

We don't usually talk religion or politics in the exam room, but we are frequently asked by patients...

"What do you think of 'Obamacare'?"

I think they just want to see how high my own blood pressure can rise. To save some exam room time, I will tell you all what I think. Health care in this country IS a mess. A logical, but devastating to the economy change would be full left-wing, single payer, government-take-over-and-run-it-like-Amtrak program. Rationing, price controls, uninhibited demand vs a dwindling ability to deliver would follow. But at least it would be a consistent logical "solution" from a command economy view point. A right wing, free market approach, would put patients back in control with mandatory tax-favored health savings accounts (self, employer, or government funded), together with only catastrophic insurance (yes, maybe even government provided). When patients get to keep as retirement monies amounts not spent earlier (maybe only a portion if the government funded the account), they will be highly motivated to practice money-saving prudent lifestyle choices and demand of their physicians "why" anything expensive is necessary and "where" they can get the best deal. Both unnecessary demand and the prices fall. Dramatically. A good description of that kind of system was in the Atlantic magazine. Read it here: <http://www.theatlantic.com/magazine/archive/2009/09/how-american-health-care-killed-my-father/7617/>. We got neither left-wing or right-wing reform. We got the same mess we have now with just a bunch more layers of bureaucracy, rule making, expense and frustration. While there were a few nice things (i.e. stay on parents insurance till age 26) in the big picture it won't work for ANYBODY and is very, very bad for the country. And it did not address the growing plague of lawyer driven litigation (across all industries) at all (best estimate of savings simply from "tort reform?" - about 20% - more than enough to just buy the uninsured commercial policies). For me? For a few years, I will probably make more money and enjoy doing so less - then they really tighten the screws. What follows is a good article on what will happen. RLF

Peter Schiff Monday, July 30, 2012 europac admin

Justice Roberts is Right: The Plan Won't Work

Now that the Supreme Court has given its narrow blessing to the Affordable Care Act, the big question is whether it will deliver the benefits that its proponents promise. Unfortunately, as it is now constructed, the plan will backfire causing fewer healthy people to buy insurance, raise premiums for those who do, destroy employment opportunities, cripple the health insurance industry, and weaken the economy.

In order to guarantee insurance to all, regardless of age, health or pre-existing conditions, the framers of the plan concede that it is essential that the young and healthy (who are less likely to be heavy users of health care) pay into the insurance pool. The surplus generated from their premiums compensates for the money lost to those receiving more in services than they pay in premiums (e.g. older people and those with medical conditions). But the ACA has given these healthy people a "Get out of Jail Free" card that many of them are sure to play.

Most healthy young people know that they are losing money to insurance providers, at least in the near term. That is the nature of insurance. You pay to prevent costly exposure to an unlikely event. And just as homeowners wisely pay for fire insurance even though they don't expect their homes to burn down, given the high cost of medical care it is also practical that healthy young people buy health insurance.

But, the ACA makes it illegal for insurance providers to deny coverage to anyone for any reason. This allows healthy people to drop insurance until they actually need it without incurring any risk. It's like allowing homeowners to buy fire insurance after their houses burn down. To counteract these new free rider incentives, the law imposes "no insurance" penalties (also defined as taxes by the Supreme Court). The problem is that these "penaltaxes" (for lack of a better word) are insufficient to the task. In fact, Chief Justice John Roberts ruled the law constitutional precisely because the burdens were not high enough to compel

behavior. (In other words, he thought the law was constitutional because it will be ineffective.) The numbers support his arguments.

On average, in 2010, a typical healthy young person paid at least \$2,500 per year for insurance (for a plan that would still involve significant out of pocket expenses). In some areas of the country, premiums were more than twice as high. When the program takes effect in 2014 the penaltaxes will be the greater of \$95 or 1% of household income. A single person earning \$40,000 per year who chooses to go uninsured would then be subject to a \$400 penaltax. The decision would be an easy one: drop the insurance, incur the penaltax and pay for any routine medical services out of pocket. In the unlikely event that he gets cancer or is hit by a bus, he can always buy insurance in the ambulance on the way to the hospital. Even in 2016, as the penaltax increases to the greater of \$695 or 2.5% of household income, it will still not make sense for many people to buy insurance. The penaltaxes are capped at levels that equal the full cost of an average health plan. So even high income individuals are no worse off financially for not buying insurance. In addition, the IRS' ability to actually collect these penaltaxes is limited to garnishing income tax refund checks. If an individual is not getting a refund, the IRS is impotent.

The law places no requirements for businesses with fewer than 50 employees to offer insurance. So when younger workers realize the benefits of dropping insurance, they will naturally gravitate to savvy businesses that offer higher pay instead of insurance. This will drain more premiums from the insurance pools.

In contrast, the burdens placed on employers with more than 50 workers are complex, onerous and unpredictable. Those that don't offer insurance would be subject to substantial (and open ended) penalties if at least one employee receives an insurance tax credit or a government subsidy to an insurance exchange. If they do offer insurance, they will also be subject to substantial (and open ended) penalties if the plan fails to cover 60% of employee health expenses, or if premiums for any employee are more than 9.5% of family income. It has been left wholly unexplained how employers are supposed to accurately determine these triggers which involve knowledge of family income, not just employee income.

Smaller employers will look to avoid these headaches by staying below the 50-employee threshold. Though it should be obvious, there is plenty of evidence to support this tendency. French law involves significant regulatory requirements for businesses that have more than 50 employees. As a result, there are currently 2.4 times more French companies that have 49 employees than there are with 50. Incentives for businesses to stay small will hurt the economy and will further shrink the numbers of people paying into the health insurance pools.

Employers will also be incentivized to avoid hiring lower paid workers who would be more likely to trigger the penalties tied to household income. As a result, many small companies will likely look to replace lower rung employees with temps, automation or outsourcing, further raising the barrier to workforce entry for lower skilled workers. The unemployable workers will then qualify for free health insurance, further draining the system.

Unless the penaltaxes are raised significantly, far too many needed premium payers will drop out. As they do, insurance companies will try to recoup the lost revenue by raising premiums for the customers who remain. As the gap between the relatively low penaltaxes and the high cost of health insurance premiums increases, so too will the incentive to drop coverage. This self-reinforcing dynamic will render the entire plan non-viable.

It is a foregone conclusion that the Obama Administration and its congressional allies are already planning to raise the penaltaxes. Although such increases would render the plan unconstitutional if they compel behavior, according to Roberts's analysis, I do not expect the Supreme Court to ever rule on this case again. The Court has a history of opening small cracks in the Constitutional barn door for the bureaucratic horses to stampede.

Unless we can summon the political will to repeal the poorly conceived law, we should all brace for higher health care costs, many more layers of impenetrable federal bureaucracy, a significantly weaker economy, diminished employment opportunities, and lower living standards.