

## Part VI – FIXING OBAMACARE - Affordable, Quality Health Care for All Americans

### The FIX!

**Eliminate the premium tax-credit:** The ACA offers a premium assistance program, in the form of an advance “tax-credit” that has helped make health insurance more affordable for literally millions of consumers across the country and that’s a very good thing. Unfortunately, consumer confusion and opportunity for fraud undermines the integrity of the tax-credit process and creates a festering liability in the system. Some consumers learned how to game the system and get tax-credits they don’t deserve, and many consumers simply don’t estimate their advance tax-credit correctly. Enforcement of the “tax-credit” falls on the overworked and underappreciated IRS, which needed to create onerous reporting systems and tax forms to insure compliance by insurers, individuals and employer groups. Yet, costly collection omissions are and always will be inevitable. By my calculations, the Obamacare tax-credit cost the federal government \$38 billion dollars in lost revenue (and much more if you factor in the cost of enforcement).

Another costly expense associated with the tax-credit is the State Exchange (i.e., Covered California). The only way to qualify for the tax-credit is to enroll in a health plan through the state exchange. The state exchanges also serve as an online health insurance marketplace where consumers can shop and purchase health insurance; they negotiate rates and benefits with participating insurers; and they also serve as the gateway to Medicaid. Nevertheless, the state exchanges are just another layer of costly overhead to an already top heavy health care system, and who needs that? By eliminating the tax-credit we can eliminate the state exchanges and their entire costly infrastructure.

Ironically, the biggest beneficiaries of the premium assistance program are health insurance companies. Insurers can jack-up the price of individual health insurance policies knowing full well that those consumers are likely to be eligible for premium assistance, making the purchase of those policies more feasible. Insurers get paid the full amount of the premium, regardless of how much the consumer’s premium is reduced by their tax-credit. Furthermore, the Insurer assume no risk if the tax-credit is bogus. The current law provides little incentive for the marketplace to “regulate” the cost of health insurance; it is, in fact, the antithesis of free-market dynamics.

**Expand Obamacare Medicaid:** In place of the tax-credit, expand Medicaid to everyone under 400% of the federal poverty level and open up Medicaid for **everyone** else to compete alongside private insurers; and provide funding for the expansion of Medicaid services in the established Medicaid health care provider infrastructure with a focus on expanding Community Health Centers (CHC).

Both democrats and republicans jump through hoops trying to keep private insurers in the individual health insurance marketplace. Each year, since 2014, Obamacare’s net “reinsurance” payments to insurers in the individual marketplace totaled \$7 billion, nearly 20% of premium revenue. Despite these healthy subsidies, insurer’s performance in the exchanges has not improved, average premiums increased dramatically while insurers shrank the number of doctors within QHP networks and more aggressively managed medical utilization of their enrollees.

*Insurers cannot survive in the individual health insurance marketplace without government subsidies.*

Obamacare instituted a series of taxes and fees worth billions of dollars to support insurers, and even that turns out to be not enough. When republicans announced that their health care bill would cut those taxes and fees, insurers immediately announced their intention to withdraw from unprofitable rural exchange markets. Realizing their error, republicans backtracked and “found” 45 billion over a four year period to bolster private insurers in the exchange marketplace (earmarked for opioid abuse treatment?). It’s still way short for what insurers need, but begs the question, **why are we bailing-out for-profit insurers for delivering a product consumers don’t want and can’t afford?**

Affordability is just one of the many issues facing consumers in the individual health insurance marketplace. Insurers are constantly re-negotiating provider contracts, changing their providers and shrinking their networks. Many consumers discovered, only after they’d enrolled in a health plan, that their doctor was no longer in-network. Insurers pulled out of some regions all together reducing competition and leaving consumers with too few options. Worse of all, insurers have little motivation, or leverage, to negotiate with healthcare providers for lower health care cost.

Trying to fit private insurance into this marketplace is the equivalent to trying to hammer a square peg into a round hole – it just doesn’t fit. The last 25 years is proof enough that private health insurance doesn’t work in the individual health insurance marketplace. The definition of insanity is doing the same thing over and over again and expecting different results. It’s time to stop wasting time and money messing around with private health insurers in the individual marketplace and simply expand Medicaid.

**Intended consequence:** Many of the ACA’s provisions were designed by and for private insurers to protect them from adverse risk, nice for business, but bad for healthcare consumers. For instance, the individual and group health insurance mandate, the open enrollment period, the premium subsidy and the 10 essential health benefits mandate, were all designed to aid insurers, but add a level of confusion and complexity for consumers. Opening up Medicaid to everyone would render those provisions unnecessary. Furthermore, we won’t need all the rules and regulations required by the ACA to enforce compliance; and therefore we won’t need the huge expense incurred by government agencies charged with policing the law. All the time and money spend on enforcing the ACA would be converted to providing health care for all Americans; because **health care for all** shouldn’t need to be a law – it should simply be.

Our current health care system is fragmented into of a hodge-podge of public and private payers. According to the Kaiser Family Health Foundation 56% of Americans are covered by their employer-sponsored health plan, 20% are covered by Medicare and 20% are covered by Medicaid (all three are heavily subsidized by the government). This fragmentation has not been good for American consumers, but very good for our Medical Industrial Complex. Collapse is inevitable, yet we continue to resist the efficiencies of single-payer system and remain mired in the dysfunction that is our health care system. Our first step toward sanity is to expand the “public option” to the individual marketplace.

**How are we going to pay for all this:** Stay tuned for the Part VII

**Addendum:** Private insurance will still exist but only for the truly wealthy, or as a supplement to the “public option.” Privately run Medical Centers will no longer dominate our health care system as Public health care providers out compete them for consumers. Americans pay less and get better care under the “single payer” system and the expanding public health care economy. As enrollment in the “public option” plan grows so will the government’s ability to control the cost of health care. Group health insurance will become obsolete.

By the numbers:

**321 million** - Total Population of the USA

**23 million** - Consumers enrolled in Obamacare – 12 million into the expanded Medicaid program and 11 million into private health insurance.

**10 million** – Consumers who qualified for the premium subsidy tax-credit under Obamacare

**\$6,435** - The average annual premium for single coverage under an employer-sponsored health plans

**55.5 million** – Medicare covered population (20%)

**\$985 billion** – Medicare spending

**\$545 billion** – Annual state and federal spending on Medicaid

**74 million** – Post Obamacare Medicaid covered population (20%)

**56%** - The percentage of non-elderly Americans covered by employer-sponsored health plans (150 million)

**93%** - The percentage of private health insurance premiums collected through Employer-sponsored health plans

**\$3.8 trillion** – Total Federal Budget 2016

**\$17 trillion** – Total GNP 2015

**\$3.8 trillion** – National health expenditures (18% of GNP)

**\$3.8 trillion** – US Govt. expenditures (21% of GNP)

**\$1.20 trillion** – Tax breaks (larger than fed discretionary spending \$1.11 trillion)

## **How we going to pay for it.**

According to the Kaiser Family Foundation 56% of Americans are covered by employer-sponsored health plans, 20% are coverage by Medicare, and another 20% are covered by Medicaid

We need to cover 10 million consumers (those who qualified for the tax-credit), or add 13.5% to our existing Medicaid population. If we use the currently Medicaid spending of \$545 billion multiplied by 1.135 and we get

\$73 billion. We can double check that number by multiplying 10 million by \$7,365 (the annual cost/person for Medicaid) and we get **\$73 billion**.

## How Do We Pay For ObamaCare Costs?

Many sections of the Affordable Health Care Act cover the cost of Obamacare and how we will pay for national healthcare reform over the next decade. Here are some of the measures that will help pay for the Obama's healthcare reform:

- First, to help pay for the cost of Obamacare, businesses and families will pay an additional .9% tax on taxable income and 3.8% capital gains exceeding \$200,000 / \$250,000.
- Fees for not purchasing insurance will help to cover some of the cost of the law. If you choose not to purchase insurance (and can afford it) there is a 1% tax in 2014; it rises to a 2.5% tax in 2016, and then adjusts for inflation. This tax is the "income tax" you may hear about. It is the only income tax hike in ObamaCare and the only tax most Americans will pay.
- Businesses with over 50 full-time equivalent employees will also pay a fee for not insuring full-time workers starting 2015.
- ObamaCare also cuts \$716 billion from Medicare and invests it back into Medicaid, Medicare, and the health care system, so a lot of the money is coming from cutting waste, not just in Medicare, but in the health care industry as a whole.

The cost of not having ObamaCare isn't just a human issue. ObamaCare helps to reduce health care spending. Currently, **the \$2.8 trillion U.S. healthcare system costs nearly \$9,000 a year for every man, woman, and child**. Growth in health care spending has long outpaced inflation by a wide margin, and following the U.S. recession of 2008 and 2009, has contributed to weak job creation, little expansion of wages and a high level of personal bankruptcies.