

POLICY FOCUS

Repealing and Replacing ObamaCare

RECIPES FOR RATIONAL GOVERNMENT FROM THE INDEPENDENT WOMEN'S FORUM

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WHAT YOU NEED TO KNOW

Proponents of ObamaCare argue that it has expanded health insurance coverage, and made coverage more robust and affordable to millions who are now eligible for Medicaid or taxpayer-funded financial assistance in the law's insurance "exchanges."

But not all of the law's effects have been beneficial. Indeed, in response to the law's mandates, the unsubsidized cost of health insurance has skyrocketed and many basic health insurance plans were cancelled. Insurance companies have sought other ways to control costs, such as narrowing provider networks, meaning some patients no longer have access to the doctors they prefer.

A 2016 Gallup survey indicated that while 18 percent of people reported being helped by the ACA, nearly **30 percent said they were hurt**. Twenty-four percent said the long-term effect of the law would be a better situation for their family; 73 percent said the effect would make no difference or leave their family worse off.

Therefore, it's no surprise that in 2016 Americans elected a president (Donald Trump) and majorities in the House and Senate who oppose ObamaCare. Republicans say they will repeal the law and replace it with a more market-friendly, patient-centered approach. This change, although difficult, is needed to address the failures of ObamaCare.

Read on to better understand the reasons why ObamaCare needs to be repealed, and how a more free-market approach to health reform will better address problems in our system.

WHY YOU SHOULD CARE

Everyone wants a vibrant, functional healthcare system that is easy to navigate and afford. While we can never create a perfect system, we can do better than ObamaCare:

- **The benefits of ObamaCare have been oversold:** The coverage expansion in the law has benefitted fewer people than advertised. In the event of repeal, many newly insured people will remain insured. Furthermore, insurers will likely continue to offer the same robust coverage they do under ObamaCare alongside the option to buy more basic, lower-cost plans, which could expand insurance coverage.
- **There are better ways to solve specific problems:** Before ObamaCare, there was widespread concern about “uninsurable” pre-existing health conditions. This is a very specific problem that affects a small subset of the population. ObamaCare’s “solution” created many unintended consequences for the whole insurance system. There are better, targeted ways to solve this problem.
- **ObamaCare didn’t address the root of our systemic problems:** Serious reforms were needed to our health system before ObamaCare. But ObamaCare made the wrong changes and left some of the worst problems in place. Replacement plans finally address these issues and pave the way for greater competition, accountability, and affordability in insurance.

MORE INFORMATION

ObamaCare’s Benefits: Separating Fact from Fiction

Some ObamaCare advocates say that 20 million people gained insurance coverage due to ObamaCare. But considering how many people lost insurance under the ACA, only about **14 million people** are actually newly insured, according to an analysis by the Heritage Foundation. Similarly, the Census Bureau found that the number of uninsured decreased by **12.8 million under the ACA**, not 20 million.

The vast majority of the newly insured, about 11.7 million, were simply added to the Medicaid program.

Of these new Medicaid enrollees, about two-thirds, were **actually eligible for Medicaid before the ACA expansion**, and only enrolled recently due to increased awareness and publicity. In the event of ACA repeal, these approximately 8 million people will get to keep Medicaid.

For those not eligible for Medicaid before the ACA and those who purchased health insurance in the ACA exchanges, there will likely be other, better options for health insurance if the ACA is repealed and replaced.

First, full repeal means the law’s mandates and regulations would be undone, which would reduce premium prices for basic private health insurance plans for many customers so that more people will be able to afford insurance on their own.

Secondly, most replacement plans include universal tax credits for people below 400 or 300 percent of the federal poverty line. ObamaCare also offered tax credits, but the structure of these credits discouraged recipients from earning more money (as the credits decreased as income increased), and they often weren't enough to offset the enormous price increases due to the law's regulations.

Here's an example: Sally is 30 years old, healthy, single, and works hard to earn \$30,000 annually. This puts her at approximately 250 percent of the federal poverty level. Under ObamaCare, Sally may have purchased a silver (meaning, midlevel) plan for \$320 per month. Her tax credit would have been about \$113, leaving her with a monthly bill of \$207.

In most of the replacement plans offered, Sally would be able to buy a much cheaper plan. This isn't just because she has the option of buying a plan that covers fewer health services, but also because insurers could charge young healthy customers prices that reflect their relatively low expected costs. In addition to the lower prices available to Sally, she would receive a tax credit or deduction. Although the details of replacement plans differ, it's likely Sally's tax relief would be valued between \$1000 and \$2000 annually, leaving her significantly better off than under ObamaCare.

It's also likely that the plans available absent ObamaCare would actually provide better access to healthcare services through wider provider networks. This is certainly the case for anyone leaving the Medicaid program and buying

affordable private insurance, as many providers won't accept new Medicaid patients.

Medicaid patients have **notoriously limited access to care and poorer health outcomes** than privately insured patients. ObamaCare only made this worse by adding millions of people to the already-strained program. We should work toward a system that maximizes enrollment in quality, affordable, private health insurance plans, not Medicaid.

In any case, ObamaCare can be repealed with a slow, cautious transition in place for those who are currently buying plans in the law's exchanges or benefitting from the Medicaid expansion. No one wants to see fellow Americans fall through the cracks.

Better Ways to Address Pre-Existing Conditions

One of the most popular provisions in ObamaCare is the rule that insurance companies must offer plans to everyone, regardless of their health status or history. This is actually two rules together: "Guaranteed issue" means insurers must issue a plan to any customer, and "community rating" means insurers can't charge someone a higher premium due to their health condition. Without community rating, insurance companies would simply offer very high prices to some customers that reflected the cost of their very expensive health condition.

Americans like these rules because we like the idea of everyone being treated fairly. After all, it's not the fault of those who are sick that they have developed a condition.

However, the ObamaCare approach to pre-existing conditions has had widespread consequences on insurance markets and prices. As compassionate as it sounds, guaranteed issue, combined with community rating, invites opportunism. Someone might go without insurance while he is healthy, and then buy a plan only when he gets sick.

This kind of opportunistic behavior has implications for the entire health insurance system. It leads to higher **premiums for everyone, because the pool of insured people will be sicker while the pool of uninsured people will be healthier**. Sicker people are more expensive, and under ObamaCare, those costs are spread to the whole pool of insured customers. Premiums in the exchanges, where **55 percent of enrollees are women**, are set to rise **25 percent on average** for 2017.

Insurers failed to account for just how great this effect would be, and although ObamaCare premiums were high, they weren't set *high enough* to cover medical claims. This led to **financial losses in the ObamaCare exchanges**, and even resulted in some insurers exiting the exchanges altogether, creating a "**death spiral**."

To prevent this opportunism, before ObamaCare, many states required insurance companies to cover pre-existing conditions, but only for people who maintained continuous coverage. This offers an incentive for healthy people to buy insurance *before getting sick*, as insurance should work. Some Republican replacement plans for ObamaCare include a similar federal requirement for continuous coverage.

However, there will always be reasons that, from time-to-time, people need to change insurance plans and have gaps in their coverage. If during that time, someone develops a condition, what is he or she to do?

First, it's important to address the size of the problem of pre-existing conditions. While the Obama White House and other Democrats often claimed that over 130 million Americans suffered from pre-existing conditions, these numbers were way off. This figure **includes 46 million Americans with high blood pressure**, which certainly isn't uninsurable. Think about it: Would insurance companies not even try to get the business of half the country, simply because of minor health issues? No.

In reality, an estimated **2 to 4 million people** have pre-existing conditions that would make it impossible for them to obtain health insurance.

To help this population, Republican reform plans include state-based high-risk pools, which are government-subsidized insurance pools for people who want to buy coverage but are already sick (or facing other high health costs, like women who are pregnant). Enrollees are required to pay premiums, but those premiums are capped at a level that is affordable to them, and taxpayers pay the difference. This is a much more efficient and targeted way to help those who need it.

Addressing the Problems ObamaCare Ignored

As sweeping as ObamaCare's changes were, the law unwisely ignored some root causes of the problems in the American health system.

Mainly, the law failed to address the longstanding inequality in the tax treatment of employer-based insurance plans and individual insurance plans.

The history of this tax inequity is serendipitous: During WWII, the government put price controls on wages, so smart employers offered more and more benefits to attract and retain workers. In response, Congress blessed this trend by excluding on-the-job health benefits from taxation. This spurred on the movement toward employer-based health insurance.

However, this arrangement leaves some Americans at a disadvantage. People who don't have traditional, full-time jobs or who work for smaller employers who can't afford to offer health benefits have two choices: buy insurance on their own (with dollars they've earned and paid income taxes on) or go uninsured. The biggest beneficiaries, on the other hand, **are the highest income earners**.

Furthermore, the link between employment and health insurance creates significant distortions in both health insurance and labor markets. Rather than buying insurance plans that suit their needs, many Americans simply accept the plan their employer has chosen for them. This changes the way insurers compete for customers.

To address this, conservative health reforms would undo the employer mandate and cap the tax exclusion for employer plans. They'd also offer a universal tax credit or deduction to individuals and families who purchase health insurance on their own. Not only would this approach be more equitable, but it also would reduce the distortionary effect of today's system that favors employer-sponsored insurance.

A Different “Solution” – Why Single Payer Won't Work

Many Americans recognize that ObamaCare has failed, but some want to double down on government-run health care, rather than free-market reforms. Sen. Bernie Sanders advocates for “Medicare for all” or “single-payer” health care. While it might sound like a benefit for the government to fund health insurance for everyone, there are two significant downsides to single-payer.

First, the U.S. enjoys relatively low tax rates compared to other countries, in part because we do not provide government insurance for all. We do provide Medicaid for low-income people, Medicare for seniors, and various programs for veterans. But to provide “Medicare for all,” as Sanders suggests, would require **a \$17-trillion tax hike**, affecting even middle-income Americans.

Second, and perhaps more important, single-payer systems **require government rationing of care**. When the government is paying all the bills, the government decides how much to pay and which services to cover for whom. In other countries with single-payer, government boards use medical data to decide the cost-effectiveness of various treatments. Government pricing leads to shortages, waiting lists, and even untimely deaths. If we want individuals to remain in control of their own health care, then we must also allow individuals to take responsibility for paying for their own care, as they can.

WHAT YOU CAN DO

You can help America move away from ObamaCare and toward a more workable healthcare system.

- **Get Informed:** Learn more about health policy.

Visit:

- The Independent Women's Forum
- The Manhattan Institute
- The Heritage Foundation

- **Talk to Your Friends:** Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

- **Become a Leader in the Community:** Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.
- **Remain Engaged Politically:** Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

ABOUT THE INDEPENDENT WOMEN'S FORUM

The Independent Women's Forum (IWF) is dedicated to building support for free markets, limited government, and individual responsibility.

IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.

We rely on the support of people like you! Please visit us on our website www.iwf.org to get more information and consider making a donation to IWF.

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