Excising The Negative Smoke And Mirror Effects of Obamacare

It's urgent that you help yourself and your clients make better ACA choices.

By Paul M. League, QFP

The so-called Affordable Care Act (ACA), also known as Obamacare, has proven a colossal failure, having only increased, not decreased the ever-rising costs of health care.

The main costs culprits are the health-care exchanges. The law established the health care exchanges and in doing so created a highly expensive and massive duplicative bureaucratic infrastructure. The exchanges took on the expensive task of determining eligibility, managing and applying the advance premium tax credit (APTC) for participants, and making a "marketplace" through which multiple insurers market the standardized health plans, with plan pricing determined by each insurer.

But a much more cost-effective approach could have been implemented instead. Since insurance companies already have in place well-established systems covering all aspects of Obamacare, the only extra function they would have had to add was calculating and applying any price-reducing tax subsidies against their health plan premiums. Marketing costs would have remained unchanged with duly licensed insurance agents simply continuing their traditional roles as representatives of all available, best customer-suited health plans.

The money needed to pay these added health-care costs does not come out of thin air. It comes from the law's imposition of multiple kinds of costs onto consumers, including administrative fees, penalties, publicly obscured taxes*,* Medicare expansion, and more.

What do government and insurance companies do to address their portion(s) of these ever rising health-care costs? Let's see:

• Insurers raise premiums, since they cannot change mandated benefits of any ACA standardized health plan.

• Government reduces plan benefits and increases policyholder out-of-pocket liabilities by raising doctor office co-pays, deductibles and other consumer charges.

The net effect to consumers is an immense financial-burden shift squarely onto their shoulders, while all along the way consumers suffer the negative affects of having been lulled into thinking of the ACA as some kind of "affordable" health-care entitlement program.

Is anyone actually benefiting from Obamacare? Certainly not taxpayers, and danger signs are again looming in yet other cost burdensome versions under names like "single-payer" or "Medicare-for-all."

Insurance is intended to limit one's financial risks to personally manageable levels, not the covering of every nickel-and-dime expense, for which insurance can never be affordably purchased at any price.

Understanding The Financial Liabilities Of Obamacare Health Plans

The financial risk exposures are referred to as "MOOP" (Maximum Out-of-Pocket) liabilities, which are those expenses that exceed claims expenses on such things as doctor office visits, labs, co-pays, hospitalizations, surgeries, and so on.

(Note: Three of the four metallic-tier health plans have the exact same MOOP: $7,800 Individual/$15,600 Family (2020), while the highest priced Platinum 90 tier offers a lower MOOP of $4,500/$9,000, along with no deductible; however, one pays for that lower MOOP, and zero deductible, through substantially higher health plan premiums.)

Typically, few persons ever hit yearly MOOP limits, or even plan deductibles, with medical claims being minor, well within one's own resources to cover. So, why not decide on the Metallic tier that provides the lowest premiums, one of the three that have the exact same liabilities: Bronze 60 tier**.**

Now, if people knew they would face MOOP exceeding limits, then they might want to purchase a richer benefits, lower MOOP Platinum tier plan.

Further complicating matters in California (and also in Vermont as of this writing), is the state's re-imposition of the individual tax mandate penalty, for not having health insurance in effect from January 1, 2020, onward.

If one never incurs the MOOP, or even deductibles, over several years, what is that potential result? You will have built a financial savings account on which you can earn interest to cover part or all of any later MOOP event. You can also tap into those funds for other expenses or you create a pretax Health Savings Account from which you can reimburse yourself, tax free, on any eligible health-care expenses over a lifetime, and you can also use those HSA accumulated savings to pay for your own private long-term care insurance—tax-favorably.

The Three Health Plan Types: HMO, EPO, PPO

Choosing a Plan type often has to do with a person wanting to access or preserve certain medical providers; however, under today's environment of ever increasing health-care costs, the overriding factor instead needs to be price, not plan types. Remember, benefits are the same regardless of plan type.

An HMO requires that you receive all of your referrals and care through a "gatekeeper" primary care physicians (PCP) Independent Physicians Association (IPA). No out-of-network providers or benefits are covered.

An EPO is just like an HMO, except that one can self-refer within the network, which means greater flexibility in which doctor a participant can see.

A PPO allows participants to self-refer to providers both in- and out of network. However, out-of-network providers are reimbursed for their services at less than 50% of whatever other (discounted) in-network providers charge. These plans offer the greatest flexibility to participants.

Consider a single person, age 40, Zip 90210, with an Anthem Blue Cross. Below are annualized costs and minimum savings after six years of Obamacare, assuming no health plan premium increases, and no cost offsetting MOOP increases over six years:

Retail Price:

Bronze 60	$336 X 12 Months =	$4,032 X 6	= $24,192
Platinum 90	$634 X 12 Months =	$7,608 X 6	= $45,648
	Yearly savings	***$3,576 X 6***	***= $21,456*** ***(minimum savings over six years)***

Other Alternatives?

One could opt to have *no* health insurance and simply pay any individual state mandated tax penalty. Or, one could “self-insure,” on the basis that one is sufficiently wealthy to be able to cover any liabilities; however, the less expensive course is to put off such liabilities onto an insurance company for what amounts to pennies on the dollar.

The Bottom Line

Annual Open Enrollment is here, giving advisors and their clients until December 15 to make health plan selections and/or changes, and still achieve a January 1 effective date.

Consider transitioning to a Bronze 60 TIER Health Plan to achieve for yourself a cost-effective means of saving thousands annually while limiting your financial liabilities to levels you can afford.

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