



Obamacare still with us and getting worse

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Speaking at a campaign-style rally in Michigan recently, 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. Whatever those mysterious “some people” might think, 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individual mandate, the requirement that every American purchase health insurance or pay a penalty, which was repealed as part of the tax-reform bill.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 the concept of 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 health-care law, Republicans have probably sped up the law’s downward actuarial spiral.

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

A study by McKinsey and Co. for the Department of Health and Human Services found as much as 76 percent of premium increases since 2010 can be traced to Obamacare’s regulations. While subsidies offset some of those increases, that merely shifts the increased costs to taxpayers.

Now premiums are set to rise even more sharply. Already we are seeing insurers submit requests for premium increases running as high as 91 percent in Maryland and 64 percent in Virginia, the first states where 2019 rate requests have been made public.

And while the individual mandate has been repealed, the law's employer mandate remains in place. Indeed, the New York Times reports Trump's IRS is enforcing the employer mandate with renewed vigor. While economists debate the mandate's impact on jobs — it is hard to tease out the employment impact of a single policy, especially at a time of rising employment overall — it seems likely that it 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. The one small glimmer of increased choice, Rand Paul's proposal for "association health plans," continues to languish under Department of Labor regulatory review.

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.

President Trump didn't quite fly onto an aircraft carrier beneath a "Mission Accomplished" banner, but his declaration of victory is every bit as premature. Unfortunately, Obamacare is likely to be with us for some time to come. The president and congressional Republicans failed to repeal and replace the Affordable Care Act. 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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