

Is Obamacare Working?

The questions are: How many people are covered? And, How good is their coverage?

By: Michael Tanner
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Two recent surveys have shown a significant reduction in the number of Americans without health insurance since the start of Obamacare in October 2013. According to the Commonwealth Foundation, the uninsured rate fell from 20 to 15 percent, while Gallup found a decline from 18 to 13.4 percent. Both surveys indicate that roughly 8 million Americans have gained insurance over the past ten months.

All of which has led Obamacare supporters to pop the Champagne corks. As *New York Times* columnist Paul Krugman wrote for perhaps the hundredth time since 2010, “Health reform is — gasp! — working.”

It is still unclear, though, how much of the credit for the drop in the number of uninsured should go to Obamacare. Unemployment has declined from 7.2 percent to 6.1 percent over the same period, meaning that at least some previously unemployed Americans have found work. Since health insurance remains largely tied to employment in this country, job gains should naturally translate into insurance gains. Neither survey breaks this down.

Still, it is reasonable to conclude that Obamacare was responsible for at least part of the increase in coverage. Many observers, myself included, thought the rollout of healthcare.gov was so hopelessly messed up that Obamacare enrollment would fall far short of its goals. That the administration appeared to fudge many of its early enrollment numbers seemed to bear this out. We should now admit that we were probably wrong. In hindsight, we should have realized that if you are essentially giving something away — 91 percent of Obamacare enrollees either are receiving subsidies or are on Medicaid — people will take it.

But before we go too far with the mea culpas, it is important to point out that we remain far short of universal coverage. Even with this “success,” the uninsured rate will still be roughly where it was in 2001.

Nor do the new numbers tell us anything about the quality of coverage that people are receiving. Gallup, for example, did not differentiate between private insurance and Medicaid. Using Commonwealth Fund data on proportions of enrollees who were previously uninsured and official government enrollment figures, it appears that roughly 49 percent of the newly insured are being covered through Medicaid. We also know that the decline in uninsured residents has

been three times as large in Medicaid-expansion states as in states that rejected Medicaid expansion.

But Medicaid is, quite simply, lousy insurance. In fact, if you look at the recent random-assignment study in Oregon, Medicaid provided few if any health benefits compared to being uninsured altogether.

More important, coverage should never be the sole criterion for judging the success of Obamacare. After all, even the most vehement critics of the program always acknowledged that some Americans would gain coverage. It would be pretty hard to spend \$1.8 trillion over ten years without accomplishing *something*.

The real questions are whether the expansion is being done in a sustainable way, and what the impact will be on the vast majority of Americans who were insured, and relatively satisfied with their coverage, before Obamacare passed.

First, while the administration has still not released data about precisely who has signed up for insurance on the Obamacare exchanges, independent surveys show that not enough enrollees are healthy young men, who are needed to balance the older, sicker, and disproportionately female population that has signed up. While an adverse-selection death spiral is not imminent, in part because of subsidies for insurers through 2016, Obamacare will not be sustainable without some substantial changes.

Second, Obamacare's costs continue to escalate. While the Congressional Budget Office has effectively given up on estimating the program's long-term costs — at least until the Obama administration stops unilaterally rewriting the Affordable Care Act — the program's overall costs continue to rise.

Third, 2015 insurance premiums look as if they will show substantial increases. Most insurers are just beginning to submit rate-hike requests to their state administrators, but so far we are generally seeing increases in the range of 10 to 20 percent, or higher. For example, just this week, Louisiana insurers requested premium increases ranging from 15.5 percent to 24 percent.

Fourth, even Obamacare supporters acknowledge that many previously insured Americans have been forced to change policies. Many of the new policies are more expensive and, more important, have much smaller networks of providers.

Judged this way, Obamacare is — gasp! — still not working.

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