Analytics

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RE: The Truth About Health Care Affordability

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With the elevation of Paul Ryan to the national stage, the debate about national healthcare policy is front and center. At the core of the debate is affordability. The 2010 healthcare reform legislation known as the "Affordable Care Act", or "Obamacare" by its detractors, is at the center of the debate. The fundamental political promise is that all residents of the United States can have all the healthcare that they want, whenever they want, from whatever source they want, without having to pay for it. Any rational person recognizes this to be a false promise but it resonates with a large proportion of the electorate as a sort of wishful thinking. The complexity of the problems with both the existing system and the legislation is daunting and not particularly amenable to the simplistic sound bite culture of contemporary politics. The ACA is an ideological effort which is fatally flawed and cannot be fixed. We need a do-over.

Some things are undeniably true. The current system is not affordable. Medicare is insolvent and rapidly failing, unless the age of qualification is raised. Many state Medicaid programs are insolvent and failing. Unquestionably, doing nothing is not acceptable. Attacking change and demonizing a reform proponent is common and irresponsible.

What is also true is that the ACA is already insolvent and on track to become more so. The failure of the long term care insurance component that Secretary Sebelius canceled last fall removed a massive amount of funding from the program which would have prevented the legislation from being passed initially, if scored that way by CBO.

It is also true that 716 billion has been extracted from Medicare to pay for the ACA and is double counted in the original congressional budget office calculations, causing a 1.3 trillion dollar deception, added to the trillion dollar shortfall of the long-term health insurance program, so a 2.3 trillion dollar miscalculation. Even with 17 new taxes, the ACA is not one half funded.

It is true that the CBO counts on a 27% reduction in payments to doctors in January 2013, and a subsequent 3% in both 2014 and 2015, which is not going to improve the supply side. The promise that the ACA would lower insurance premiums turned out to be untrue and insurance premiums have risen precipitously since its passage. Also untrue is the promise of increased access to care and the promise of affordability of insurance for those with pre-existing conditions.

The purported benefit to the economy in general has not materialized. The net result of the highly touted mandate allowing children to stay on the family policy until age 26 has had essentially no effect except to raise the cost of premiums. The net effect on employees thus far has been to substantially raise the cost to the employee of family coverage, an average of 4 fold over previous cost out-of-pocket according to the Kaiser Foundation. As one might expect, because of this, the number of uninsured has risen not decreased as promised. As expected, the number of physicians retiring from the profession has increased and continues to accelerate and it is increasingly difficult to gain access to a physician.

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Little known but true is that ACA mandates a rise by 2014 in the monthly premium cost of Medicare to recipients which is deducted from their Social Security checks to double the cost prior to the legislation, according to CMS, Center for Medicare and Medicaid Services, formerly HSS. The promised IRS subsidy for those buying health insurance themselves from state exchanges is not panning out because very few states are creating exchanges. The penalties to employers for not offering health insurance cannot be applied in the absence of employees buying insurance from state sponsored exchanges so that incentive does not exist.

It is true that the distortion of the supply demand curve, creating virtually unlimited demand and harshly limiting supply will ultimately save money at the cost of severe rationing of healthcare delivery.

There is universal consensus that private health insurance will largely disappear by 2015 and will completely disappear by 2016 because of the legislation phase in. That is inherent in the design of the law. Anyone who denies that the intent of this law is a single payer system with government mandated cost control and rationing is disingenuous or has likely not read the bill.

In the most general terms, this is an ideological fight with little regard for facts or real cost accounting. The law of unintended consequences will prevail as always, and this regrettable series of legislative errors will result in an inefficient and costly bureaucracy with predictably mediocre to poor services, great delays in access and vigorous rationing.

Having framed the problem, the solution remains. Eliminate the tax benefit discrepancy for deductibility, increase the personal responsibility for costs, restrict the safety net to those that are absolutely needy, re-introduce the free market for cost containment, reform tort law, and eliminate fraud.

The out of control cost spiral of US healthcare begins with the wage and price freeze of WW2, causing cost inflation for those without insurance and a need for Medicare to insure the retired, and subsequently Medicaid to cover the poor. All of these caused hyperinflation of costs by disconnecting fee from service, the third party payer. Sadly, the cost of health care in the United States is an unintended consequence of government interventions and it is illogical to expect a different outcome from further intervention.

Dr. Chris D. Casscells
Director, Center for Healthcare Policy