Smokers could face steep penalty under new health care law

POSTED: 01/25/2013 12:01:00 AM MST
UPDATED: 01/25/2013 02:41:55 AM MST

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The Associated Press

WASHINGTON — Millions of smokers could be priced out of health insurance because of tobacco penalties in President Barack Obama's health care law, according to experts who are just now teasing out the potential impact of a little-noted provision in the massive legislation.

The Affordable Care Act — "Obamacare" to some — allows health insurers to charge smokers buying individual policies up to 50 percent higher premiums starting next Jan. 1.

For a 55-year-old smoker, the penalty could reach nearly $4,250 a year. A 60-year-old could wind up paying nearly $5,100 on top of premiums.

Younger smokers could be charged lower penalties under rules proposed last fall by the Obama administration. But older smokers could face a heavy hit on their household budgets at a time in life when smoking-related illnesses tend to emerge.

Workers covered on the job would be able to avoid tobacco penalties by joining smoking cessation programs because employer plans operate under different rules. But experts say that option is not guaranteed to smokers trying to purchase coverage individually.

35 million smokers

Nearly one of every five U.S. adults smokes. That share is higher among lower-income people who also are more likely to work in jobs that don't come with health insurance and would therefore depend on the new federal health care law. Smoking increases the risk of developing heart disease, lung problems and cancer, contributing to nearly 450,000 deaths a year.

Insurers won't be allowed to charge more under the overhaul for people who are overweight, or have a health condition like a bad back or a heart that skips beats — but they can charge more if a person smokes.

Starting next Jan. 1, the federal health care law will make it possible for people who can't get coverage now to buy private policies, providing tax credits to keep the premiums affordable.

Although the law prohibits insurance companies from turning away the sick, the penalties for smokers could have the same effect in many cases, keeping out potentially costly patients.

"We don't want to create barriers for people to get health care coverage," said California state Assemblyman Richard Pan, who is working on a law in his state that would limit insurers' ability to charge smokers more.

The federal law allows states to limit or change the smoking penalty.

"We want people who are smoking to get smoking cessation treatment," said Pan, a pediatrician who represents the Sacramento area.

Colorado law allows insurance companies to charge more for smokers in small-group policies. Many larger, self-insured companies are beginning to either reward smokers for quitting or charging penalties to continuing smokers.

Anthem last year began charging Colorado companies buying small-group policies more for their smokers, up to 15 percent, and suggests that the companies pass the cost on to the smoker to have the intended effect of getting them to quit.

Bleak options

Obama administration officials declined to be interviewed for this article, but a former consumer protection regulator for the government is raising questions.

"If you are an insurer and there is a group of smokers you don't want in your pool, the ones you really don't want are the ones who have been smoking for 20 or 30 years," said Karen Pollitz, an expert on individual health insurance markets with the nonpartisan Kaiser Family Foundation. "You would have the flexibility to discourage them."

Several provisions in the federal health care law work together to leave older smokers with a bleak set of financial options, said Pollitz, formerly deputy director of the Office of Consumer Support in the federal Health and Human Services Department.

First, the law allows insurers to charge older adults up to three times as much as their youngest customers.

Second, the law allows insurers to levy the full 50 percent penalty on older smokers while charging less to younger ones.

And finally, government tax credits that will be available to help pay premiums cannot be used to offset the cost of penalties for smokers.

"The effect of the smoking (penalty) allowed under the law would be that lower-income smokers could not afford health insurance," said Richard Curtis, president of the Institute for Health Policy Solutions, a nonpartisan research group that called attention to the issue with a study about the potential impact in California.

Playing defense

In today's world, insurers can simply turn down a smoker. Under Obama's overhaul, would they actually charge the full 50 percent? After all, workplace anti-smoking programs that use penalties usually charge far less, maybe $75 or $100 a month.

Robert Laszewski, a consultant who previously worked in the insurance industry, says there's a good reason to charge the maximum.

"If you don't charge the 50 percent, your competitor is going to do it, and you are going to get a disproportionate share of the less-healthy older smokers," Laszewski said. "They are going to have to play defense."

Affordable care? Not if you smoke

Take a hypothetical 60-year-old smoker making $35,000 a year. Estimated premiums for coverage in the new private health insurance markets under the President Barack Obama law would total $10,172. That person would be eligible for a tax credit that brings down the cost to $3,325. But the smoking penalty could add $5,086 to the cost. And because federal tax credits can't be used to offset the penalty, the smoker's total cost for health insurance would be $8,411, or 24 percent of income. That's considered unaffordable under the federal law. The numbers were estimated using the online Kaiser Health Reform Subsidy Calculator.

The Associated Press

请阅读以上新闻，围绕下面的问题，写一个 A4 纸一页以内的 memo，并于本周六（3 月 23 日）晚上 24 点前发到相应的小课助教邮箱，邮件主题统一命名为“经原小课第 5 周 memo”。关于奥巴马新医改法案的具体内容，请参见【background】中的两篇文章。这将对你理解下面的问题有所帮助。

1. 在新医改法令通过之前，保险公司可以根据用户各种特征来征收保费，用户也可以选择是否购买医疗保险。保险公司采取差别定价的策略是否有助于缓解逆向选择问题？如果不实行差别定价，其结果是对高风险人有利，还是低风险人有利？

2. 为扩大美国保险覆盖范围，奥巴马政府强制，凡是收入高于贫困线的每个公民都必须购买一份商业保险，否则就要向政府缴纳一定的罚款（细则见背景材料）。另外，奥巴马政府禁止保险公司基于对客户性别、当前身体状况所进行的差别定价。和原来（即有差别定价的可自由选择的商业保险）比较，高风险和低风险的人各自是变好了还是变坏了？

3. 考虑奥巴马政府允许保险公司甄别吸烟者，并对其加征高额保费。与 2 中的情况比较，你认为高风险和低风险的人各自是变好了还是变坏了？低收入阶层是否得到了更好的保障？最终入保人群的潜在患病风险是提高了还是降低了？

4. **（选做）**当收入高于贫困线一定范围的人们想购买保险时，奥巴马政府还会为他们提供补贴（细则见背景材料）。综合以上所有措施，谈谈奥巴马政府在效率、公平和削减预算方面的表现。你认为中国的医保改革在这几方面做得如何？

【Background】

【1】 What is Obamacare?

The **Patient Protection and Affordable Care Act** (**PPACA**), commonly called **Obamacare** or the **Affordable Care Act**, is a United States federal statute signed into law by President Barack Obama on March 23, 2010. It represents the most significant government expansion and regulatory overhaul of the U.S. healthcare system since the passage of Medicare and Medicaid in 1965.

PPACA is aimed primarily at decreasing the number of uninsured Americans and reducing the overall costs of health care. It provides a number of mechanisms—including mandates, subsidies, and tax credits—to employers and individuals in order to increase the coverage rate. Additional reforms are aimed at improving healthcare outcomes and streamlining the delivery of health care. PPACA requires insurance companies to cover all applicants and offer the same rates regardless of pre-existing conditions or sex. The

Congressional Budget Office projected that PPACA will lower both future deficits and Medicare spending.

Key Provisions

- **Guaranteed issue** : Policies (保险单) should be issued regardless of any medical condition, and partial community rating will require insurers(保险公司) to offer the same premium to all applicants of the same age and geographical location without regard to gender or most pre-existing conditions **(excluding tobacco use**).
- **Individual mandate** : Individuals not covered by an employer sponsored health plan, Medicaid, Medicare or other public insurance programs, secure an approved private-insurance policy or **pay a penalty**, unless the applicable individual is a member of a recognized religious sect exempted by the Internal Revenue Service, or waived in cases of financial hardship.
- **Federal subsidies：** Low-income individuals and families above 100% and up to 400% of the federal poverty level will receive federal subsidies on a sliding scale if they choose to purchase insurance (those from 133% to 150% of the poverty level would be subsidized such that their premium cost would be 3% to 4% of income).
- **Medicaid expansion**：The text of the law expands Medicaid eligibility to include all individuals and families with incomes up to 133% of the poverty level, effectively 138%, and simplifies the CHIP enrollment process. income level.

Effective by January 1, 2014

- **Guaranteed issue:** Insurers are prohibited from discriminating against or charging higher rates for any individuals based on gender or pre-existing medical conditions. **(excluding tobacco use**).
- **Individual mandate:** Impose an annual penalty of $95, or up to 1% of income over the filing minimum, whichever is greater, on individuals who are not covered by an acceptable insurance policy; this will rise to a minimum of $695 ($2,085 for families), or 2.5% of income over the filing minimum, by 2016. Exemptions to the mandatory coverage provision and penalty are permitted for religious reasons, or for those for whom the least expensive policy would exceed 8% of their income.
- **Medicaid expansion:** In participating states, Medicaid eligibility is expanded; all individuals with income up to 133% of the poverty line qualify for coverage, including adults without dependent children.

【footnote】

- **Medicaid**: a national social insurance program, administered by the U.S. federal government since 1965, that guarantees access to health insurance for certain people and families with low incomes and resources.

【2】 Consumers Guide To Health Reform

Q: I don't have health insurance. Will I have to get it, and what happens if I don't?

A: Under the legislation, most Americans will have to have insurance by 2014 or pay a penalty. The penalty would start at $95, or up to 1 percent of income, whichever is greater, and rise to $695, or 2.5 percent of income, by 2016. This is the individual limit; families have a limit of $2,085 or 2.5 percent of household income, whichever is greater. Some people can be exempted from the insurance requirement, called an individual mandate, because of financial hardship or religious beliefs or if they are American Indians, for example.

Q: I want health insurance, but I can't afford it. What do I do?

A: Depending on your income, you might be eligible for Medicaid, the state-federal program for the poor and disabled, which will be expanded sharply beginning in 2014. Low-income adults, including those without children, will be eligible, as long as their incomes didn't exceed 133 percent of the federal poverty level, or $14,404 for individuals and $29,326 for a family of four, according to current poverty guidelines.

Q: What if I make too much for Medicaid but still can't afford coverage?

A: You might be eligible for government subsidies to help you pay for private insurance that would be sold in the new state-based insurance marketplaces, called exchanges, slated to begin operation in 2014.

Premium subsidies will be available for individuals and families with incomes between 133 percent and 400 percent of the poverty level, or $14,404 to $43,320 for individuals and $29,326 to $88,200 for a family of four.

Q: How will the legislation affect the kind of insurance I can buy? Will it make it easier for me to get coverage, even if I have health problems?

A: If you have a medical condition, the law will make it easier for you to get coverage; insurers will be barred from rejecting applicants based on health status once the exchanges are operating in 2014.

Starting later this year, insurers can no longer exclude coverage for specific medical problems for children with pre-existing conditions nor deny coverage to children with pre-existing illnesses.