary, and harmful to our health. No wonder it's so unpopular, even before it has been fully implemented. We call on all Americans, and especially millennials, to "burn their ObamaCare card," join the "health care draft resistance" movement, and help us hasten the replacement of government-centered care with patient-centered care.

Here are the top ten ways ObamaCare sticks it to young adults:

1. Raises insurance costs for adults under 40 (on purpose)
2. Reduces access to workplace health insurance
3. Shrinks workplace health benefits
4. Reduces work-hours
5. Kills jobs
6. Increases debt
7. Raises taxes
8. Is unfair

[1] Tens of millions of Americans are statutorily exempted from the individual mandate, including prisoners, illegal immigrants, certain religious sects, Native Americans, Americans living overseas, Americans who don't have to file a tax return, Americans whose employer offers them coverage that would cost them more than 8 percent of their income, and any American granted "hardship" status at the discretion of the Health and Human Services secretary. Patient Protection and Affordable Care Act, section 1501.
https://www.bcbsri.com/BCBSRIWeb/pdf/Individual_Mandate_Fact_Sheet.pdf

9. Is unnecessary
10. Is insulting

1. Raises insurance costs for adults under 40 (on purpose)

ObamaCare sticks it to young adults by driving up their health insurance costs. On purpose. That's right, the law is *designed* to drive up costs for people in their twenties and thirties, in order to keep the new ObamaCare exchanges from collapsing.

Unless a lot of young, healthy people sign up to pay for insurance through the government exchange, premiums will spiral upward as too many old and sick people sign up, which will cause the system to collapse. Thanks to ObamaCare's numerous mandates, the health insurance in most cases will cost more than it's actually worth, especially for young adults. Hence the need for a mandate requiring people to pay into the system. The young are, in effect, being drafted into compulsory national service.

How does ObamaCare drive up rates? Primarily by forcing insurance companies to accept all applicants, regardless of age or health status ("guaranteed issue") and by forcing them to charge all applicants roughly the same price ("community rating"). These mandates make insurance more expensive, especially for healthier folks, some of whom naturally respond to the higher expense by becoming uninsured -- the opposite of the law's alleged goal. Younger people tend to be healthier. That's why they also tend to be uninsured -- the high cost isn't worth it for them, relative to the benefit. The largest negative effects of guaranteed issue and community thus fall on younger people.

ObamaCare imposes a host of other mandates. One is to make insurers cover adults up to age 26 on their parents' policy. That sounds nice, until we realize that it costs each of us an additional $100 to $400 a year on our health insurance premiums. (And by the way, since when it a 26-year-old a child?) Another mandate requires insurance companies to cover all services deemed by the government to be "preventative," including "reproductive health services," "free of charge." That too sounds great, until we remember that there's no free lunch. Mandates raise prices. Period.

How much will premiums rise for folks under 40[2]?

- Almost 80 percent of those aged 21 to 29 with incomes greater than 138 percent of the federal poverty level, or about $18,560 a year, can expect to pay more out of pocket for coverage than they pay today. Younger, healthier individuals can expect premiums to increase by more than 40 percent.[3]

[2] The following estimates are for insurance in the individual or nongroup market. That is, not for coverage received through the workplace or the government.

[3] Kurt Giesa and Chris Carlson, "Age Band Compression under Health Care Reform," *Contingencies*, Jan/Feb 2013, pp. 30-36.

[3] http://www.contingenciesonline.com/contingenciesonline/20130102#pg33

- In Ohio the cost of a basic plan for a healthy 25-year-old male will jump by nearly 700 percent, from $355.44 a year ($29.62 a month) in 2013 to $2,383.68 a year ($198.64 a month) in 2014.[4]

- In California the cost of a basic plan for a healthy 25-year-old male will jump by 92 percent, from $1,212 a year ($101 a month) in 2013 to $2,196 a year ($183 a month) in 2014.[5]

The uninsured (two out of three of whom are under 40) have average annual health care expenditures of around $800 to $1,200. Since health insurance will cost a good deal more than that, they have an incentive to be uninsured. They need low-cost, economical coverage. ObamaCare gives them the opposite.[6]

By the way, premiums will only go down for older folks *if* young adults voluntarily swallow ObamaCare's big rate hikes. If young adults opt instead to take a pass on the insurance and just pay the law's $95 tax penalty "user fee," rates will go *up* for older folks.[7]

You can't defy the laws of economics. If we want to get more Americans insured, we have to enable insurance to cost *less*. ObamaCare makes it cost *more*, for the majority of Americans, and especially for young adults

2. Reduces access to workplace health insurance

ObamaCare sticks it to young adults by incentivizing many employers to stop offering health benefits. When an employer stops offering health benefits, workers must either: a) rely on a relative's health insurance; b) go into the ObamaCare "health exchange," b) enroll in Medicaid or other government program for which they may be eligible, or c) join the ranks of the uninsured. Younger workers will often find themselves in the last category: uninsured.

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[4] Louise Radnofsky, "Ohio Complains of Higher Health-Insurance Premiums," *Wall Street Journal*, June 6, 2013, http://blogs.wsj.com/washwire/2013/06/06/ohio-complains-of-higher-health-insurance-premiums/tab/print/?KEYWORDS=health+law?KEYWORDS=health+law.

[5] Avik Roy, "The War On Bros: Exchange Subsidies Won't Protect Young People From Obamacare's Higher Insurance Premiums," *Forbes*, June 7, 2013, http://www.forbes.com/sites/theapothecary/2013/06/07/the-war-on-bros-exchange-subsidies-wont-protect-young-people-from-obamacares-higher-insurance-premiums/.

[6] ObamaCare supporters try to downplay "rate shock" figures like these, by noting that costs will go *down* for *some* older folks. True. But how much comfort is it for a millennial faced with a 92 percent premium increase to know that his 64-year-old neighbor will enjoy a 10 percent decrease? Supporters of the law also say that folks earning up to about $45,000 a year will get a relatively generous subsidy, on a sliding scale, to help them afford the premiums (courtesy of the taxpayer), if they buy coverage in the government exchange. Also true. But that taxpayer subsidy is only available to people whose employer *doesn't* offer "affordable" coverage, as defined by the government (and whose state *doesn't* offer Medicaid to people earning more than 100 percent of poverty). It's hard for anyone to know for sure whether he qualifies for the subsidy and will remain qualified for it, since third parties (employers, state policy makers) are the ones making the critical decisions affecting his eligibility.

[7] Here is now the individual mandate penalty works. The IRS will levy penalties on individuals who don't buy government-approved insurance. The annual fines will equal the greater of $95 per adult or 1 percent of income (in 2014); $325 or 2 percent (in 2015), $695 or 2.5 percent (in 2016); and then will rise with inflation. The fine for uninsured children equals one-half the adult fine. Additionally, many people are exempted from the mandate, such as those for whom premiums exceed 8 percent of household income. Hence, as premiums increase, more and more people will be exempted from the mandate.

About 156 million Americans (roughly half the U.S. population) get their health insurance through the workplace. Credible experts predict ObamaCare will cause anywhere from 7 million to 35 million Americans to lose their workplace health benefits over the next few years.

- The official Congressional Budget Office (CBO) estimate projects that between 2014 and 2019 anywhere from 7 million to 20 million Americans will be "dumped" by their employers from their workplace health plan.[8]

- A former head of the Congressional Budget Office (CBO) is more pessimistic, estimating that Obamacare "provides strong incentives for employers—with the agreement of their employees—to drop employer-sponsored health insurance for as many as 35 million Americans."[9]

Wait. Would employers really do that? Would they really drop coverage? Yes, it seems, they would.

- Thirty percent of employers tell surveyors they'll "definitely" or "probably" stop offering employer-sponsored insurance in the years after 2014.[10]

- One recent survey found 9 percent of employers "expect" to stop offering health benefits in the next few years (which would affect about 3 percent of the workforce, or about 5 million workers).[11]

Most of this "employer dumping" will occur among small businesses. That will disproportionately affect adults under 40.[12]

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8 Seven million figure comes from: CBO, Effects of the Affordable Care Act on Health Insurance Coverage—February 2013 Baseline," February 5, 2013, http://www.cbo.gov/sites/default/files/cbofiles/attachments/43900_ACAInsuranceCoverageEffects.pdf. Twenty million figure from: CBO, "The Effects of the Affordable Care Act on Employment-Based Health Insurance," March 15, 2012, http://www.cbo.gov/publication/43090. See also: CBO, "How Has CBO's Estimate of the Net Budgetary Impact of the Affordable Care Act's Health Insurance Coverage Provisions Changed Over Time?" March 20, 2013, http://www.cbo.gov/publication/44008. CBO does think it possible that the number of people in employer-based coverage could go *up*, by 3 million; but the agency designates as its "best estimate" a 7 million person drop in workplace coverage.

9 Douglas Holtz-Eakin and Cameron Smith (American Action Forum), "Labor Markets and Health Care Reform: New Results," May 2010, http://americanactionforum.org/files/AAF_Labor%20Markets%20and%20Health%20Care%20Reform_5-27-2010.pdf?phpMyAdmin=yVaoFIsOJaixGsCDQKevn,gw,Q9.

10 McKinsey & Company, "How US health care reform will affect employee benefits," June 2011, http://www.mckinsey.com/insights/health_systems/how_us_health_care_reform_will_affect_employee_benefits.

11 Deloitte, "2012 Deloitte Survey of U.S. Employers: Opinions about the U.S. Health Care System and Plans for Employee Health Benefits," July 2012, http://www.deloitte.com/view/en_US/us/Insights/centers/center-for-health-solutions/21c1f310fb8b8310VgnVCM3000001c56f00aRCRD.htm.

12 Some workers will lose what the law deems to be "affordable" benefits, as their employers offer "unaffordable" plans *intentionally*, knowing that doing so will drive their lower-income workers to look outside the firm for health coverage, which will save the employer money (because paying a $3,000 federal penalty fine is cheaper than paying for a $8,000 to $20,000 insurance policy). Some economists predict that we may see a lot of firms restructure themselves into two "sister

3. Shrinks workplace health benefits

ObamaCare sticks it to young adults by incentivizing employers to offer stingier workplace benefits**.** Those employers who choose to offer health benefits will be under pressure to try to save money by making the benefits "thinner." We already have reports of some employers switching to "skinny" plans, which are plans that don't cover certain items, such as hospital stays.[13] Yes, "skinny" plans are allowed under the statute.[14]

4. Reduces work-hours

ObamaCare sticks it to young adults by causing employers to cut back on workers' hours.[15] The law's "employer mandate" requires all employers with 50 or more full-time employees, beginning January 1, 2014, to offer expensive, government-regulated health insurance.[16] "Full time" is defined under the law as 30 or more hours a week. (The average American works about 32 hours a week.) So unsurprisingly, many firms are reducing workers' hours to 29 hours or below, in order to avoid the expense. According to the *Los Angeles Times*:

> [B]ig restaurant chains, retailers and movie theaters are starting to trim employee hours. Even colleges are reducing courses for part-time professors to keep their hours down and avoid paying for their health premiums. Overall, an estimated 2.3 million workers nationwide, including 240,000 in California, are at risk of losing hours as employers adjust to the new math of workplace benefits.[17]

5. Kills jobs

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firms": one for higher-wage workers who will continue to enjoy company health benefits, and one for lower-wage workers who will be "dumped" into the government exchange. In other words, lower-income workers will get the short end. And guess which age group will be hardest hit by that? Yep, young adults.

[13] Brett Norman, "ACA Penalties Spawn 'Skinny' Plans," *PoliticoPro*, July 16, 2013, http://www.politico.com/story/2013/07/some-workplace-health-plans-will-be-skinny-94239.html.

[14] Avik Roy, "Employers Can Minimize Their Exposure to Obamacare's Penalties by Offering Low-Cost 'Skinny' Coverage," *Forbes*, May 21, 2013.

[14]http://www.forbes.com/sites/theapothecary/2013/05/21/employers-can-minimize-their-exposure-to-obamacares-health-insurance-mandate-by-offering-low-cost-skinny-coverage/.

[15] The employer mandate will take effect on January 1, 2014. In July 2013, the Obama Administration surprised everyone by announcing it was unilaterally cancelling the mandate for a year, pushing the effective date back to January 1, 2015. While this cancellation is illegal, so long as the mandate is only delayed temporarily the incentives for employers to cut back on hours and hiring will remain essentially unchanged. The one-year delay will probably cause more employers to "dump" their workers into government health exchanges in 2014 than would otherwise have been the case. This, we suspect, is exactly what the Administration intends.

[16] Here is now the employer mandate penalty works. The IRS will level a tax penalty on businesses with more than 50 full-time employees who fail to offer health coverage. The fine is $2,000 per employee after the first 30 employees. Employers will also be fined for failing to offer "affordable" coverage, as defined by the law. The fine is $3,000 per employee if coverage costs more than 8.5 percent of that worker's income.

[17] Chad Terhune, "Part-timers to lose pay amid health act's new math," *Los Angeles Times*, May 2, 2013, http://articles.latimes.com/2013/may/02/business/la-fi-part-time-healthcare-20130502.

ObamaCare sticks it to young adults by causing employers to eliminate jobs, especially low-end, minimum wage positions. ObamaCare is causing a hiring slowdown. Part of the problem is uncertainty: employers are afraid to hire because they still don't know how exactly the extremely complicated law will be enforced. But the bulk of the problem is the employer mandate itself: firms are avoiding new hires to avoid hiring that incredibly costly 50th employee. A health insurance plan can cost anywhere from $8,000 to $20,000 a year. The law says that if you offer coverage, it must be "affordable," as defined by the government. That means you, the employer, must pay for roughly 92 percent of the plan's cost. Many small firms simply can't afford that. Right now, unemployment among Americans under 24 is a staggering 16.2 percent, and thanks to our economy's anemic 2 percent a year growth rate, these Americans' employment prospects are dismal. The ObamaCare-induced hiring slowdown only makes this problem worse, disproportionately affecting entry- and lower-level positions and thus younger adults trying to get their start in life.

6. Increases debt

ObamaCare sticks it to young adults by driving up the national debt. The national debt has recently soared above $16,000,000,000,000 (sixteen trillion dollars), an historic high. Uncle Sam has additionally racked up nearly $100,000,000,000,000 (one hundred trillion dollars) in future, unfunded promises. That mountain of debt must be paid back by current and future generations. The cost of the law's coverage provisions alone, over the first ten years of full implementation (2014 to 2023), is around $2,400,000,000,000 (two trillion four hundred billion dollars). The law will likely drive the deficit up by more than $700,000,000,000 (seven hundred billion dollars).[18] The problem boils down to basic math. As one analyst has summed up the problem:

> Health spending now averages about 21 percent of households' personal income ... [but the] health care legislation presumes that those in an exchange shouldn't have to pay more than 10 percent of their income for a health insurance policy.[19]

That means someone is going to have to subsidize people who get their coverage through an exchange. Who is going to be on the hook for that subsidy? Current and future taxpayers, of course. How will it be paid for? Mostly through borrowing. (Uncle Sam currently borrows more than one-third of every dollar he spends.) So now young adults, who already carry historically high levels of student-loan debt, will have to help pay for the massive ObamaCare debt as well.[20] How thoughtful.

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[18] Estimate by Senate Budget Committee Republicans, based on CBO projections, for the years 2014-2023.

[19] C. Eugene Steuerle (Urban Institute), "Fixing the Nation's Four-Tranche Universal Health System: Next Steps for Both Republicans and Democrats," October 28, 2010, http://www.urban.org/publications/901386.html.

[20] ObamaCare supporters protest that the law "doesn't add a dime to the deficit," citing the official CBO cost estimates for the legislation. But that claim doesn't stand up to scrutiny. The law only appears "deficit neutral" on paper, because of massive budget gimmicks like these. In reality, ObamaCare will cost taxpayers dearly, with younger taxpayers getting hit the hardest. The law includes $700 billion in ten-year Medicare reductions (to help pay for the new entitlement) that the Chief Actuary of the Medicare program assumes are unlikely to take effect, because they would cause 15 percent of hospitals to go out of business by 2019. (Source: CMS Chief Actuary Richard S. Foster, Memorandum on Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as Amended, April 22, 2010, http://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/downloads/PPACA_2010-04-22.pdf.) Members of Congress will never voluntarily allow large numbers of hospitals in their districts to go out of business. They will move to provide federal relief. And the relief will most likely come in the form of reversing the Medicare payment reductions. The Chief Actuary also points out that

7. Raises taxes

ObamaCare sticks it to young adults by increasing taxes. ObamaCare imposes eighteen new taxes, including an expensive tax on medical devices and the first-ever tax on workplace health benefits -- even a new tax on the sale of your home. Those new taxes are projected to bring in a total of $514,000,000,000 (five hundred fourteen billion dollars) in additional federal revenues over ten years.

ObamaCare's 18 New Taxes

1. Individual mandate tax on individuals who do not purchase health insurance.
2. Employer mandate tax on employers who do not offer "acceptable" health coverage to their employees.
3. Annual fee on health insurance providers based on each company's share of the total market.
4. Medical expense deduction is limited to those with expenses above 10% of adjusted gross income, up from previous 7.5%.
5. 2.3% excise tax on manufacturers and importers of certain medical devices.
6. 10% excise tax on indoor tanning services.
7. Fee on manufacturers and importers of branded drugs, based on each individual company's share of the total market.
8. Increased Medicare portion of FICA payroll tax, rising to 3.8% from previous 2.9%, on couples earning more than $250,000 a year ($200,000 for single filers); increased tax is also applied to investment income for the first time.
9. Increased penalty for purchasing over-the-counter products with HSAs to 20%.
10. Reduction in the number of medical products taxpayers can purchase using funds they put aside in HSAs and FSAs.
11. Limit on the amount taxpayers can deposit in flexible spending accounts (FSAs) to $2,500 a year.
12. Fee on insured and self-insured health plans to fund PCORI agency.
13. Elimination of the corporate deduction for prescription expenses for retirees.
14. Increase in taxes on health insurance companies, by limiting the amount of compensation paid to certain employees they can deduct from their taxes.
15. End of special deduction for Blue Cross / Blue Shield organizations.
16. 40% excise tax on "Cadillac" health insurance plans costing more than $10,200 for individuals and $27,500 for families (begins in 2018).
17. Exclusion of unprocessed fuels from the existing cellulosic biofuel producer credit.
18. Increase in corporate taxes by making it more difficult for businesses to engage in activities that reduce their tax liability.

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the law assumes a series of deep, automatic, annual reductions in Medicare payments to *doctors* that Congress has historically never allowed to take place.

8. Is unfair

ObamaCare institutes basic intergenerational unfairness. Sixty-four-year-olds typically spend six times as much on health care as 18-year-olds. Logically, their health insurance rate should be six times higher. But ObamaCare says insurers can charge older folks no more than three times what it charges a young person. This 3:1 community rating forces millennials to pay about 75 percent too much for insurance, so folks in their early 60s can underpay by about 13 percent. Nice![21]

9. Is unnecessary

The tragedy of ObamaCare is that it isn't even necessary. There are less coercive, less expensive ways to help the uninsured. Here are some simple ways to reduce health care costs and thus increase the number of insured people, without costly government mandates or price controls: 1) Promote competition by passing a federal "health care freedom act" that makes participation in all federal health care programs completely voluntary for individuals. 2) Permit individuals to deduct 100 percent of their medical expenses from their taxes. 3) Allow people to buy health insurance across state lines. 4) Allow everyone, including folks on Medicare and Medicaid, to have a Health Savings Account (HSA) (a pre-tax savings account for medical expenses coupled with a high-deductible health insurance plan). 5) Provide targeted assistance, via the states, for the one percent of Americans who can't afford good private health insurance because of a preexisting medical condition. 6) Encourage states to reform their medical malpractice tort laws to reduce costs.[22] This robust agenda would benefit young adults and indeed all Americans by promoting patient power in the health care marketplace. It would help lower the excessive *cost* of health care, which is the real problem, by reducing meddlesome government *mandates*, which are the real culprit.

10. Is insulting

ObamaCare insults young people's intelligence by trying to make them believe they are benefiting from a policy that actually targets them for the biggest pain.

P.S. There's an eleventh reason ObamaCare sticks it to young adults: its inevitable negative effects on the quality and availability of medical care. With the new system's top-down, centralized approach, there will be higher costs, longer wait times, and incentives for doctors and hospitals to scrimp on care.

Conclusion: Burn Your ObamaCare Card!

ObamaCare was rammed through Congress in the name of "helping the uninsured." What it really does is hurt the young. Two-thirds of the uninsured today are in their twenties and thirties. Most of the uninsured make a rational choice to go without insurance because government policies have made it

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[21] Avik Roy, "Putting the 'Insurance' Back in Health Insurance, *Forbes*, May 21, 2012, http://www.forbes.com/sites/theapothecary/2012/05/21/putting-the-insurance-back-in-health-insurance/.

[22] Dean Clancy, What Should Replace ObamaCare, July 17, 2012, http://www.freedomworks.org/blog/dean-clancy/what-should-replace-obamacare.

[22] See also: Avik Roy, "The Tea Party's Plan for Replacing ObamaCare," *Forbes*, April 7, 2012, http://www.freedomworks.org/blog/dean-clancy/forbes-the-tea-party-plan-for-replacing-obamacare.

too expensive, relative to its value for them. The individual mandate, ObamaCare's linchpin, will hit young adults the hardest. Eighty percent of 20-somethings who earn more than about $18,500 a year will see their health insurance costs go up as a result of ObamaCare. In California, the cost of a basic plan for a 25-year-old male will jump as much as 92 percent, in Ohio as much as 700 percent! The individual mandate, ObamaCare's linchpin, is unjust, unnecessary and harmful to our health. Millennials would be better off "burning their ObamaCare card" and resisting the "health care draft." We call on Americans who can do so to "opt out" of the ObamaCare mandate and instead pay the small penalty tax "user fee" for being uninsured (or for not having ObamaCare-compliant coverage).[23] If enough Americans join the resistance movement, we can hasten the collapse of the exchanges, reverse the Washington takeover, and pave the way for a health care system that works for, rather than against, patients.[24]

FreedomWorks is a service center to a community of more than four million Americans dedicated to individual liberty and constitutionally limited government. Dean Clancy is the group's Vice President for Public Policy.

[23] For many people, especially younger citizens, it will be more financially sensible to just pay the fine than to buy overpriced health coverage. The fine is small (only $95, or 1 percent of one's income, whichever is higher, in 2014). If you refuse or neglect to pay the fine on your yearly tax return, the statute prevents the IRS from punishing you, other than by withholding any tax refund you are owed. So you could theoretically sidestep any penalty whatsoever by adjusting your income tax withholdings to avoid being owed a refund.

[24] Jacqueline Bodnar, "FreedomWorks Announces "Burn Your ObamaCare Card" Campaign to Resist the Compulsory Health Care Law" (press release), July 11, 2013, http://www.freedomworks.org/press-releases/freedomworks-announces-%E2%80%9Cburn-your-obamacare-card%E2%80%9D. See also: Dean Clancy, "Burn Your ObamaCare Card," *Washington Times*, July 10, 2013, http://www.washingtontimes.com/news/2013/jul/10/burn-your-obamacare-card/.