

NATIONAL REVIEW

Republicans' Grim Health-Care Fairy Tale

They are failing to thwart the Big Bad Wolf.

Michael Tanner

June 28, 2017

Once upon a time in the far-off land of Washington, Republicans swore a mighty oath that, if they ever had the power, they would repeal Obamacare. Sometimes they added the word “replace,” but mostly, every Republican running for anything from president to the Tupelo school board vowed to rip the health-care law out by the roots, drive a stake through its heart, and shred it. Republicans in Congress even voted some 58 times to repeal all or part of the law. Sure, they knew that either Senate Democrats or President Obama would block their repeal attempts, but it was important to show everyone that they really, really, really hated this law. This was, after all, a very bad law that was driving up health-care costs, destabilizing health markets, and depriving Americans of their choice of insurance plan and sometimes their doctor.

Then, behold, a wondrous thing happened. Republicans won control not just of Congress but the presidency itself. Now, nothing stood in the way of their efforts to get rid of Obamacare. So, quickly they . . . oh, never mind.

The health-care bill released by Senate Republicans last week does many things. Repealing Obamacare is not one of them. In fact, this bill not only preserves the core of Obamacare, it may actually accomplish the difficult feat of making the health-care law's many failures worse.

In fairness, Republicans face a daunting task, complicated by interparty ideological rifts, complex Senate rules on reconciliation, and a president who neither understands the policy nor has done anything to help sell an Obamacare-replacement plan to the public. But no one expected a combination of bad policy and bad politics as bad as this.

At the heart of Obamacare lies a devil's bargain: The law expands the number of people with insurance coverage at the cost of driving up insurance premiums for those who already had coverage, which is to say the vast majority of people. Republicans apparently decided that the answer to this is to cut back on the increased coverage, while doing nothing to bring down premiums. That may not be “mean,” in the words of President Trump, but at the very least it is dumb.

For example, the law keeps in place all of the “essential benefits” that Obamacare requires every insurance plan to cover. Those required benefits, including maternity coverage for elderly men and child dental and vision care for childless adults, add considerably to the cost of a policy and prevent individuals from buying the insurance that best meets their needs or those of their families. True, states would be able to apply for a waiver from some of those mandates, but the reality is that most Americans will still be forced to buy a high-priced insurance plan designed by Washington bureaucrats, not by individual consumers.

Worse, the Senate bill preserves Obamacare’s rules regarding pre-existing conditions. Those regulations, really a form of price controls, drive up costs for the young and healthy in order to subsidize those who are already sick. Moreover, this attempt to shoehorn people who are by definition “uninsurable” into the traditional insurance market has destabilized those markets, leading companies to pull out, jack up premiums, and restrict their provider networks.

The Senate bill doesn’t fix this. In fact, by simultaneously dropping the individual mandate, which forces the young and healthy to buy overpriced coverage, this bill could accelerate the “adverse-selection death spiral” whereby healthy people drop out of the insurance pool, leaving an ever sicker and more costly population of the insured. The Republicans do try to cut down on people gaming the system by imposing a six-month waiting period for people who fail to buy or maintain insurance while healthy (call it a soft mandate), but because the wait applies equally to the healthy and sick, it will likely prove ineffective.

The Congressional Budget Office does conclude that the Republican plan would ultimately reduce accumulated deficits by \$321 billion over the next ten years. However, most of those savings occur in the last few years of that period. “Don’t worry, we may not be cutting now, but we double pinky swear to cut in the future” is something we’ve heard before. Indeed, Senate Majority Leader Mitch McConnell is already hinting that he plans to use some of those savings to increase subsidies and Medicaid spending in an effort to bring Republican moderates on board.

Speaking of subsidies, the Senate bill would continue Obamacare’s extension of the welfare state well into the middle class, covering families that earn as much as \$86,000 per year. And despite the outcry over slowing the growth in Medicaid spending (not actual cuts as has been so often misreported), this bill would still keep Obamacare’s expansion in place until 2025, five years longer than in the bill that passed the House earlier. To be fair, unlike the House version, the Senate bill would prohibit states that haven’t implemented Medicaid expansion from doing so. But it then turns around and expands Obamacare’s “premium-assistance tax credits” to 2.6 million people in those states, effectively expanding Medicaid without saying so.

The Senate bill does take tentative steps toward Medicaid reform, a program that has proven itself both ineffective and fiscally unsustainable, but those changes, like the spending cuts, are put off into the future where they are imminently reversible by future congresses. Republicans looked at a health-care law that was rapidly spiraling into oblivion and decided that what they really needed to do was to preserve and expand it.

Of course, no Obamacare capitulation would be complete without a little corporate welfare. Accordingly, the bill retroactively funds “cost-sharing subsidies” for insurance companies. The subsidies would be eliminated in the future, but insurers will now be paid for expenses that they have already incurred. This bailout of the big insurers effectively undoes one of the biggest Republican victories on Obamacare in recent years, a federal court ruling that such subsidies were illegally financed.

Senate Republicans even flinched on taxes. While the bill repeals most Obamacare tax hikes, including a number of taxes that hit the middle class hardest, it simply postpones the infamous “Cadillac tax” on high-priced insurance plans.

Somehow, Republicans looked at a health-care law that was rapidly spiraling into oblivion and decided that what they really needed to do was to preserve and expand it.

At this point, the bill seems unlikely to pass. Either way, this is one fairy tale that probably won’t end happily ever after.

Michael Tanner is a senior fellow at the Cato Institute and the author of Going for Broke: Deficits, Debt, and the Entitlement Crisis.