

- The Foundry: Conservative Policy News. - <http://blog.heritage.org> -

Obamacare at Six Months

Posted By [Alex Adrianson](#) On September 24, 2010 @ 2:00 pm In [Health Care](#) | [3 Comments](#)

15
tweets

retweet

Yesterday marks six months since the passage of Obamacare. Here's a quick review of what's happened since then and what we have learned about the law:

1. Almost immediately after passage of the law, a number of major corporations had to take large write-downs against expectations of higher health care costs in the future. [AT&T took a charge of \\$1 billion.](#) ^[2] Higher costs for companies mean fewer jobs.

2. [The law will not lower national health care expenditures.](#) ^[3] The latest estimates by the government's own actuaries now say annual per capita spending will actually rise by \$265 when the law's provisions are fully in effect. But those estimates assume draconian cuts in doctor reimbursement will take place; elsewhere, Medicare's actuaries say [those cuts can never happen](#) ^[4] without jeopardizing access to care—which is to say Congress will never let them happen.



[1]

3. The law makes it a relatively good deal for most employees to have their employers drop their coverage so they can get insurance from the new health insurance exchanges that will be created. [Doug Holtz-Eakin](#) ^[5] estimates that the number of workers who choose that option will be much higher than government anticipates—possibly three times as high. That means that, in addition to creating turmoil in labor markets, the costs to the taxpayer over just the first 10 years will be about \$1.4 trillion higher than estimated.

4. Twenty states are [suing the federal government over Obamacare](#) ^[6], claiming that Congress has overstepped its constitutional authority in requiring all adults to purchase health insurance. Defenders of the law claim that Congress's authority to regulate interstate commerce—found in the Commerce Clause—allows Congress to pass an individual mandate. The problem with this position is that people who haven't purchased health insurance are not engaged in interstate commerce. If Congress can regulate inactivity, then how can there be any constitutional limits on what government may do? Unfortunately, there is a previous case where the court has already ruled that the Commerce Clause allows Congress to regulate people who are not engaged in interstate commerce. In order to understand how we've gotten to this point, you need to know about the case of *Wickard v. Filburn*, and [Reason.tv has a good segment](#) ^[7] on that case. Defenders of the law have alternatively argued that the mandate is just a tax, and therefore the Commerce Clause doesn't even apply. But, as the Reason.tv segment explains, there's a problem there, too: The Constitution requires that if a tax is not based on income, then it must be apportioned by population. Clearly, that's not what the individual mandate does.

5. Experts now believe that the law's requirements on medical loss ratios (MLRs) (the proportion of premium dollars spent on medical care) will be an accounting nightmare as well as a detriment to consumer choice. [John Graham of the Pacific Research Institute explains](#) ^[8] how these requirements spell the end of health savings accounts:

Let's assume a scenario where a consumer-directed health policy incurs exactly the same costs as a traditional policy. In fact, this is unlikely because total costs of consumer-directed plans are significantly lower than for traditional ones, as patients have better incentives to control costs. The traditional policy costs \$4,000 and spends \$3,400 on patient care, for an MLR of 85.00. With the consumer-directed policy, the patient controls \$800 more of the medical spending than with the traditional policy

(through a higher deductible), and his premium goes down by \$800. In this case the MLR goes down to 81.25 (\$2,600/\$3,200). There is no *real* difference, but the accounting looks worse. [Internal citations omitted.]

6. Despite the law's passage, Congress has not succeeded in repealing the laws of supply and demand. Taking effect today (September 23) are mandates requiring insurers to provide additional benefits, including preventive care, allowing children to stay on their parents plans until the age of 26, and prohibiting pre-existing condition exclusions for children. Last week, a number of insurers filed requests with state regulators asking for [rate increases of between 1 percent and 9 percent](#) ^[9]. The insurers cited the new mandates as the reason for the increases. If people can wait until they are sick to sign up for insurance, then of course premiums must go up. And if, because of the new mandates, insurers cannot price their product accurately, they will stop selling it. Indeed, some insurers have [stopped selling child-only plans](#) ^[10].

7. Only about half of the 14 million seniors covered by the Medicare Advantage program will be able to continue in the program, says Medicare's actuary. That's because Obamacare cuts \$500 billion from the program in order to finance the creations of its new entitlements. As [Robert Book and James Capretta point out](#) ^[11], these cuts cannot but lead to a real decline in benefits for the population covered. That's too bad, because Medicare Advantage was the one area of the program that had some element of private competition working, and the program's beneficiaries received better benefits. And the cuts don't even help fix Medicare's long-term solvency problems, because they were used to finance the new entitlement created by Obamacare!

8. A little noticed reporting provision in the law now has businesses worried they will be [swamped with paperwork](#) ^[12]. In search of revenue to finance the new health care entitlements, Congress decided to require the reporting of all transactions between businesses of over \$600. As a result, businesses will have to fill out additional paperwork for the most routine of transactions. Small businesses that don't have a specialized accounting department will be hit especially hard by the burden, which will hurt job creation.

Here are some other good reads on Obamacare and its future:

- [The Truth About Obamacare](#) ^[13], by Sally Pipes, Regnery
- [Obama Health Law: What It Says and How to Overturn It](#) ^[14], by Betsy McCaughey, Encounter Books
- ["Bad Medicine: A Guide to the Real Costs and Consequences of the New Health Care Law"](#) ^[15], by Michael D. Tanner, The Cato Institute
- ["If Obamacare Is So Great ..."](#) ^[16], by Bob Vineyard, Insureblog
- ["Toward Real Health Care Reform"](#) ^[17], by Paul Howard and Stephen Parente, *National Affairs*
- ["Implementing Obamacare: A New Exercise in Old-Fashioned Central Planning"](#) ^[18], by John S. Hoff, The Heritage Foundation.

[Cross-posted](#) ^[19] at [InsiderOnline](#) ^[20].

Article printed from The Foundry: Conservative Policy News.: <http://blog.heritage.org>

URL to article: <http://blog.heritage.org/2010/09/24/obamacare-at-six-months/>

URLs in this post:

[1] Image: <http://blog.heritage.org/wp-content/uploads/Obama-Doctors100303.jpg>

[2] AT&T took a charge of \$1 billion.: <http://www.reuters.com/article/idUSTRE62P48W20100326>

[3] The law will not lower national health care expenditures.: <http://online.wsj.com/article/SB10001424052748704362404575480161749608830.html?mod=djemalertNEWS>

[4] those cuts can never happen: <http://www.insideronline.org/blogarchive.cfm?month=8&year=2010&blogid=6702217A-953F-38B9-794C9224A2F26993>

[5] Doug Holtz-Eakin: <http://americanactionforum.org/files/LaborMktsHCRAAF5-27-10.pdf>

[6] suing the federal government over Obamacare: <http://www.washingtontimes.com/news/2010/sep/14/states-suit-obama-health-plan-may-go-trial/>

[7] Reason.tv has a good segment: <http://www.insideronline.org/blogarchive.cfm?month=8&>

year=2010&blogid=B3E46277-E9CA-167F-220E8FFD296154BC

[8] John Graham of the Pacific Research Institute explains: http://www.pacificresearch.org/docLib/20100909_HPP92010_F.pdf

[9] rate increases of between 1 percent and 9 percent: <http://online.wsj.com/article/SB10001424052748703720004575478200948908976.html>

[10] stopped selling child-only plans: <http://www.washingtonpost.com/wp-dyn/content/article/2010/09/20/AR2010092006682.html>

[11] Robert Book and James Capretta point out: <http://www.heritage.org/Research/Reports/2010/09/Reductions-in-Medicare-Advantage-Payments-The-Impact-on-Seniors-by-Region>

[12] swamped with paperwork: <http://www.heritage.org/Research/Reports/2010/09/Health-Care-Bill-s-1099-Reporting-Burdens-Businesses>

[13] The Truth About Obamacare: <http://www.truthaboutobamacarebook.com/offers/offer.php?id=TRTH001>

[14] Obama Health Law: What It Says and How to Overturn It: <http://www.encounterbooks.com/books/obama-health-law-what-it-says-and-how-to-overturn-it/>

[15] Bad Medicine: A Guide to the Real Costs and Consequences of the New Health Care Law: <http://www.cato.org/pubs/wtpapers/BadMedicineWP.pdf>

[16] If Obamacare Is So Great ...: <http://insureblog.blogspot.com/2010/08/if-obamacare-is-so-great.html>

[17] Toward Real Health Care Reform: <http://www.nationalaffairs.com/publications/detail/toward-real-health-care-reform>

[18] Implementing Obamacare: A New Exercise in Old-Fashioned Central Planning: <http://www.heritage.org/Research/Reports/2010/09/Implementing-Obamacare-A-New-Exercise-in-Old-Fashioned-Central-Planning>

[19] Cross-posted: <http://www.insideronline.org/blogarchive.cfm?month=9&year=2010&blogid=402C17C8-F11C-A938-2AC0DD4760E90CC1>

[20] InsiderOnline: <http://www.insideronline.org/index.cfm>

Copyright © 2008 The Heritage Foundation. All rights reserved.