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## Commentary: Obamacare is unlikely to survive even if it is repaired

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During his first address to Congress, President Trump urged the legislative branch to "save Americans from this imploding Obamacare disaster." Steve Beshear, the former governor of Kentucky, dismissed this charge in the Democratic response but admitted that the law will "need some repairs."

Neither was correct. Though not quite a "disaster," yet, the law needs far more than mere repairs.

After nearly eight years of attacks from every conceivable direction, the Affordable Care Act is still standing, and millions of Americans now rely on its expanded coverage. Though the law itself has survived, we must be frank about both its significant benefits as well as its precarious future. Even before the 45th president was sworn in, the health-care reform had already begun to unravel.

Since its enactment, more than 20 million Americans have gained coverage through the ACA. The uninsured number of Americans dropped from 48.6 million in 2010 to 28.6 million in 2016. On the federal and state exchanges, there were eight million enrollments in 2014, 11.7 million in 2015, and 12.7 million in 2016. The bulk of the beneficiaries resulted from the law's expansion of Medicaid coverage. A complete measure of the ACA's success, however, cannot be limited to its results in the abstract. Like any other public policy, its actual outcomes must be compared with predicted outcomes. In 2015, President Barack Obama boasted that the ACA "is working not just as intended, but better than intended."

Despite these important expansions of coverage, the ACA is underperforming its original expectations. The ACA's expansion of coverage to 20 million Americans is still far short of even its supporters' most conservative estimate of 30 million. As weak as these enrollment numbers are, the actual numbers of customers who continued to pay for their policies for nine consecutive months is even lower. In 2016, only 11.1 million out of 12.7 million enrollees paid their premiums through March, with approximately 10 million who continued paying through the end of the year. Factoring in customers who actually continue to pay for coverage, the state and federal risk pools are barely at 50 percent of their anticipated size.

Recently, Aetna CEO Mark Bertolini warned that the Obamacare exchanges are in a "death spiral." That is, more sick people than healthy people were enrolling in the marketplaces, resulting in skyrocketing premiums.

To paraphrase Mark Twain, reports of Obamacare's death spiral have been greatly exaggerated. Indeed, there is not one *Obamacare*, but 51 separate markets. Some states are indeed thriving under the ACA. According to a 2016 McKinsey study, the individual marketplaces in Washington, California, and Vermont posted positive profit margins above 5 percent. However, insurers in 41 states lost money. Leading the pack were Montana, Nebraska, and Utah, where insurers on the individual market had negative profit margins below 20 percent. UnitedHealth lost nearly \$1 billion in two years, and exited most of the ACA exchanges it operated for 2017. As more insurers drop out, there is less competition, and premiums increase. Other companies that plan to remain in the markets are concerned. No doubt, efforts to repeal and replace the law have seeded even deeper uncertainty.

Perhaps no state has drawn closer to the death spiral's event horizon than Alaska. All insurers, except Blue Cross Blue Shield, decided to exit Alaska's individual market for 2017. However, state regulators rejected Blue Cross' significant rate increase, which the insurer insisted was necessary to cover its costs. If a compromise could not be reached, 23,000 Alaskans were at risk of suddenly losing their insurance. To avert catastrophe, the conservative state created a \$55 million emergency fund - through an excise tax on group insurance providers - to further subsidize enrollments on the individual market. Calamity was averted, temporarily at least. Alaska is the canary in the coal mine for the ACA.

In July, Obama recognized that some areas have "struggled" with "only one or two issuers," which leads to higher premiums. That was an understatement. In 2017, Alabama, and rural counties in Kentucky, Tennessee, Arizona, and Oklahoma will have only one insurer. As a result, costs have continued to increase. The Kaiser Family Foundation forecasted that in 2017, premiums will rise on average 10 percent, double last year's rate increase of 5 percent.

Even if Republicans did nothing, and stood idly by, ultimately, the number of insured Americans would fall in light of higher premiums, fewer options, and contracted coverage. Insurance simply becomes a less worthwhile investment for more Americans. After only three years, the ACA's intricate planning - designed to ensure the viability of the health markets - has already proven unsustainable.

Economist Herbert Stein's rule applies forcefully to the ACA: "If something cannot go on forever, it will stop." Regardless of whether the Affordable Care Act is repealed, replaced, repaired, or left in its current form, the law could not survive through the next election.

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