



Insight

The Administration's War on the Young: ACA Version

CHRISTOPHER HOLT | SEPTEMBER 5, 2013

It's not news at this point that the Affordable Care Act (ACA) is built around the perverse premise that younger, healthier people should spend more for their health insurance, to subsidize the cost of health insurance for older, sicker people. However, [a new study by the Kaiser Family Foundation \[PDF\]](#), released this week, brings into the light the full extent of this wealth redistribution from young and healthy to old and sick. In fact, when individuals choose less generous plans in "Bronze Tier" a 60 year old could pay 1/3 of what a 25 year old *with the same income* would pay!

Much has been made about the three to one age band rating requirements for health insurance contained in the ACA. In English that means that an insurer cannot charge a sick 60 year old more than three times what they charge a healthy 25 year old. This can be seen clearly in the Kaiser study when one looks at the cost of a so-called "Silver plan" for a 60 year old, 40 year old and 25 year old who all have identical incomes at 250 percent of the poverty level.

In Los Angeles, CA for example the 60 year old would pay \$541 per month before subsidies for the second lowest cost silver plan (which serves as the benchmark for calculating the subsidy), the 40 year old would pay \$255 before subsidies, and the 25 year old would pay \$200 before subsidies. Because all three are at 250 percent of poverty their out of pocket monthly cost is capped at \$193 per month. Each receives a subsidy sufficient to bring their monthly premium down to the \$193 cap.

Now that their subsidy is set, each individual can choose to stick with the silver plan, move up to a gold plan, or move down to a bronze plan. This is where the president's war on the young becomes strikingly clear. Whether these three individuals buy a gold, silver or bronze plan, their monthly subsidies stay the same – in the Los Angeles example \$341 for the 60 year old, \$62 for the 40 year old, and \$7 for the 25 year old. If all three choose to buy the same bronze plan, the 60 year old would pay \$50 a month, the 40 year old would pay \$125 a month, and the 25 year old would pay \$140 a month

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What that means is that those whose health care costs are the highest pays \$90 LESS per month, than the individuals whose health care costs are non-existent. Of the eighteen states Kaiser examined, the largest discrepancy was in Connecticut where a healthy 25 year old would pay \$117 a month for the same insurance that a 60 year old could get for FREE. The smallest margin – excluding New York and Vermont which have full community rating in effect – was in Portland, OR where the healthy 25 year old would pay \$14 more for the same bronze plan than the more expensive to insure 60 year old.

For a President who talks so much about fairness, the inherent unfairness of this policy is startling.