

The Daily Record

Obamacare Is Still Getting Worse

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May 15, 2018

Speaking at a recent campaign-style rally in Michigan, President Trump declared Obamacare dead. “Essentially, we are getting rid of Obamacare... . Some people would say, essentially, we have gotten rid of it.”

Um, no. Not only is Obamacare still with us, but its problems are getting worse.

What the president was likely referring to was the health-care law’s much-despised individual mandate, the requirement that every American purchase health insurance or pay a penalty, which was repealed as part of the tax-reform bill. But while the mandate was always the most unpopular part, it was never the structural heart of the Affordable Care Act.

In many ways, Obamacare’s original sin is its requirement that insurers cover people with pre-existing conditions without charging them premiums commensurate with their costs. By trying to shoehorn people who are almost by definition uninsurable into the traditional insurance markets, Obamacare undermined and destabilized those markets — risking what actuaries call an adverse-selection death spiral, in which the sick are increasingly likely to purchase insurance while the healthy drop out of the market. The individual mandate was a costly and ineffective attempt to deal with this problem by forcing young and healthy people to buy overpriced insurance, thereby offsetting the losses insurers were suffering on covering the old and sick. Other troublesome aspects of Obamacare, from subsidies to the government-designed standard benefits package, flow naturally from this point.

Repealing the individual mandate was, on the whole, a good thing, because mandating that Americans buy a specific government-designed product is deeply antithetical to individual liberty that is the heart and soul of the American experiment. But by repealing the mandate without reforming or repealing the rest of the law, Republicans have probably sped up the law’s downward spiral.

One undeniable aspect of the law is that it has driven up premiums, which have roughly doubled since the law’s inception.

And while the individual mandate has been repealed, the law’s employer mandate remains in place. It seems likely that this has contributed to a shift toward part-time employment and acted as a drag on wages for low-skilled workers.

There also continues to be little choice of insurers on Obamacare exchanges. In roughly one-third of U.S. counties there is only a single insurer participating.

Nor should we forget taxpayers, who will be on the hook for more than \$40 billion in insurance-exchange subsidies this year, as well as around \$33 billion in higher costs for an expanded but still unreformed Medicaid program that already costs roughly \$600 billion.

Unfortunately, Obamacare is likely to be with us for some time to come. The president and congressional Republicans failed to repeal and replace it. And no amount of sugar coating can disguise the fact that Americans will continue to pay the price for that failure.

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