

# NATIONAL REVIEW

## Congressional Republicans' Obamacare Replacement Won't Cut It

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They had seven years to design an alternative to one of the worst laws in recent memory and this is what they came up with? If you want to see political malpractice in action, you don't have to read Donald Trump's latest tweet — just look at the mess Republicans have made of repealing and replacing Obamacare. Given seven years to come up with a replacement for one of the most poorly designed (and most scrutinized) laws in modern history, Republicans somehow managed to botch both the politics and policy. Replacing Obamacare should have been a low bar. The health-care law did expand coverage, but by less than most accounts would lead one to believe. Of the roughly 20 million

Americans who have gained coverage under Obamacare, nearly 11 million are on Medicaid, which provides little of actual value in terms of care. This small benefit came at the expense of virtually destroying the individual insurance market.

Premiums for the benchmark silver plan have roughly doubled since the law was implemented, while out-of-pocket costs, including deductibles, co-payments, and co-insurance, have skyrocketed. Consumer choice has dwindled with insurance companies pulling out of the market — roughly a third of U.S. counties and five states have just one insurer offering Obamacare plans — and provider networks shrinking. Keeping your plan and your doctor has become a laugh line. The law's taxes and regulations have slowed America's economic recovery, and, according to some studies, reduced its job growth. Most importantly, Obamacare is teetering on the edge of an adverse-selection death spiral. As premiums rise, healthier consumers are abandoning the market.

Without a pool of healthy people to offset the costs of the sick people who rushed to sign up for Obamacare, a phenomenon exacerbated by the law's requirement that insurers cover preexisting conditions, insurers are forced to raise premiums still more, beginning the cycle anew. Obamacare's collapse seems more a question of "when" than of "if." Voters understand all of this. The latest NBC/WSJ poll showed that fully 95 percent of Americans want the law changed or eliminated, and more than half believe either that it needs a "major overhaul" or that it should be "totally eliminated." In other words, health-care reform may be complex, as President Trump

belatedly realized, but Republicans could have hardly asked for an easier target. Unfortunately, given every opportunity to hit it, they have missed.

First, rather than having a proposal ready to go on Day One of the Trump administration, they dallied, allowing Democrats to stir up protests at town halls and seize control of the media narrative. Then, they put their plan together in secret, keeping much of the Republican rank-and-file in the dark. While a handful of insiders designed the replacement bill, there was little or no input from groups such as the House Freedom Caucus.

Rand Paul's traveling copy machine may have been a stunt, but it effectively illustrated GOP leadership's extreme secrecy and paranoia. It's little wonder the plan that resulted is already facing opposition from both moderates and conservatives. House committees are expected to start marking up the proposal in committee as early as today, meaning members will have barely had a day to read it. The coming legislative process promises to be every bit as messy as the one that brought us Obamacare in the first place. But as poorly as Republicans are handling the politics of health-care reform, they are doing an even worse job on policy.

Rather than embracing free-market reforms — which might have been politically challenging but would have led to lower health-care costs, greater consumer choice, and, eventually, expanded access to care — the Republican plan is essentially an effort to split the health-care baby in two. As poorly as Republicans are handling the politics of health-care reform, they are doing an even worse job on policy. There are certainly some good ideas in the Republican plan, including the expansion of health savings and flexible spending accounts and the first glimmers of Medicaid reform. Other important reforms such as allowing the purchase of health insurance across state lines and expanded association health plans are expected to come in a subsequent bill. Moreover, the proposal would strike an important blow for individual liberty versus state control by eliminating the individual and employer mandates.

But it would also retain some of Obamacare's disastrously unworkable (if also popular) provisions, most notable among them the requirement that insurers cover people with preexisting conditions. The preexisting-condition provision in particular represents what is essentially a policy oxymoron: an attempt to insure people who are, by definition, uninsurable. The Republican plan does attempt to limit the ability of people to game the system, by requiring insurers to charge 30 percent more to people who let their coverage lapse.

But that is not going to be nearly enough to offset adverse selection. In fact, without the individual mandate, as offensive and ineffective as it is, adverse selection could grow even worse. The only effective way to deal with preexisting conditions is to take uninsurable people out of the traditional insurance pool altogether, through either state-based high-risk pools or a revised Medicaid program. A scaled back version of risk pools remains in the bill, but Republicans seem to be backing away from it in favor of a bad idea that they wrongly believe will be easier to sell to angry constituents.

To make bad even worse, the GOP plan tosses insurance companies a gift, offering them a subsidy for covering sick and expensive patients. At first read, this provision looks a lot like Obamacare's insurer bailout, which Republicans, led by Marco Rubio, took such pride in killing. The meat of the Republican plan is its provision of refundable tax credits to subsidize insurance, and on this we should be clear: Such credits are little more than a disguised entitlement program.

These subsidies will blow a hole in the federal budget and lead to higher health-care costs in the future. The federal government already subsidizes roughly 87 percent of U.S. health-care spending, either directly or indirectly. These subsidies hide the true cost of care from consumers, making them less price-sensitive and more likely to overconsume.

Without consumer pressure, providers have little incentive to reduce costs or improve care. And, compounding this third-party payment problem, Republicans appear ready to drop or scale back plans to cap tax subsidies for employer-provided insurance plans. Those of us who believe in free markets and individual choice expected more.

The GOP plan also makes its tax credits age-adjusted, meaning a bigger tax break for older Americans. It is true that older Americans generally pay more for insurance because they are sicker and more costly, but the logic of linking subsidies to age rather than income seems sketchy at best. Subsidies will be capped so wealthy seniors can't benefit, but this still seems like a payoff to a reliable Republican voting bloc. Nor has anyone figured out yet how all the new spending in the bill will be paid for.

The proposal does keep all the Obamacare taxes — from taxes on capital gains to taxes on tanning beds — in place for another year. But beyond that, it's anyone's guess how it will be funded. Worry about deficit spending is out of fashion in Trump's Republican party, but this really is something that might be worth determining ahead of time.

None of this is to say that the Republican plan would not be an improvement over Obamacare. After all, it could hardly be worse. But those of us who believe in free markets and individual choice expected more. The House Ways and Means, Energy, and Commerce Committees are expected to start marking up a final bill as early as today, so there is still time to make the Republican proposal better. But if the GOP leadership remains determined to jam through its proposal no matter what, it will have missed an opportunity to implement the kind of health-care reform that would make a real, positive difference.

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