

NATIONAL REVIEW

Fix Health Care While Cutting Taxes

Michael F. Cannon

If Donald Trump and the Republican Congress have a mandate to do anything, it is to repeal Obamacare. Even supportive economists admit the program is in a death spiral.

During the campaign, Mr. Trump promised legislation that “fully repeals Obamacare and replaces it with Health Savings Accounts, the ability to purchase health insurance across state lines, and lets states manage Medicaid funds.” Here’s how he can work with Congress to fulfill that pledge.

1. FULLY REPEAL OBAMACARE.

Full repeal requires eliminating every penny of Obamacare spending, as well as every last mandate and regulation. Trump should ask Congress to send him a stand-alone bill repealing all these provisions.

Some Republicans want to modify rather than repeal Obamacare’s misnamed “preexisting conditions” protections — the very provisions causing the high premiums and lousy coverage — and keep the subsidies to insurers that Obamacare disguises as “tax credits.” This approach would accelerate the degradation of coverage for the sick while preserving all the problems the individual mandate creates, and it could increase spending even more than Obamacare.

By contrast, full repeal would cause health insurance premiums to fall for the vast majority of exchange enrollees.

2. ENACT HEALTH SAVINGS ACCOUNTS (HSAs).

Currently, HSAs allow Americans to control only a portion of their health-care dollars tax-free.

Sen. Jeff Flake and Rep. Dave Brat have introduced legislation to expand HSAs in a way that lets workers take possession of those funds, tax-free. So-called “large” HSAs would return \$9 trillion to the people who earned it. That’s an effective tax cut larger than the Reagan and Bush tax cuts combined, and nine times more than the effective tax cuts represented by an Obamacare repeal.

Workers could save their large HSA balances, use them to purchase medical care, or use them to purchase the health plan of their choice, all tax-free. The uninsured and uninsurable would get a big tax break on their medical expenses. Large HSAs would benefit the poor most of all when 160 million newly cost-conscious consumers put downward pressure on health-care prices.

3. LET AMERICANS BUY HEALTH INSURANCE ACROSS STATE LINES.

Letting consumers and employers buy insurance licensed by states other than their own would further reduce the cost of coverage.

4. LET STATES MANAGE MEDICAID FUNDS.

Mr. Trump should direct Congress to convert federal Medicaid funding to “block grants.” Each state would get a fixed amount of money from the federal government, combined with full flexibility to administer their programs.

This would give states the incentive and flexibility to target Medicaid funds to the truly needy, while removing from the rolls millions of people who could obtain coverage on their own.

Critics will complain that these reforms don’t provide health insurance to everyone. But guess what? Neither does Obamacare. These simple steps would mean fewer poor and sick patients falling through the cracks of America’s health-care system than ever before.

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