The Atlanta Journal-Constitution
ajc.com

Affordable Care Act: Will it cost Georgians more?

Moderated by Rick Badie

Does the Affordable Care Act help hold down health care costs? Today, we offer two polar views. A Phoenix surgeon and Cato Institute scholar says Georgians will pay more for health care because Obamacare expanded health insurance without reigning in spiraling costs. An economist, meanwhile, credits the plan with stemming the rise in consumer insurance costs.

Affordable Care Act costs to spiral
By Jeffrey Singer

How much does the average Georgian pay for health care? Too much.

Roughly 15 percent of your income goes towards your health care, on average. Now research from Harvard shows health-care spending will grow faster than the economy for at least the next 20 years.

The Affordable Care Act was supposed to prevent this. Yet Obamacare merely expanded health insurance, a costly system that leaves patients behind and is largely responsible for spiraling costs.

Think back to your 8th grade geometry class. You probably learned the shortest path between two points is a straight line. You can apply this logic to spending. In health care, the two parties that matter are you and your health care provider. You spend the least money when you pay your provider directly.

Now consider how health insurance works. Your money exchanges hands multiple times before it reaches the provider. It first goes to a third party — the insurance company or the government, as in Medicare and Medicaid. From there, these entities negotiate compensation schedules with providers and facilities. Both steps add bureaucratic and administrative costs to health care's price tag. And though insurers attempt to lock in reasonable prices on your behalf, they often come up short.

Why? Because they're not spending their money; they're spending yours. They thus have less of a financial incentive to get the best deal.

The same problem affects you once you have health insurance. Insurance gives you the illusion you're spending someone else's money. The health insurance trap thus comes full circle. Insurers and consumers make it more expensive.

At this point, you might want to abandon health insurance altogether, perhaps in favor of the "single-payer" system — essentially, Medicaid for everyone — favored by European countries. Liberal policymakers wanted exactly that in 2008 and 2009; public opposition caused them to choose Obamacare instead.

We're lucky they failed. Single-payer systems suffer from the same problems, and they add a few more. In single payer, government is the sole provider of health insurance. It thus spends everyone's money, whereas health insurance companies only spend their customers' money. The same perverse spending principles apply.

The government recognizes this, so it tries to stop consumers from spiking prices further. It restricts our access to health care through regulation. This leads to poorer quality and long waits. Here in America, this is exactly what's happening to the single-payer Veterans Affairs system.

If not Obamacare, what else? Reformers should start by giving consumers the freedom to make their own health care choices. We need to return health insurance to the role of taking care of unpredictable, catastrophic health-care expenses, and leave the majority of everyday health-care decisions in the hands of consumers. We know this works.

Doctors can also refuse to take health insurance. More doctors and hospitals are choosing this path. One of my patients did this and saved $17,000 on a single procedure.

Lawmakers should encourage this kind of patient-focused innovation. Instead, they gave us Obamacare. Real reform shouldn't leave us with a higher bill.

Jeffrey Singer, a surgeon in Phoenix, is a Cato Institute Adjunct Scholar.

Affordable Care Act may be slowing health-care costs
By Mark Zandi

It is too early to judge whether Obamacare (the Affordable Care Act) will be a success or bust. There is no disagreement the introduction of health-care reform was botched and weakened the economic recovery.

On the other hand, many more Americans are now obtaining health insurance, without adding to the federal government's budget deficit. Even more important, Obamacare may be permanently slowing growth in health-care costs.

Problems have plagued healthcare.gov, the federal government's website for enrolling in private health insurance plans. That it took so long to get it working largely reflects the Obama administration's inexplicably poor management.

The website works better now. Enrollment picked up strongly as the March 31 deadline approached. More than 8 million people enrolled through healthcare.gov and other state exchanges. Several million more lower-income households were able to enroll in Medicaid. If everything sticks reasonably to script, by 2016, more than 25 million more Americans will have health insurance than would have otherwise.

It is fair to say Obamacare has been hard on the economic recovery. Not that it has significantly affected the job market; worries that small businesses would cut payrolls or switch full-time workers to part-time to avoid the law's requirements were overblown. It may happen as the deadline approaches for employers to provide coverage, but it has not so far.

Obamacare was signed into law in summer 2010, when the economy was just pulling out of the Great Recession. Unemployment still hovered near 10 percent. This was also when financial regulatory reform, another wrenching change to an important part of the economy, was legislated.

All these changes were hard on shell-shocked businesses and households. The uncertainty probably helps explain why businesses have been reluctant to boost investment and hiring. The recovery has been weak for many reasons, but pushing through health-care reform so soon after a near collapse of the financial system and economy likely contributed.

Obamacare's net impact on jobs is thus unclear — unless it reduces the growth in future health-care costs. On a per-person basis, these have been growing at a record slow pace of just over 1 percent per year since Obamacare become law in 2010. This is down from the more than 4 percent that had prevailed since 1960, when the government started measuring health-care cost growth.

Some of the change is surely due to the tough economy, which forced some to forgo health care. Yet Obamacare is also likely part of the reason. Reforms to Medicare reduce payments to medical providers and private insurers, forcing them to improve productivity.

Health-care reform will also soon make it more costly for employers to provide very high-end health insurance plans. Since some will thus need to pay more for their own health care, they will likely shop more diligently and demand more information from their providers. Informed shoppers means better prices for everyone.

Significantly bending the health-care cost curve will reduce growth in the Medicare and Medicaid programs and help put the nation's fiscal house in order. Nothing is more important to the economy's long-run health. Obamacare probably won't get us all the way there, but when all is said and done, it stands a good chance of getting us a lot closer.

Mark Zandi, an economist and co-founder of Moody's Economy.com, granted permission to reprint this article.