

Obamacare: Not as Bad as It Could Have Been, But Still Awful

Health care is worse off, and Americans are less free.

By Michael Tanner

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The Affordable Care Act, aka Obamacare, celebrates its fifth anniversary this week hanging by the slender thread of a Supreme Court decision, due sometime in June. The anniversary passed with surprisingly little fanfare for such a controversial law. There were few celebrations by supporters or protests by opponents.

This may well reflect simple weariness with the issue. The law remains remarkably unpopular. The latest Real Clear Politics average of polls shows 52.5 percent opposed and 42 percent in favor. But much of the public appears to have settled for resigned grumpiness. After all, the worst news — canceled policies, the botched rollout of HealthCare.gov — is mostly in the past. Other expected problems have not come to pass just yet. On the other hand, supporters can point to little evidence of success beyond a modest increase in coverage and the fact that things haven't been as bad as they might have been.

Clearly there has been some increase in insurance coverage as a result of the ACA. If you give something away, essentially for free, some people will take you up on the offer. The most recent Gallup survey shows the uninsured rate fell from 17.1 percent in the fourth quarter of 2013 to 12.9 percent in the same quarter of 2014. Some of that is likely due to the economic recovery. If people are able to go back to work, they can get coverage through their jobs.

The ACA did help, however. The most recent estimates suggest that roughly 11.7 million people have selected plans through the exchanges, and roughly 10 million will eventually have paid enrollment if attrition levels are similar to last year. Surveys suggest that more than half of exchange enrollees were not previously insured, but others were. These people clearly benefited from the availability of subsidized insurance. Through February, 9.25 million more people enrolled in Medicaid in expansion states compared with prior average enrollment. Since studies show that Medicaid provides few if any benefits over being uninsured, it remains an open question whether these people are really better off.

Still, if expanded coverage is the sole standard by which Obamacare is to be judged, there have been some gains. Of course, there are also signs that future gains will be harder to come by.

States running their own exchanges had slower enrollment growth in the second year than those with federal exchanges, in part because federal states had catch-up growth after the HealthCare.gov fiasco. The slower growth could make it close to impossible to meet the Congressional Budget Office (CBO) projection for 2016, when exchange enrollment would have to more than double to meet the 21 million target. That would take something of a minor miracle.

Of course there is another side of the coin. Millions of Americans lost coverage that they were perfectly happy with. According to a survey by the Associated Press, at least 4.7 million people lost coverage during the ACA's first year. This did not encapsulate every state because some states did not keep track, so it is likely the actual number exceeded 5 million. And, it continues. Another 1 million to 2 million lost their plans in the second year. Most did eventually find other coverage, but often with different physician networks or at higher cost. The disruption they suffered should not be minimized.

In the "things could be worse" category, premiums do not appear to have risen as fast as ACA opponents predicted. On the other hand, they are still a far cry from the \$2,500 in annual premium savings that President Obama promised us. A working paper from the National Bureau of Economic Research shows that enrollment-weighted premiums in the individual health-insurance market increased by 24.4 percent more on average across all states than they would have had they simply followed state-level seasonally adjusted trends. That was probably a one-time hit, but premiums are expected to continue to rise, albeit more slowly. In the exchanges' second year, premiums were estimated to average a 2 to 5 percent increase.

Premiums are also rising in the small-group market. Last week, the National Federation of Independent Business (NFIB) reported to Congress that "The problems that many predicted have arrived but most of the promises for small business owners remain unfulfilled. . . . We found that 62 percent of small business owners are paying higher premiums while only eight percent say their costs have dropped." And a survey last summer by the Federal Reserve Bank of Dallas found that 82 percent of businesses in the service sector reported that the ACA had raised their costs.

So not as bad as predicted, but certainly not good.

The law also appears to be costing the government slightly less than had been predicted earlier this year, about \$142 billion less over ten years, according to the CBO. But before we get too excited, the ACA will cost taxpayers more than \$1.2 trillion over that period, which is hardly chump change. And those estimates leave out many costs and play enough budget games — double-counting Medicare savings, for instance — that the real cost will likely be double the "official" cost.

To the degree that costs are lower than projected, that has nothing to do with the ACA's cost-control successes — there aren't any — but with covering fewer people than projected. For

instance, 22 states did not expand their Medicaid programs. That saves the federal government money.

In addition, health-care costs have been growing at a somewhat slower rate than was expected when the program's initial cost projections were made. This slowdown has little, if anything, to do with the ACA. The slowdown started a decade ago, long before the ACA was passed. It was helped along by the recession, which may have been responsible for as much as 70 percent of the most recent slowdown. Now that the economy is recovering, many observers are expecting health-care inflation to begin rising more rapidly. If so, expect those ACA savings to evaporate.

Finally, we have not seen as many job losses as we thought we might. In part, this is because the recovery took hold at the same time the ACA was being implemented. Job creation from renewed economic growth has camouflaged any job losses from the ACA. And, in part, it is because American companies have proven remarkably adaptive. Even so, there is evidence that the ACA is costing at least some jobs or causing businesses to shift workers from full- to part-time. A survey by the National Small Business Association, for instance, found that 33 percent of small employers said they were not growing, due to the ACA; 14 percent were hiring more part-time workers; and 10 percent were reducing employee hours.

It's easy to become frustrated and bored with the ongoing ACA debate. Republicans in Congress have voted to repeal, amend, delay, or reform the law more than 50 times, without success. The Obama administration and its cheerleaders churn out claims of successes that turn out to be not quite so successful. The media throw out eye-glazing statistics and contradictory claims.

But we should not lose sight of the fact that this was — and remains — a bad law. It leaves American health care worse off and the American people less free. It might not be as bad as it might have been, but it is bad enough

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