Written by William P. Hoar on December 21, 2015
Published in the December 21, 2015 issue of the New American magazine. Vol. 31, No. 24

Correction, Please!

Surprise! ObamaCare Proves Unsustainable


AP Images

Item: *The White House website boasts: "Until President Obama fought for and signed the Affordable Care Act, for dec-ades, millions of Americans lacked the security of health care coverage they deserve."*

Moreover, crows the government site, "Thanks to the ACA, millions of Americans who already had health insurance now have better coverage because women can no longer be charged higher premiums than men for the same plan, people with pre-existing conditions can no longer be denied coverage, and young adults won't age off their parent's policy when they turn age 19 or graduate from college."

Item: *Democratic presidential candidate Hillary Clinton has signaled that she wants to expand the government's role in the health sector, reports the* Washington Examiner *for November 14. "I want to build on and improve the Affordable Care Act," she said that day. She also vowed that she would "certainly tackle cost issues."*

Item: *On October 15, the Department of Health and Human Services issued a release about that day's announcement by HHS Secretary Sylvia Burwell. The secretary, said the lede of the HHS release, "expects 10 million individuals to be enrolled in coverage through the Health Insurance Marketplaces and paying their premiums — so-called effectuated coverage — at the close of 2016."*

Correction: Wow. Not only is Obama-Care popular and well-nigh miraculous, but we are all going to be even better off when the government gets more intrusive.

Sadly, however, these folks letting off esteem about their own good deeds are wide of the mark.

Consider the HHS secretary's brag about the possibility of conscripting 10 million Americans by the end of the year. That might seem a considerable number at first glance. Yet, just months earlier, the federal government was talking about enrolling more than twice as many as that. If you keep lowering the bar, eventually you can claim success.

As recently as March 2015, writes Devon Herrick for the National Center for Public Analysis (NCPA), "estimates by the Congressional Budget Office (CBO) projected 21 million would sign up in 2016. Enrollment is … likely to gradually decline into what actuaries sometimes refer to as an adverse selection death spiral."

The NCPA analyst reviews the panacea that was force-fed to the body politic:

> In a nutshell, Obamacare exchange plans are premised on the idea that young healthy people would be overcharged to help pay for older, less healthy enrollees — who would otherwise find their coverage unaffordable if charged premiums based on their health risk.
>
> In theory, sliding-scale subsidies would make premiums affordable for moderate-income families, while the law would force healthy, wealthier families to subsidize the poor and those in poor health. The only problem: people know when they are getting a bad deal and resist in any way they can!

Meanwhile, as we write, more than half of the ObamaCare co-ops have failed. Along with them, as the *Wall Street Journal* put it, is the $1.24 billion in federal loans that has "all but vaporized." More losses will follow. As it is, "nearly a million Americans may lose coverage."

Even the leftist *New York Times* and *Boston Globe* — proponents of Obama-Care — have recently been carrying lengthy pieces quoting people who are personally affected by the government scheme, with headlines such as "Many Say High Deductibles Make Their Health Law Insurance All but Useless." A typical consumer, from Chattanooga, Tennessee, is quoted as saying: "When they said affordable, I thought they really meant affordable."

The adverse selection death spiral, predicted by many, is a result of having healthy individuals bailing out of the program when their premiums become obviously more expensive than their perceived benefits. When those consumers leave, what is left? As the insurers have found out, what remains are the consumers who represent a loss. The numbers, called medical loss ratios (MLRs) in the business, reflect the real world as opposed to the empty rhetoric of the politicians and bureaucrats. They represent the proportion of the premiums that are collected that have to be paid out in benefits. Despite orders by the federal government and even fines, many are over 100 percent.

Already, as pointed out by Representative Adrian Smith (R-Neb.), who serves on the House Ways and Means Health Subcommittee, more than 500,000 people have lost their coverage because their co-ops went south. Of course they did. Companies can only stay in business for a while when they have to pay out more than they receive. As Smith said: "The co-ops took on far too many customers at artificially low premiums, and, as the American Enterprise Institute and the Galen Institute noted earlier this year, are drawing down 'unspent loan funds to pay medical claims.' Despite mounting failures, the Obama administration has been unwilling to change course."

Such customers, the *Wall Street Journal* reported on November 5, have felt “aftershocks, typically paying much higher premiums and deductibles to another insurer and potentially on the hook for medical bills if a failed co-op can’t cover them. Some consumers are finding hospitals and doctors won’t accept their co-op insurance because of fears they won’t get paid.”

The high medical loss ratios are threatening insurers in at least 27 states, according to researchers with the Urban Institute and Robert Wood Johnson Foundation. The MLRs are directly linked to the phenomenon of adverse selection. Writing for National Review Online, Michael Tanner explains the process:

> The young and healthy simply haven’t signed up for Obamacare in the same numbers as those who are older and sicker. The only way for insurers to offset their skyrocketing MLRs is to hike premiums still further. The researchers [Urban Institute and the Johnson Foundation] suggest that premiums in the worst states could have to rise by an average of 34 percent, and possibly as much as 52 percent.
>
> But premium hikes of that magnitude would almost certainly further discourage younger and healthier Americans from buying insurance (even with increased Obamacare fines … er … penalties … er … taxes starting next year). Should that happen, stay tuned.

To be sure, there are some people who are happy for what the government is giving them. However, there are not as many as one might think, according to a recent Gallup Poll. Consider the presumed prime targets of the law that is going to cost an estimated $2 trillion over a decade — namely, the uninsured. A full 59 percent of the respondents in that uninsured sector disapprove of ObamaCare, compared to 30 percent who approve.

A lot of uninsured folks, it turns out, can think. They have figured out that subsidies do not necessarily make ObamaCare a smart purchase for them. Chris Connover, a Duke University economist, after studying the evidence, has commented:

> Except for those who are heavily subsidized, Obamacare coverage is a really bad deal for the uninsured. Consider the poorest members on the Exchange (family income equivalent to 138-175% of poverty). Even after subsidies, the net premium paid by such families to obtain

> a Silver plan will be nearly triple the average amount they would have spent out of pocket had they remained uninsured!

Meanwhile, when Hillary Clinton says she wants to "build" on today's ObamaCare, she means she wants more federal controls. She is unlikely to go into too many details before the election, but the intent has been obvious for many years. She is, as Monica Crowley has said, the "grandmother of socialized medicine" and has been pushing this route for more than two decades.

As Crowley wrote in the *Washington Times*, ever since the passage of Obama-Care, Clinton and her leftist allies have

> effectively moved the goalposts so far to the extreme that single payer will no longer seem like a radical approach but the logical solution to fixing the program's problems. Mrs. Clinton will argue that single payer is the obvious next step, a fait accompli.
>
> Consider: Obamacare is currently being smothered by a raft of existential problems: ever-higher premiums, disappearing subsidies, the collapse of Obamacare co-ops, fewer enrollees, rising loss ratios. The program is entering the long-anticipated and feared "death spiral."
>
> That, of course, was the endgame all along. The Obamacare architects rigged the system to implode so they could ride to the rescue with single payer.

Clinton has accused opponents of being apparently heartless people. They "really want to go back to the era when we had no public support for health care. They didn't support Medicare, they didn't support Medicaid, and now they don't support the Affordable Care Act."

Indeed, if one were to believe Clinton, it is astounding that generations of Americans somehow survived the horrors of the survival-of-the-fittest world. (And never mind that America's first hospital, backed with both private funding and the Pennsylvania Assembly, *was founded in 1751.* It was created, in the language of the bill, "to care for the sick poor of the Province and for the reception and care of lunaticks.")

Hillary Clinton has actually tipped her hand about some of the ways she would change the health marketplace. As Sally Pipes, president of the Pacific Research Institute, wrote for *Forbes* in October:

> At every level of her plan, Clinton uses Obamacare's flaws as an excuse for more mandates, more regulations, and more taxes. To top it off, her plan would gut two successful health reform initiatives that predate Obama-care: Health Savings Accounts and Medicare Part D through price controls.
>
> It's Obamacare 2.0 — and it builds on Hillary's healthcare efforts from the early 1990s.

Yet in the process of implementing Obama-Care, a number of states are having their budgets wiped out. Consider California. Originally, it was supposed to get 800,000 enrollees because of its Medicaid expansion; the actual number went over 2.3 million. Other blowouts: New Mexico got 44 percent more than projected; for Oregon, it turned out to be 73 percent more; and Washington state got more than

100 percent of the numbers projected. What was supposed to cost $537 million in Illinois (over several years) jumped to around $2 billion.

In Rhode Island, according to the *Providence Journal*, about a quarter of the population wound up on Medicaid, with the program consuming about 30 percent of all state spending. To plug the budget gap, the *Wall Street Journal* noted, Rhode Island instituted a 3.5 percent tax on "policies sold through the state's ObamaCare exchange."

Other examples could be given, but you get the idea. And in case you wonder why Medicaid is so involved, the answer is straightforward. The Affordable Care Act is being touted as a success because it pushed so many people into Medicaid. As a recent Heritage Foundation study noted, in 2014, "Medicaid enrollment growth differed sharply between those states that adopted the ACA's Medicaid expansion and those that did not. States with the ACA's Medicaid expansion in effect experienced Medicaid enrollment growth of almost 8.3 million people, while the increase in Medicaid enrollment for the states without the expansion in effect was 725,000 people."

This is what the White House, the president, Hillary Clinton, and the HHS have not been telling Americans: The federal government essentially bribed the states to expand Medicaid. It was designed to happen that way by means of the Affordable Care Act. Almost all of the gain credited to ObamaCare resulted from expanding Medicaid for anyone at 138 percent of the official "federal poverty level" or below.

Details may be found in a revealing Heritage Foundation "Backgrounder" by Edmund Haislmaier and Drew Gonshorowski, dated October 15. Here's the gist:

> Health insurance enrollment data for 2014 shows that the number of Americans with health insurance increased by 9.25 million during the year. However, the vast majority of the increase was the result of 8.99 million individuals being added to the Medicaid rolls. While enrollment in private individual-market plans increased by almost 4.79 million, most of that gain was offset by a reduction of 4.53 million in the number of people with employment-based group coverage. Thus, the net increase in private health insurance in 2014 was just 260,000 people.

Meanwhile, other assurances used to sell the gullible have dropped into the memory hole. Where is the annual $2,500 in savings in premiums that Barack Obama promised? And what happened to that other oft-repeated vow? It went something like this: If you want to keep your existing heathcare plan, you can keep your plan.

If these deluders had their consciences taken out, those would be minor operations. We were promised affordable and wound up with sticker shock. And now if we find the results unpalatable, the statists have another solution: Double the dose.