

Money

How 'Choice' Became the Most Misleading Word in Politics

Elizabeth O'Brien

March 2, 2017

On one side, there's choice, flexibility, and freedom. On the other, there's the government telling you what to do.

That's how opponents of Obamacare have framed their efforts to repeal and replace the law, formally known as the Affordable Care Act -- and how the GOP has, more broadly, framed proposed changes in education and rollbacks to financial regulation. President Donald Trump doubled down on this rhetoric in his first address to a joint session of Congress Tuesday night, saying, "I am also calling on this Congress to repeal and replace Obamacare with reforms that expand choice, increase access, lower costs and at the same time, provide better health care."

In his speech, Trump endorsed some of the provisions in the replacement plan proposed by House Speaker Paul Ryan, including the expanded use of health savings accounts. Last month, Ryan tweeted, "Freedom is the ability to buy what you want to fit what you need. Obamacare is Washington telling you what to buy regardless of your needs."

But health policy in particular shows why such an appealing phrase falls flat in practice. "Choice sounds good, but in insurance it leads to a lot of problems," says Larry Levitt, senior vice president at the Kaiser Family Foundation. In other words, an a la carte approach to health care may sound nice, but consumers may be better served when the same array is given to everyone -- and people aren't charged based on what they put on their plate.

The danger of a la carte benefits

If consumers could pick their benefits like they'd choose dishes from a menu, then they'd drive up the costs for whatever coverage they select. For example, only people who planned to have babies would select maternity benefits, and insurers who offered that benefit would leave themselves open to routine childbirth costs and potentially catastrophic expenses for complicated deliveries.

In response, insurers would have to charge more for that coverage, or they might choose not to offer maternity benefits at all, Levitt says. In 2011, before Obamacare, 62% of consumers in the individual market didn't have coverage for maternity care, according to the U.S. Department of Health & Human Services.

And while consumers might know ahead of time that certain coverage, such as maternity care, is imperative for them, other needs might catch people unawares and without adequate coverage. For instance, in 2011, 34% of people in the individual market in didn't have coverage for substance abuse services.

The Affordable Care Act standardized benefits that individual insurance plans must offer. (Group plans sponsored by employers generally offered a wide range of benefits anyway.) Each plan must include 10 essential health benefits: outpatient care, emergency services, prescription drug coverage, mental health benefits, maternity benefits, hospitalization benefits, pediatric dental and other coverage for children, rehabilitative services, laboratory services, and preventive care.

Obamacare opponents paint this as a lack of choice: Under the ACA, all consumers must purchase this array of benefits, regardless of their health status and life stage. But that's what makes the economics work for both insurers and consumers if enough people buy in. The costs of providing maternity care and neonatal intensive care for premature babies are spread across men and women of all ages, as is the cost of treating cancer, a disease that disproportionately affects older patients. To turn a profit, insurers need plenty of young, healthy patients to subsidize the older, sicker ones.

You also don't have the choice to go without insurance altogether. Insurers particularly need a wide consumer base because Obamacare requires them to insure everyone regardless of their health status, banning the discrimination that people with pre-existing conditions suffered on the individual market before the law's major provisions took effect in 2014. This part of the law has proved very popular, and Trump on Tuesday said any replacement plan should "ensure that Americans with pre-existing conditions have access to coverage."

That's why, to ensure that insurers can spread their costs across a big group—the insurance industry calls this a "risk pool"—Obamacare requires everyone to buy insurance or pay a penalty unless they qualify for an exemption on religious or other grounds. This so-called individual mandate might be the most reviled part of the law. "Mandating every American to buy government-approved health insurance was never the right solution for our country," Trump said on Tuesday night.

The trade-offs between choice and protection

"People don't want to be told what to do—that's such an un-American concept," says Kit Yarrow, a consumer psychologist and author of *Decoding The New Consumer Mind*. Choices make consumers feel like they have control, and Americans' desire for control has grown in recent years as our trust in government and other institutions has fallen, Yarrow says.

With health insurance, at least, choice can contribute to unwelcome outcomes. If people have the option to go uninsured, more people won't buy coverage. But you can't throw out the

requirement for everyone to buy coverage and keep robust protections for people with pre-existing conditions. “There is no way to keep people with pre-existing conditions in the current pool without the individual mandate,” says Michael Tanner, senior fellow at the right-leaning Cato Institute.

To be sure, Obamacare has seen some unwelcome outcomes, including rising premiums and fewer choices of insurers as carriers dropped out of the marketplaces. Trump mentioned these problems on Tuesday night. But the way to fix them is to encourage even more young healthy people to buy coverage—either by stiffening the penalty for going uninsured or by offering additional benefits with enrollment—not to overhaul the whole system, the law’s proponents say.

If fewer people buy insurance, premiums will rise. Only the people who really need insurance will buy it. As prices continue to climb, consumers will continue to drop out of the market, until only the sickest of the sick remain. This is what health policy experts call a “death spiral,” and it’s not a workable business model for insurance companies or a viable option for consumers.

GOP replacement plans promise the world: Who wouldn’t want more choices and better care at a lower price? Republicans have yet to coalesce around a single plan and have offered few specifics in their proposals to date. Yet what they’ve put forth so far suggests that they’ll try to chuck the unappetizing provisions of Obamacare that are needed to make the tasty ones work. Similarly, in the sphere of financial regulation, the rhetoric of “choice” has been used to fight investor protection reforms, with Wall Street firms and GOP lawmakers arguing that requiring financial advisors to act in their clients’ best interests would ultimately restrict middle-class consumers’ access to retirement advice.

If you have an option that you can’t afford—a filet mignon for your fast-food budget—then it’s really not much of a choice at all. “With so much in health care, it really comes down to price and whether people have a choice they can act on,” Levitt says.