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Repeal: \$9 trillion tax reduction

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The American Health Care Act that the GOP leadership pulled from the floor would not have begun to repair the damage done by Obamacare. A more appropriate title would have been the “Obamacare Preservation Act,” because it would have cemented in place Obamacare’s major features.

Despite initially hinting they were done with health care, the White House and congressional Republicans have indicated they want to keep working to fulfill their promise to repeal and replace Obamacare. Fortunately, there are reforms that would provide assistance to more Americans than Obamacare, deliver the largest effective tax cut in history, and even set the stage for fundamental tax reform.

Obamacare is causing premiums to double and health care to disappear. Its Medicaid expansion encourages states to cut care for the disabled in favor of able-bodied adults. It has left 2.8 million Americans to the tender mercies of just one insurance company — if that insurer sticks around. It has driven every insurer from the exchange in east Tennessee, leaving 43,000 enrollees with no exchange coverage in 2018, with more destruction to come.

The Obamacare Preservation Act inexplicably retained the regulations responsible for that damage, increased premiums 20 percent, and left more people uninsured than a straight repeal. It repealed Obamacare’s Medicaid expansion in name only, while its other Medicaid provisions recreated Obamacare’s incentives to expand Medicaid to able-bodied adults while cutting care to the disabled.

Rather than adopt Obamacare 2.0, Republicans should provide immediate and lasting relief to patients by keeping their promise to repeal Obamacare in full, and then replace it with Medicaid block grants and “large” health savings accounts. Each of these proposals complies with the special Senate rules that allow measures to pass by a simple majority.

The CBO has estimated that the ACA’s insurance regulations increase individual-market premiums an average 10 percent to 13 percent. Full repeal would provide immediate relief to consumers by causing premiums to fall for the vast majority in that market. Insurance protection would become affordable even for many current Medicaid enrollees.

There is plenty of money in the Medicaid system to cover many exchange enrollees who still could not afford coverage. Unlike the House bill, zero-growth block grants would put Medicaid

on a budget and give states flexibility to redirect those funds from the fraudsters to the truly needy. Eliminating the House bill's new entitlement spending would free up resources to get states on board.

Reform must further reduce the number of patients who need subsidies by giving patients relief from high health care prices. Falling prices, like we see in other sectors of the economy, are the most important form of assistance we can provide to vulnerable patients.

Unlike Obamacare's and the House bill's entitlement spending, Large HSAs would bring down health care prices by ending tax preferences for third-party payment.

Private-sector experiments show that when consumers spend their own money instead of an employer's, they cause prices to plummet by as much as 32 percent for lab tests, MRI and CT scans, cataract removal, colonoscopy, shoulder and knee arthroscopy, and hip and knee replacements. These price reductions are just the tip of the iceberg. One experiment reduced the average price for joint replacements at high-cost hospitals by an average 37 percent, or \$16,000.

Legislation introduced by Republicans Sen. Jeff Flake of Arizona and Rep. Dave Brat of Virginia would expand HSAs and end tax preferences for third-party payment by letting workers control the part of their earnings their employers now use to dictate and pay for their health benefits. It would thus increase wages by an average of \$13,000 for workers with family coverage. Workers could deposit those pre-tax dollars in their Large HSAs, and use them to purchase portable health insurance that meets their needs and protects them from pre-existing conditions.

The tax code now penalizes workers who take this compensation as wages. Eliminating that penalty would, over the next decade, let workers control \$9 trillion of their earnings that the tax code otherwise would hand to their employers. Repealing this \$9 trillion health-insurance tax would be a larger effective tax cut than the Reagan and Bush cuts combined. It would also drive down medical prices, bringing health care within reach for millions.

Congress and President Trump have a mandate, a historic opportunity, and a responsibility to improve health care by repealing and replacing Obamacare.

Michael F. Cannon is the Cato Institute's director of health policy studies. Cannon has been described as "an influential health-care wonk" (Washington Post), "ObamaCare's single most relentless antagonist" (New Republic), "ObamaCare's fiercest critic" (The Week), and "the intellectual father" of King v. Burwell (Modern Healthcare). He has appeared on ABC, BBC, CBS, CNN, CNBC, C-SPAN, Fox News Channel, and NPR. His articles have been featured in the Wall Street Journal; the New York Times; USA Today; the Washington Post; the Los Angeles Times; the New York Post; the Chicago Tribune; the Chicago Sun-Times; the San Francisco Chronicle; SCOTUSBlog; Huffington Post; Forum for Health Economics and Policy; JAMA Internal Medicine; Health Matrix: Journal of Law-Medicine; Harvard Health Policy Review; the Yale Journal of Health Policy, Law, and Ethics; and the Journal of Health Politics, Policy and Law. Cannon is the coeditor of Replacing Obamacare: The Cato Institute on Health Care Reform and coauthor of Healthy Competition: What's Holding Back Health Care and How to Free It. Previously, he served as a domestic policy analyst for the U.S. Senate Republican Policy

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