NATIONAL REVIEW

What's Wrong with Obamacare?

Low enrollment, failing co-ops, rising premiums — the headlines continue to roll in.

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Somewhere in an alternative liberal universe, Paul Krugman is writing yet another column telling us that Obamacare is a success. Just this week the New York Times economic guru told us — again — that "President Barack Obama, Nancy Pelosi, and Harry Reid, who pushed the Affordable Care Act through despite total opposition from the GOP, have a lot to be proud of." Why? Because — you guessed it — "the Affordable Care Act has been a success."

But out in the real world, the bad news keeps coming, drop by drop, drip by drip, until we are seeing a virtual flood of Obamacare awfulness.

No doubt, the Affordable Care Act can claim some modest achievements. The number of Americans without health insurance is down significantly, although there is a question about how much that is due to the ACA and how much to other factors, like the end of the recession. And some predictions by Obamacare opponents, including me, have not yet come to pass. For example, health-care costs have not spiked. Instead, they have pretty much continued their ten-year trend of moderation, suggesting the ACA has had little impact, good or bad. Other issues remain up in the air. For instance, studies are mixed about Obamacare's impact on jobs.

But overall, the tide of bad news is pretty hard to ignore.

Just last month, the administration was forced to announce that next year's Obamacare enrollment will be relatively flat — far below projections. The White House says it expects just 10 million people to be enrolled in Obamacare by the end of 2016. That's up slightly from the 9.1 million who will have signed up by the end of this year, but it's just half the most recent Congressional Budget Office projection that as many as 20 million Americans would be enrolled. I guess no amount of cajoling, bribery, or punishment can make people buy a lousy product.

The poor enrollment won't be helped by the news that yet more problems with healthcare.gov have surfaced. According to Robert Pear of the *New York Times,* recent tests of some of the new features of the website have — surprise — uncovered bugs. Details of health plans like deductibles and participating doctors have been displayed inaccurately, and "officials and insurers are finding that the solution to one problem may create new problems."

The last few weeks have also brought us the news that the ACA's vaunted health-care co-ops are failing across the country. This month, the co-ops in Oregon, Colorado, Tennessee, and Kentucky announced that they would be winding down operations because of lower-than-expected enrollment and solvency concerns. They join four other co-ops that previously announced they would be closing their doors. In total, only 15 out of the 23 co-ops created by the law are planning to stay in business. As a result of the most recent closures, hundreds of thousands of people will lose their insurance plans. But then, we already knew that "If you like your plan, you can keep it" was not a priority for Obamacare advocates.

And let us not forget the news that health-insurance premiums are shooting up. According to independent analysts, premiums for exchange-based plans are expected to rise 12 to 13 percent nationwide on a weighted-average basis for the open-enrollment period starting November 1. But the nationwide average obscures some truly horrific increases in some states. The weighted-average premium increase in Minnesota, for example, will be an astounding 41 percent. In Alaska, premium hikes will top 39 percent. And in Tennessee, rate hikes will exceed 28 percent. In fact, in a dozen states, rate hikes of more than 20 percent have already been approved by regulators. And in another five states, rate hikes of more than 20 percent are pending, including a potential 28 percent increase in North Carolina. It's becoming harder and harder to keep calling it the Affordable Care Act.

But perhaps most worrisome, the much-feared adverse-selection death spiral that could wreck the entire insurance market may be starting. According to researchers with the Urban Institute and the Robert Woods Johnson Foundation, medical loss ratios (MLRs) are threatening the viability of insurers in as many as 27 states. Medical loss ratios represent the proportion of the premiums collected by an insurer that are paid out in benefits. Obamacare set its MLR target at 80 percent of premiums, and in fact it penalized insurers that paid out less than 80 percent. But the Urban Institute and Johnson Foundation researchers found that average MLRs across all health plans sold on 16 state exchanges ranged from 90 to 99 percent — nearly the whole amount collected in premiums. And in 11 other states it's even worse: MLRs actually exceeded 100 percent of premiums collected. In Massachusetts, the home of Romneycare, the MLR reached 121 percent of premiums. Insurers obviously cannot stay in business for long if they pay more in benefits than they collect in premiums. Losing money on the products you sell is not a good business model.

One reason for the high MLRs is adverse selection. The young and healthy simply haven't signed up for Obamacare in the same numbers as those who are older and sicker. The only way for insurers to offset their skyrocketing MLRs is to hike premiums still further. The researchers suggest that premiums in the worst states could have to rise by an average of 34 percent, and possibly as much as 52 percent. But premium hikes of that magnitude would almost certainly further discourage younger and healthier Americans from buying insurance (even with increased Obamacare fines . . . er . . . penalties . . . er . . . taxes starting next year). Should that happen, stay tuned.

Oh, and just this week, the *New York Times* reported that "Tens of thousands of people with modest incomes are at risk of losing health insurance subsidies in January because they did not file income tax returns." Those low-income Americans whom Obamacare was supposed to help are most likely to lose their subsidies, because they make too little money to file federal income taxes. An IRS memo from July revealed that at that time, 710,000 taxpayers who received exchange subsidies had not filed a tax return or requested an extension, as was required.

But, hey! Don’t worry, be happy. Obamacare is a success.

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