REAL CLEAR POLITICS

Obamacare: Nothing to Brag About

By: Michael Tanner - February 20, 2013

During last week's State of the Union address, one item curiously went almost unmentioned. We heard all about President Obama's past triumphs and future plans, but his health-care-reform law was strangely missing. Sure, there was one throwaway line about how Obamacare was reducing health-care costs, but the seminal achievement of the president's first term was almost ignored.

Perhaps that is because the Patient Protection and Affordable Care Act has brought little good news of late.

Insurance premiums are set to explode. Already health insurers, citing the increased cost of various Obamacare provisions, are seeking and winning double-digit premium hikes. For example, California health insurers are proposing increases for some customers of 20 percent or more: 26 percent by Blue Cross, 22 percent by Aetna, and 20 percent by Blue Shield.

Young people are especially likely to face higher premiums. Obamacare's "community rating" provisions prohibit changing premiums based on health status and limit the degree to which insurers can charge based on age. Thus, premiums will rise more slowly for older and sicker individuals, but will shoot up for young people. According to a survey by the American Action Forum, healthy young people in the individual or small-group insurance markets can look forward to rate increases averaging 169 percent.

The president's health-care law increasingly does less and costs more."
Further, a study in the American Academy of Actuaries' magazine found that 80 percent of young adults aged 18–29 not eligible for Medicaid will face higher costs, and that 20- to 29-year-olds on the individual market not eligible for subsidies will see their premiums increase 42 percent.

New federal subsidies will offset rising premiums to some degree. But that will only further drive up the law's already rising price tag. The cost of the average exchange subsidy per person is now projected to be $5,510 in 2014, $700 more than it was projected to be last year.

And those subsidies might not exactly make exchange plans affordable. The IRS recently estimated that in 2016, for a family of five, a policy available through the exchange would cost roughly $20,000. At the same time, the IRS has decided that subsidy eligibility will be based whether one's employer offers an "affordable" individual plan (meaning the employee-paid premium is less than 9.5 percent of his income), whatever the cost of a family plan might be.

That's become a theme for Obamacare: costs more, does less.

For example, the Congressional Budget Office has again lowered its estimate for the number of people who will gain insurance coverage as a result of Obamacare. Just 27 million more Americans will be covered by 2023 than would be otherwise, leaving 30 million Americans still uninsured. And roughly 12 million of the 27 million newly insured won't actually get a real health-insurance plan but will simply be dumped into Medicaid.

At the same time, the CBO now estimates that 7 million Americans can expect to lose their current insurance because their employer will decide to pay the penalty/fine/tax rather than provide Obamacare-compliant insurance (this number is up from 4 million). Not only does that belie the president's oft-stated promise that "if you have health insurance today, and you like it, you can keep it," it means that as many as 11 million fewer Americans will have private unsubsidized insurance than before Obamacare, making it look more and more like a government takeover of the insurance industry.

Then again, one has to wonder if Obamacare will ever get off the ground at all. For example, the administration once confidently predicted that governors and state lawmakers would quickly fall into line, establishing exchanges and expanding their Medicaid programs. But 26 states have refused to set up exchanges, and seven will require the federal government to operate at least part of the exchanges in their states. (And in at least two states, Idaho and Michigan, state legislators are challenging their governor's decision to establish exchanges.)

Those exchanges need to be set up by this October if they are to be operational by January 1, 2014, as the law mandates.

Yet there is little evidence that HHS has the money, manpower, or expertise to meet this deadline. While HHS insists that everything is on schedule, they have refused to disclose their plans or release their implementation schedule. Even Democratic Senate Finance Committee chairman Max Baucus is alarmed: He recently ordered detailed accounting of the efforts to set up the federal exchanges by February 26. At the same time, industry groups and others have quietly begun to talk about the possibility that the opening of the exchanges, and therefore the commencement of other key Obamacare provisions, may have to be postponed.

The law's Medicaid expansion is not going much better. Obamacare advocates were once certain that even Republican governors would not be able to resist the promise of "free" federal money provided by the expansion. Yet, while a handful of high-profile Republicans, such as John Kasich of Ohio, have indeed folded, the vast majority, most recently Wisconsin's Scott Walker and Tom Corbett of Pennsylvania, have resisted the siren song of federal dollars.

Even the president's one State of the Union mention for Obamacare, boasting of lower health-care costs, is suspect. It is true that health-care costs have risen more slowly over the past couple of years. But the vast majority of health-care economists attribute that to the recession rather than to a law that has barely begun to be implemented. Indeed, the administration's own actuaries predict that in the future health-care costs will grow faster than they would have in the absence of Obamacare.

No wonder the president had so little to say about Obamacare. It increasingly looks to be nothing to brag about.