Obamacare: Covered California's health plan prices soar

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Californians who buy coverage through the state's health insurance exchange better get ready for a dose of sticker shock: Average premiums next year will shoot up more than 13 percent statewide -- and could even double that in some parts of Northern California.

While consumers are growing weary about the rising costs of health care and specialty prescription drugs, there's a new culprit adding to the soaring rates for 2017 announced Tuesday: Two federal programs are expiring next year that were created to cushion insurers from losing money on low-cost, high-risk policies under the Affordable Care Act. "We've known for a long time that 2017 would be a transition year," said Peter Lee, executive director of Covered California, the state's health exchange. "We are seeing that happening."



2015 photograph: Peter Lee, center, executive director of Covered California, the state's health insurance marketplace, discusses health insurance signups. (Rich Pedroncelli/Associated Press Archives)

Still, Northern California residents should brace themselves:

In Santa Cruz, San Benito and Monterey counties, the average rate hike for Covered California enrollees in 2017 is 28.6 percent -- the highest in California. The next highest in the greater Bay Area is San Francisco County, which will see an average 14.8 percent increase, followed by Contra Costa County at 13.6 percent.

Average increases for Marin, Napa, Solano and Sonoma counties will be 12.5 percent. In Alameda County, it will be 12.3 percent; in San Mateo County 11.7 percent; and in Santa Clara County 9.2 percent.

Many say that the costs are so steep here compared with some parts of the state because of the high cost of living, less hospital competition and a largely unionized workforce.

It could be worse. Lee noted that 90 percent of Covered California's enrollees receive federal subsidies that cover roughly 77 percent of their monthly premiums.

Next year's steep hikes come after Californians absorbed relatively minor premium hikes, following two straight years of average 4 percent increases.

The end of two federal programs that under Obamacare subsidized insurance companies will add an estimated 4-7 percent to 2017 rates, Lee said.

While the California premium hikes are high, they're actually lower than what other states are seeing, said Larry Levitt, a senior vice president at the Menlo Park-based Kaiser Family Foundation.

"The ACA in California may not be quite the success it was initially," he said, "but it's still working well in the state compared to the rest of the country."

Levitt emphasized that the premium increases announced Tuesday affect only a small share of the population in California, since they don't apply to those who get coverage through their employers, Medi-Cal or Medicare. But he said health care costs, which have been growing at historically low rates, appear to be trending up -- and that could hit everyone.

Some consumer advocates labeled Tuesday's rate hikes a call to action for state legislators to enact rate regulation on health insurers.

"Covered California cannot and does not force companies to prove rate hikes are reasonable before they take effect," said Jamie Court, president of Consumer Watchdog, a Santa Monica-based consumer advocacy group. In 2014, the group tried but failed to pass Proposition 45, which sought to give the state's insurance commissioner the power to regulate rates.

"It's very likely that insurance companies will raise rates on the rest of the market because they can, using essentially the same justification: higher-than-expected costs," Court said.

But Charles Bacchi, president and CEO of the California Association of Health Plans, an industry trade group, said California is one of only a handful of states with the power to negotiate for the best price and value.

"We are under an incredible amount of scrutiny as health plans," Bacchi said. "We have to show our rates are in line with what is reasonable and unreasonable. At the end of the day, consumers can make a choice based on price and quality."

And over time, the system is paying dividends, Lee said: A review of Covered California's rate increases over the last three years have averaged around 7 percent, "far lower than before the Affordable Care Act, when double-digit increases were the norm."

Most consumers, he said, could pay less or see a rate bump of no more than 5 percent if they switch to lower-cost plans.

That, however, might not go over too well with many enrollees, who already are frustrated by narrow networks of hospitals and doctors available under their current plans.

Hugo Campos, 50, of Oakland, said the news of the rate hike is unsettling.

"It puts me in a place of having to charge more for my services," said the self-employed graphic artist. "And that makes me less attractive to some of my clients who can go get work somewhere else."

Looking for a less expensive plan also is worrisome, said Campos, who suffers from a heart condition. After two years on a Kaiser Permanente plan, Campos said, he's finally getting to know -- and trust -- his primary care physician.

"I would rather not switch," Campos said with dismay.

There was a bit of good news Tuesday for some Bay Area residents: A new plan called Oscar Health Plan of California will be entering the market in Santa Clara, San Mateo and San Francisco counties in 2017. In addition, Kaiser Permanente will be available in Santa Cruz County.

And starting next year, consumers in Silver, Gold and Platinum plans on the exchange will pay a flat co-pay for emergency room visits without having to satisfy a deductible, which Lee said could save them thousands of dollars.