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Back to previous page

Obama accused of breaking promise to consumers as health plans cancel policies

By Lena H. Sun and Sandhya Somashekhar, Published: October 29

A new controversy over the president's health-care law is threatening to overshadow the messy launch of its Web site: Notices are going out to hundreds of thousands of Americans informing them that their health insurance policies are being canceled as of Dec. 31.

The notices appear to contradict President Obama's promise that despite the changes resulting from the law, Americans can keep their health insurance if they like it. Republicans have seized on the cancellations as evidence that the law is flawed and the president has been less than forthright in describing its impact.

"The real problem is that people weren't told the truth," New Jersey Gov. Chris Christie (R) said Tuesday on "CBS This Morning." "You can remember, they were told that they would be able to keep their policies if they liked them. Now you hear hundreds of thousands of people across the country being told they couldn't."

Administration officials say the canceled insurance will be replaced by better policies. But the new line of attack comes as the administration continues to grapple with its problem-plagued Web site, HealthCare.gov.

On Tuesday, the administration official directly responsible for the rollout of the Web site apologized, promising at a congressional hearing to fix problems that have prevented many consumers from signing up for coverage under the health law. Marilyn Tavenner, administrator of the Centers for Medicare and Medicaid Services, also defended her agency's management of the project and blamed some of the setbacks on the main contractor, Fairfax-based CGI Federal.

If the accusations of broken promises stick, they could ultimately be more damaging than the glitchy Web site. Although some people are signing up and benefiting from federal subsidies to buy private insurance, the number is unknown because the administration has not revealed enrollment figures.

Meanwhile, insurance companies have sent hundreds of thousands of termination notices in recent months to previously insured Americans, telling them that their health insurance plans are changing to meet the requirements of the health-care law. Under the Affordable Care Act, beginning Jan. 1 insurers must offer renewal policies that cover a core group of essential health benefits, such as maternity care and prescription drug coverage. Policies that don't offers such benefits can't be sold after this year.

As a result, many insurers are discontinuing policies that do not comply with these new standards. If insurers discontinue a policy, they are required to give the policyholder 90 days' notice and offer the option of enrolling in an alternative policy.

While Republicans are insisting that the president misled the public about the effects of the law, others who are sympathetic to the administration said the seeming contradiction shows the difference between political talking points intended to sell a controversial law and the intricacies of the health policies that underlie it.

Florida Blue Cross Blue Shield chief executive Patrick J. Geraghty said Sunday that the company is dropping about 300,000 policies. Customers are being informed that they can't keep their current plans but that their new options might be better because of new benefits and government subsidies available to low- and middle-income people.

Highmark Blue Shield of Pennsylvania sent notices in August to about 40,000 customers who are in a special plan for the hardest to insure, saying that their plans were being discontinued and that they might qualify for subsidies if they buy insurance on the federal exchange, spokeswoman Kristin Ash said.

In the Washington region, CareFirst, the region's dominant carrier, has sent about 76,000 notices to consumers in Maryland, Virginia and the District in the past several months, informing them that as of Jan. 1, CareFirst "cannot sell or renew plans that do not comply with the requirements of the Affordable Care Act," spokesman Michael Sullivan said.

In Maryland, nine carriers have informed regulators that they plan to send notices to about 73,000 consumers about plans they no longer intend to offer.

White House officials are blaming insurers, not the law itself, for the confusion consumers are facing.

To some extent, the disconnect between Obama's statements and the cancellations reflects how elected officials sometimes gloss over nuances when making a political argument. When he was pushing his health-care law, Obama was mostly interested in reassuring the vast majority of Americans who are insured through their employers or federal programs that they could keep their insurance. The people whose policies are now changing are in the less-stable individual market.

White House press secretary Jay Carney emphasized this week that one of the reasons some Americans are losing their plans is that the policies are "substandard."

Carney added that "it's true that there are existing health-care plans on the individual market that don't meet those minimum standards and therefore do not qualify for the Affordable Care Act."

Republicans questioned why the president and his aides wouldn't acknowledge the inevitable consequences of their own rules and mandates.

White House officials say that about 5 percent of the population buys insurance on the individual market, up to 15 million people. But there are no good estimates for how many people will lose their plans in the run-up to the new law.

"This market turns over a lot," said Larry Levitt, a health insurance expert at the Kaiser Family Foundation. At the same time, the timing of the notices is "unfortunate," he said. "The law does provide tax credits. The problem is that people are getting these cancellation letters at the same time, and yet, they aren't able to get on the Web site to find out what their options are."

Obama has also promised that people could keep their doctors if they liked them. But "that's never been anything people were guaranteed," Levitt said. Insurers have control over which doctors are in any particular network.

Rosalie Lacorazza, 42, and her husband, Leo Scott, 42, received a letter a few weeks ago from CareFirst notifying the Arlington couple about coming changes to their coverage. Lacorazza, an independent consultant, and Scott, who heads a small start-up company, pay about $450 a month for a health plan that allows them to choose their own doctors. Their out-of-pocket costs are capped at $2,800.

The Sept. 30 letter from CareFirst informed the couple that their plan does not meet the new requirements of the health-care law. As a result, "your current plan will cease upon your anniversary date" of March 1, the letter said.

The couple were given three options: apply for a new plan on the federal exchange, with coverage to begin Jan. 1; temporarily remain in their current plan beyond that date; or do nothing, in which case they would eventually lose coverage.

Lacorazza logged on to HealthCare.gov twice and got far enough to review insurance plans. Her initial search shocked her. The first plan with comparable deductibles was going to cost the couple nearly $2,100 a month. The second one would cost about $1,200 a month. The couple hasn't decided what to do.

"In the end, if we're forced to take a plan that is three times as much as we currently pay, and we like the plan we're in, and if his promise was that we could keep our plan, that's breaking his promise," Scott said.

Juliet Eilperin and Alice Crites contributed to this report.

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