

Health Insurance Rates to Skyrocket after Federal Court Ruling against Obamacare that Takes Money from the Healthy to Fund High-Cost Plans

written by GEG | July 11, 2018



The Trump administration is halting billions in payments to health insurance companies after a federal court in New Mexico ruled that the federal government was using an inaccurate formula for allocating payments from the risk adjustment program of Obamacare that takes funds from plans with lower-risk healthy enrollees and gives it to plans that cover people who need more care and are expected to have high medical costs. The government agency, the Centers for Medicare and Medicaid Services (CMS), claims that the ruling ties its hands and prevents it from making any further collections or payments until litigation is complete.

The Trump administration halted billions of dollars in payments to health insurers after the Centers for Medicare and Medicaid Services, the agency that administers programs under Obamacare, **announced on Saturday** it was freezing payments to insurers that cover sicker patients, saying a federal court ruling ties its hands. The move brought a sharp response from health insurers warning of market disruptions and even higher costs.

The payments are intended to help stabilize health insurance markets by compensating insurers that had sicker, more expensive enrollees in 2017. The government collects the money from health insurers with relatively healthy enrollees, who cost less to insure.

In a Saturday announcement, the CMS said the move was necessary because of a February ruling by a federal court in New Mexico, which found that the federal government was using an inaccurate formula for allocating the payments; it added that the trial court in New Mexico “prevents CMS from making further collections or payments under the risk adjustment program, including amounts for the 2017 benefit year, until the litigation is resolved.”

The CMS, which is part of the Department of Health and Human Services, added that the court’s ruling bars the agency from collecting or making payments under the current methodology, which uses a statewide average premium, Bloomberg reported.

“We were disappointed by the court’s recent ruling. As a result of this litigation, billions of dollars in risk adjustment payments and collections are now on hold.” CMS Administrator Seema Verma said in the agency’s statement.

“CMS has asked the court to reconsider its ruling, and hopes for a prompt resolution that allows CMS to prevent more adverse impacts on Americans who receive their insurance in the individual and small group markets,” Verma said.

The risk adjustment program of the Affordable Care Act redistributes funds from plans with lower-risk enrollees to plans with higher-risk enrollees, helping to ensure that sicker individuals can receive coverage by sharing the cost of covering them. The immediate impact of the decision will be to boost healthcare costs for millions of Americans even higher, unleashing even higher inflation for staples, at a time when the Fed is keeping a close eye on rising costs.

Predictably, advocates of the risk adjustment program, and Obamacare in general, were outraged.

Risk adjustment “has been long supported and embraced by both Republicans and Democrats,” said Scott Serota, president of the Blue Cross Blue Shield Association.

“This action will significantly increase 2019 premiums for millions of individuals and small business owners and could result in far fewer health plan choices,” Serota said in a statement. “It will undermine Americans’ access to affordable coverage, particularly those who need medical care the most.”

The trade group America’s Health Insurance Plans said in an emailed statement that “We are very discouraged by the new market disruption brought about by the decision to freeze risk adjustment payments.” It added that the move comes at a critical time when insurance providers are developing premiums for 2019 and states are reviewing rates.

“This decision will have serious consequences for millions of consumers who get their coverage through small businesses or buy coverage on their own. It will create more market uncertainty and increase premiums for many health plans – putting a heavier burden on small businesses and consumers, and reducing coverage options,” AHIP said.

AHIP urged “a quick resolution is needed to avoid greater harm to the individual and small group markets,” while Serota said CMS “has the legal justification needed to move forward with the payments regardless of the New Mexico ruling, and should do so.”

[Read full article here...](#)