January 18, 2011

NCPA Hill Briefing on Health Care Repeal

As the House is set to begin debate over the Affordable Care Act today, the National Center for Policy Analysis has organized a noon policy briefing ("Repeal and Replace: Ten Necessary Changes to the Health Care Law") filled with think tankers in the Rayburn House Office Building.

- John C. Goodman, National Center for Policy Analysis
- Robert E. Moffit, Heritage Foundation
- Douglas Holtz-Eakin, American Action Forum
- Thomas P. Miller, American Enterprise Institute
- Michael F. Cannon, Cato Institute

The briefing will be televised on CSPAN and the group will address what they see as the 10 structural flaws of the Affordable Care Act and the 10 solutions they offer, as well.

> ***1. An Impossible Mandate***
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> *Problem: The ACA requires individuals to buy a health insurance plan whose cost will grow at twice the rate of growth of their incomes. Not only will health care claim more and more of every family's disposable income, the act takes away many of the tools the private sector now uses to control costs.*
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> *Solution: 1) Repeal the individual and employer mandates, 2) offer a generous tax subsidy to people to obtain insurance, but 3) allow them the freedom and flexibility to adjust their benefits and cost-sharing in order to control costs.*
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> ***2. A Bizarre System of Subsidies***
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> *Problem: The ACA offers radically different subsidies to people at the same income level, depending on where they obtain their health insurance — at work, through an exchange or through Medicaid. The subsidies (and the accompanying mandates) will cause millions of employees to lose their employer plans and may cause them to lose their jobs as well. At a minimum, these subsidies will cause a huge, uneconomical restructuring of American industry.*
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> *Solution: Offer people the same tax relief for health insurance, regardless of where it is obtained or purchased — preferably in the form of a lump-sum, refundable tax credit.*

3. Perverse Incentives for Insurers

Problem: The ACA creates perverse incentives for insurers and employers (worse than under the current system) to attract the healthy and avoid the sick, and to overprovide to the healthy (to encourage them to stay) and underprovide to the sick (to encourage them to leave).

Solution: Instead of requiring insurers to ignore the fact that some people are sicker and more costly to insure than others, adopt a system that compensates them for the higher expected costs — ideally making a high-cost enrollee just as attractive to an insurer as low-cost enrollee.

4. Perverse Incentives for Individuals

Problem: The ACA allows individuals to remain uninsured while they are healthy (paying a small fine or no fine at all) and to enroll in a health plan after they get sick (paying the same premium everyone else is paying). No insurance pool can survive the gaming of the system that is likely to ensue.

Solution: People who remain continuously insured should not be penalized if they have to change insurers; but people who are willfully uninsured should not be able to completely free ride on others by gaming the system.

5. Impossible Expectations/A Tattered Safety Net

Problem: The ACA aims to insure as many as 34 million uninsured people. Economic studies suggest they will try to double their consumption of medical care. Yet the act creates not one new doctor, nurse or paramedical personnel. We can expect as many as 900,000 additional emergency room visits every year — mainly by new enrollees in Medicaid — and 23 million are expected to remain uninsured. Yet, as was the case in Massachusetts, not only is there no mechanism to ensure that funding will be there for safety net institutions that will shoulder the biggest burdens, their "disproportionate share" funds are slated to be cut.

Solution: 1) Liberate the supply side of the market by allowing nurses, paramedics and pharmacists to deliver care they are competent to deliver; 2) allow Medicare and Medicaid to cover walk-in clinics at shopping malls and other unconventional care — paying market prices; 3) free doctors to provide lower-cost, higher-quality services in the manner described below; and 4) redirect unclaimed health insurance tax credits (for people who elect to remain uninsured) to the safety net institutions in the areas where they live — to provide a source of funds in case they cannot pay their own medical bills.

Read the other five on John Goodman's NCPA Health Policy blog.

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