



Michael F. Cannon: Repeal the \$9 trillion health insurance tax

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The American Health Care Act that the House GOP leadership pulled from the floor last month 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 all of “Obamacare’s” major features in place.

Despite 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 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 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 at all in 2018, with more destruction to come.

The “Obamacare Preservation Act” 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 It repealed “Obamacare’s” Medicaid expansion in name only, while its other Medicaid provisions recreated “Obamacare’s” incentives to expand Medicaid to able-bodied adults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 Congressional Budget Office estimated the Affordable Care Act’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 majority in that market. Insurance protection would become affordable even for many 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 immediate and lasting relief from outrageously high healthare prices. Falling prices, like we see in other sectors of the economy, are the most important assistance we can provide to vulnerable patients.

Unlike "Obamacare's" and the House bill's entitlement spending, large health savings accounts would bring down healthare prices by ending federal tax preferences for third-party payment.

Private-sector experiments show that when consumers spend their own money instead of an employer's, prices 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 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 medical prices down, 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.

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