

# ISSUES IN PERSPECTIVE

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## *The Crisis of the Affordable Care Act*

The Affordable Care Act (ACA) has been controversial since it was passed in March of 2010. It was designed to completely reform the American health care system, with the US government providing subsidies and penalties to fund and enforce these reforms. Among others, these are the salient aspects of the ACA as a reform mechanism:

1. Insurance companies cannot deny insurance to people with pre-existing conditions.
2. An individual mandate requires that all Americans not covered by an employee sponsored health plan, Medicaid or Medicare purchase an approved private-insurance policy or pay a penalty.
3. Health insurance exchanges are to be available in every state to help individuals and small businesses purchase this required insurance.
4. Businesses that employ 50 or more people but do not offer health insurance to their full-time employees will pay a tax penalty if the government has subsidized a full-time employee's healthcare through tax deductions or other means. This is called the employer mandate.

Over the last 18 months or so, the news media has reported many violations of this statute by the Obama administration, as well as significant failures of the basics of the system—most significantly the failure of [www.healthcare.gov](http://www.healthcare.gov), which was to help individuals purchase required health insurance on the various state exchanges. To date, the number enrolled is considerably behind the overall goal. Several important observations about the implementation of the ACA:

- First, the statutory mandate requires businesses with the equivalent of 50 full-time employees based on a 30-hour work week to cover all workers or else pay a fine, beginning 1 January 2014. After initially delaying it to 2015, President Obama has pushed this deadline to 2016 for a “new business category the White House waved into existence—those with fewer than 100 workers. Plus, all employers above that threshold will have to cover a mere 70% of their work force that year, not the law’s pre-rewrite 100%” [*Wall Street Journal* editorial, 15-16 February 2014]. As I understand it, the president did not really have the authority to do this. It is a legislative action (i.e., Congress should change this, not the president).
- Second, the health care exchanges are in serious trouble. They cannot survive financially unless enough healthy, low-cost young people buy these policies (often overpriced) to subsidize everyone else. In early February, the administration released the new enrollment numbers from the exchanges and it demonstrates clearly that not enough young people are signing up. The *Wall Street Journal* reports that for September 2013 through this January, only about 25% of the 3.3 million sign-ups so far are ages 18 to 34.

That share must rise to at least 40% to make it workable financially. In addition, many insurance companies believe that only between three of four or four of five of the “enrollments” are real: “The balance are probably bureaucratic errors like one person who is double counted for two plans, or people who enrolled but then dropped out when it came time to pay the premiums.” One of the realities of all these mandate changes is that many more people will suddenly qualify to join the exchanges. The same applies to the 30% of workers who will be shut out from employer coverage under the new 70% mandate. It seems logical to conclude that the goal of all of these mandate changes is to drive people to the exchanges. In fact, it actually seems probable that the mandates will eventually all go away and what will be left are the exchanges—and nothing else. This will thereby increase the overall cost of the ACA substantially over time!

- Third, the nonpartisan Congressional Budget Office (CBO) recently issued a report tripling its estimate of the drop in the workforce resulting from the disincentives introduced by the ACA’s insurance subsidies—2 million by 2017 and 2.3 million by 2021. Indeed, in support of this rather shocking statistic, Nancy Pelosi argued that people can now leave unfulfilling jobs to pursue their passions: “Think of an economy where people could be an artist or a photographer or a writer without worrying about keeping their day job in order to have health insurance.” How could this occur? Columnist Kathleen Parker explains: “Some people will quit their jobs because of the implicit marginal tax rates that significantly reduce wages and make working not worth it. In other cases, people will quit because their subsidies go down as their income goes up.” This is quite incredible actually because I do not believe most Americans would embrace a national goal of freeing people not to work!! The 2+ million that the CBO projects will drop out of the workforce are not being forced into unemployment; they are choosing not to work: “No longer will people have to stay in boring, unfulfilling jobs just because they need health insurance.” In fact, Pelosi boldly declared that one of the ACA goals was to give people “life, a healthier life, liberty, the pursuit of your own happiness.” An astonishing comment!! As columnist Charles Krauthammer observes, “In the traditional opportunity society, government provides the tools—education, training and various incentives—to achieve the dignity of work and its promise of self-improvement and social mobility. In the new opportunity society, you are given the new opportunity for idleness while living practically off everyone else.”
- Finally, one of the most ambitious goals of the ACA was to significantly reduce the number of uninsured people in America. We now know that the ACA will insure less than half of the uninsured—from 55 million down to 31 million. In other words, 31 million Americans will still not have health insurance. That is an astounding failure of the ACA.

The ACA is arguably one of the most disappointing pieces of legislation in the modern era; in fact, it is a monumental failure: The mandates are slowly going away. The exchanges are considerably behind their sign-up goals. The cost of the ACA will skyrocket in the next few years, further strangling the national government’s ability to respond to other national problems and priorities. The entitlement culture has been enhanced by the ACA and dependency on the US government will thereby increase. By 2024, there will be almost no federal money left for

education, infrastructure needs, let alone much needed research and development spending to keep America competitive. I believe that historians will view the ACA as the death knell of the American way of life. America will not go away, but America is evolving into one of the social democracies of Western Europe—caring for its citizens from cradle to grave, but no longer important. May God have mercy upon us.

See Charles Krauthammer, [www.washingtonpost.com](http://www.washingtonpost.com) (17 February 2014); Kathleen Parker, [www.washingtonpost.com](http://www.washingtonpost.com) (17 February 2014); and the lead editorial in the *Wall Street Journal* (15-16 February 2014).