

Another well reasoned piece regarding health care economics.

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Washington Is Never Going to Get Healthcare 'Right' Obamacare was bad, and its replacements look like a dog's breakfast.

A. Barton Hinkle|May. 10, 2017 12:00 pm

Democrats need to get their story straight.

First they tell us the GOP replacement for the Affordable Care Act is going to doom Republicans at the polls. Democrats in Congress were so confident on the point they even taunted Republicans with the "hey-hey, goodbye" chant.

Then Barack Obama urged lawmakers to summon the "courage" not to repeal Obamacare in remarks he made after receiving the John F. Kennedy Profile in Courage Award.

"Courage does not always mean doing what is politically expedient," Obama said at the JFK Library Foundation, "but what they believe deep in their hearts is right."

That is certainly how political courage is usually defined. But wait a sec—if the GOP health-care bill is so widely reviled, and therefore so politically toxic, then Republicans showed much bravery in passing it. Since they're going to get trounced at the polls for doing so, they must be men of great conviction. Why didn't they get a prize for courage?

The Democrats are right, of course. Leave it to the GOP to foul up the repeal of an unpopular law so badly that Americans decide maybe they like it after all. For years a majority of Americans has opposed the ACA. Now a majority supports it and hates the replacements.

Little wonder, when the replacements look like such a dog's breakfast. The first version was described, accurately, as Obamacare Lite. The new version is not what anyone would consider a quantum improvement. As Reason magazine's Peter Suderman has explained well in The New York Times, it looks less like an attempt to put right all that is wrong with the American health care system and more like a hastily cobbled-together prerequisite for tax reform. By cutting \$1 trillion in taxes over 10 years, the American Health Care Act lowers the revenue baseline, thereby meeting certain procedural conditions in the Senate. ("We can't get to tax reform until we do this," House Speaker Paul Ryan said at one point.)

Another factor in the unpopularity of the GOP proposal is the immediate Two Minutes Hate the press launched against it. To judge by the coverage, you would have thought that Obamacare had achieved the Platonic ideal of Pareto optimality by making millions of people much better off without making anyone worse off—and that the House bill would, therefore, make millions of people worse off without making anyone better off (except for rich people, who don't count).

You had to search long and hard to discover that 60 percent of small businesses still want Obamacare repealed. The employer mandate—which requires employers to provide insurance for workers—kicks in at 50 employees. Not surprisingly, a survey of more than 600 small businesses has found that a tenth of them have "reduced hiring in order to stay under the 50-employee ACA

threshold for small employers." On top of that, the law adds an estimated \$480 to \$590 to the cost of each employee each year.

Obamacare also has been a raw deal for young people. As Diana Furchtgott-Roth, former chief economist of the U.S. Department of Labor, points out: "Before Obamacare, premiums for older people were about five times as much as for younger people. But, under Obamacare, older people can be charged only three times as much as younger people. Since insurance companies could not lower premiums for the old, they raised premiums for the young." A lot.

Premiums are soaring for everyone, in fact. Before leaving office the Obama administration projected they would rise 22 percent to 25 percent this year alone. Gosh, it's almost as if artificially inflating demand by forcing people to buy a product and then giving them government subsidies to pay for it drives up prices.

And yet the state marketplaces set up by Obamacare are imploding; Aetna, which announced last week that it would leave Virginia's individual market, is only the latest in a long line of exits. Facing steep losses, Humana, United, and other insurers have pulled out of all or most of the state exchanges, often leaving consumers with only a single provider.

To be fair, Obamacare has done some good, e.g. by reducing the proportion of uninsured Americans to historic lows. But its gargantuan flaws seem to have been conveniently forgotten because the House GOP's replacement also has gargantuan flaws. So will the Senate bill, whenever it arrives. And so will every other proposal, because no reform ever addresses the root cause of what ails U.S. health care: The nearly universal demand for unlimited medical care, with the bill sent to somebody else through the political process.

Americans simply don't want to face the harsh reality that, like any other good or service, health care is finite and must be rationed. If it is not rationed through prices set by the marketplace, it will be rationed through rules set by the bureaucracy. At some point, one or the other is going to say no. And that's the one word nobody in politics is ever allowed to say.