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The Republican replacement is even worse than Obamacare

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We've got it at last: The House Republicans' proposal to replace Obamacare. Let's dig in.

My spouse, Peter Suderman, got started with a write-up on Reason.com in which he noted, "In general, it's not clear what problems this particular bill would actually solve."

While I loathe couples who quarrel in public, I must point out that it's actually quite clear what problem this bill solves: the problem of Republican legislators who want to tell their base that they repealed Obamacare, just like they promised. Tada!

My husband is, of course, completely right that it's not clear what other problems this solves. It will not, for example, make the looming possibility of a "death spiral" in the individual market any less possible, and indeed may make it more likely. Passing this bill would certainly ensure that Republicans will 100 percent own any ensuing death spiral, and will have little luck whining that it was gonna death spiral anyway, because Obamacare. In other words, even if we leave aside any policy effects, this bill will be a disaster for the long-term political fortunes of the Republican Party.

It's tempting to blame short-sighted Republican leadership, so focused on getting a point on the board that they're not considering whether the sacrifices they need to get that point might end up costing them the game. But it's not even clear that this scores any short-term political points.

Heritage Action, Freedomworks and Americans for Prosperity — three of the biggest groups that Republicans will need to help them whip their right flank into voting for this thing — have all come out hard against it. Avik Roy and Michael Cannon, two of the leading opponents of Obamacare in the policy community, have both panned it. You're not exactly seeing enthusiastic cheers from the journalists who opposed Affordable Care Act, of which I am one.

So who does like this thing? I guess rich donors and the taxes-uber-alles wing of the conservative movement. The bill is pretty good on the tax side, in terms of repealing the squintillions of fiddling little taxes by which Obamacare helped fund itself. And Republicans in leadership, who appear to have fallen prey to the old political syllogism:

- Something must be done.
- This is something
- Therefore, this must be done.

This bill is, to be fair, certainly something.

Something that shouldn't be done.

What's wrong with it? Well, first let's outline its particulars in brief. I went through the entire thing. It makes a lot of fiddling tax changes— restoring deductibility of health insurer compensation in excess of \$500,000, repealing things like the tanning tax, ending the Medicare surtax on high earners, and so forth. It makes some more important changes to the tax code, such as much more generous treatment of health savings accounts. It gives states a rather large pool of money they can use to try to stabilize their already-fragile individual insurance markets after Republicans whack them with a crowbar a couple more times. And it restricts both government subsidy for insurance that covers abortion, and funding for Planned Parenthood, which is an important priority for a section of the Republican base.

But the meat of the bill consists of changes to the Obamacare system of guarantees and tax credits for buying individual insurance, and the funding available for Medicaid. This is what most people who are not either ardent pro-lifers or tax nuts are going to care about.

In the individual market, the bill repeals the mandate and replaces it with a 30 percent premium penalty for anyone — healthy or sick — who does not maintain continuous insurance coverage. The tax credits for buying insurance are also altered, to be based on age rather than income. And it increases the "age rating" insurers are allowed to do; currently, they're allowed to charge their oldest customers only three times what they charge the youngest, but under the Republicans' American Health Act (doomed to enjoy the catchy acronym "AHA"!), that ratio will be allowed to rise to five to one. This is going to substantially shift the beneficiaries of the program away from the old and poor, and toward the young-to-middle-aged middle class.

Arguably, this could help some of the problems that Obamacare has created in the individual market, by making it more attractive for healthier folks to buy insurance. Unfortunately, the other changes made to the market will probably make that situation worse than it is now. For what's just as notable is what this bill doesn't do: repeal most of the thicket of regulations that have helped drive up the cost of insurance. This bill leaves a huge swath of Obamacare untouched, which is why more than one conservative commentator has noted that it's basically Obamacare Lite: "1/3 less income redistribution than regular Obamacare! Same great taste you love!"

Just as Lite foods failed to keep Americans from getting fatter, the GOP version of health-care reform doesn't fix the huge problems that currently exist in the individual market, notably the fact that thanks to Obamacare, in a few years, we might not even have an individual market. (See "community rating" and "guaranteed issue," and thus the hated mandate, which whacks you with a tax penalty if you don't buy insurance.)

The incentives intended to keep the individual market sustainable were already failing, and the Republican plan weakens them still further. Even the 30 percent premium penalty lasts only 12 months. Not only is this an obviously insufficient penalty; it actually disincentivizes healthy people who have let their coverage lapse from getting back into the market, even as it makes it relatively cheap to do so if you are sick.

If Republicans manage to pass this, they will richly deserve it when voters blame them for the resulting havoc it will wreak in the individual market.

Then there are the proposals to revise Medicaid. These are not so obviously and gratuitously unwise, but they represent a major change from the way we handle the program now. The bill removes the extra funding for the Medicaid expansion, but this is almost a side show to the radical redesign of how the whole program works. Instead of simply agreeing to fund any amount of Medicaid spending that states care to do (within some limits, to be sure), states will be given a per-capita allocation for their Medicaid patients, and told to figure out how they want to spend that money.

This is going to be extraordinarily politically divisive, though that's at least an improvement over the individual market sections, which no one seems to love. Conservatives will be enthusiastic, because it increases states' flexibility and helps to keep the budget cost under control. Liberals will hate it for the same reason, fearing that many states will choose to let a lot of poor people suffer. My own feeling is that the flexibility it offers is both good and long overdue, but also that yes, once the amount of money they can expect to get is capped, many states are probably going to choose to funnel that money to their elderly, while leaving younger, able-bodied poor adults with less coverage than they have now.

That's if the House Republicans can pass this. And frankly I doubt they can. Twenty-four hours ago, I was beginning to think that Republicans were going to ram something dumb through just to be able to say they'd done something. I don't think they could get this through with the world's largest battering ram and a million Visigoths to man it.

Of course, no draft bill is identical to the final version; Republicans could say that this is a starting point for negotiations, not written in stone, just as Democrats said about early drafts of what became Obamacare. But there's a key difference, as Dave Weigel of The Washington Post pointed out on Twitter: There is no big political constituency for the GOP's endgame. Democrats could offer a flawed bill as a first step toward doing more. Republicans don't really have that option.

I suspect the Republican leadership shares my concerns, given how long they kept the thing in the kind of secret reading room usually used for sensitive intelligence briefings. They were not the first to classify our nation's health care policy "Top Secret," of course; that had hilarious echoes of the Obama administration's decision not to tell states what the exchanges would look like, lest Republicans somehow find out, and make fun of them.

Of course, in hindsight, Democrats were perfectly right to want to keep Americans from hearing about what had been done to the health-care system; when voters did find out, they didn't like it. And that, in turn, offers clues to why the Republicans' bill is so bad.

There is no sensible thing that you can do to our health-care system that will not offend huge numbers of voters. Thus we got Obamacare, a program which, to a first approximation, 0 percent of Democratic policy analysts would have put forward if asked to design a rational program to extend coverage and improve health-care delivery. It was a gigantic Rube Goldberg contraption, deliberately complicated and opaque to avoid openly angering any important constituency and, arguably, fatally flawed for that same reason.

Now that Republicans have their turn in the spotlight, they're resorting to all the same tricks: the secrecy, the opacity, the long implementation delays (the better to get a good score from the Congressional Budget Office, and oh, yes, also, get them past the next election before voters meet their program). The inability of either party to make a principled stand for sensible policy is a problem, a very big one. And Republicans sure haven't fixed it.