



The 'preexisting conditions' puzzle-If GOP gets trapped, ObamaCare reform will fail

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As Republicans begin the long and arduous process of repealing and replacing ObamaCare, They may find themselves faced with the political and policy equivalent of forcing a square peg into a round hole.

Donald Trump and other Republican leaders have promised to keep the popular portions of ObamaCare, while eliminating the unpopular ones. The problem is that many of those popular provisions, notably protections for people with pre-existing conditions, are the reason why those unpopular provisions exist.

There is really no way to repeal the latter without also repealing the former.

Pretty much all the problems with ObamaCare flow from the decision to require insurance to cover people with preexisting conditions — that is people who are already sick — without charging them more than healthy people.

Because insurers will lose money on those sick individuals, the cost has to be offset by enrolling young and healthy individuals, who pay premiums but require few benefits. Since the young and healthy are reluctant to buy insurance on their own, Obamacare included the unpopular individual mandate in order to force them to do so.

A mandate to purchase insurance meant the government had to define what qualified as insurance, hence the minimum benefits package and the elimination of low cost catastrophic policies. People who liked their policies found out they couldn't keep their policies.

Moreover, the government could hardly force people to buy insurance that they couldn't afford, necessitating the program's costly subsidies. And so on.

Making matters worse, it turned out in practice that, despite the mandate, young and healthy people still didn't sign up for insurance. Older and sicker people could no longer be denied coverage, and were happy to take advantage of lower premiums and government subsidies.

But that made insurance pools less stable and more costly. Insurers, losing money, began to abandon the exchange markets, while those that remained cut back their physician networks and jacked up premiums and deductibles for healthy people.

Republicans are now attempting to stop all those falling dominoes, but are reluctant to go back and deal with the originating problem. Thus you see Republicans discussing options such as preserving the preexisting conditions requirements as long as a person maintained continuous coverage, or creating an open enrollment period during which the rules apply.

But those proposals would still encourage people to game the system, jumping to more comprehensive plans or those with the best specialists after they become sick, knowing that insurers could not refuse them or increase their premiums.

If Republicans simultaneously eliminate the mandate, this will only accelerate the adverse selection death spiral already besetting Obamacare.

The only workable answer is to take otherwise uninsurable people out of the traditional insurance market altogether, and subsidize their coverage separately.

That means killing Obamacare in its entirety, including the preexisting condition provisions. Instead, Congress should provide funding to help states set up high risk pools to cover those people who genuinely cannot find affordable insurance elsewhere.

At the same time, other provisions of a Republican ObamaCare replacement, such as allowing the purchase of insurance across state lines and expanding health savings accounts (HSAs) will make health insurance less expensive.

And expanding health savings accounts also means that workers not employers will control health care spending. That means people will be less likely to lose their insurance if they change or lose their insurance. As a result, fewer people will need preexisting condition protections.

Taking on Obamacare's biggest flaw directly will be politically difficult. But as a matter of good health policy, it is the only way to undo the harm that Obamacare has done to the U.S. healthcare system.

If Republicans take the easy way out, they will soon find out that half a loaf of Obamacare won't work any better than the whole thing.

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