

ISSUES IN PERSPECTIVE

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Limited Government and President Obama's Health Care Law

We live in a world where one of the few constants in life is change. As we contemplate the future for our children and grandchildren, this can trouble us and often cause significant anxiety. The Founders of this nation were very aware of change and perhaps their greatest fear was how government's power would change over time. They were birthing a republic unlike any that had ever existed. James Madison wrote to Thomas Jefferson that "Wherever the real power in a Government lies, there is the danger of oppression." Benjamin Franklin supposedly explained that "Democracy is two wolves and a lamb voting on what to have for lunch." They were fearful of the tyranny of the majority and of the power of the central government they were creating. Madison's significant insight was to separate the power of the central government and disperse it so that liberty would be preserved. Madison famously argued that "if men were angels, government would be unnecessary." But he also concluded that in framing a government "which is to be administered by men over men, the great difficulty lies in this: You must first enable the government to control the governed; and in the next place oblige it to control itself."

In times of severe crisis, the national government has often used its extraordinary power to effect significant social change. It did so in creating the Social Security system in 1935 and the Medicare health care act in 1965. Both were seemingly altruistic in terms of goals, but both considerably increased the power of the national government over our lives and also increased human dependency on that same government. These Acts were not evil in and of themselves, but the unintended results of both are real. Similar to these Acts was President Obama's Affordable Care Act (ACA) of 2010.

The ACA had two clearly defined goals: reduce the number of Americans who lack health insurance and cut health care spending. The number of Americans uninsured has been reduced, from around 45 million to 35 million. But as Daniel P. Kessler, law professor at Stanford University, has shown, "Given that more than half of Obamacare's reduction in the numbers of uninsured has been from its expansion of Medicaid, this makes the law look more like welfare for the medical-industrial complex than support for the needy." In regards to the cost of health care, premiums have not gone down. People who liked their old plans have not been able to keep them. The macroeconomic effects of the law have been negative. The ACA has not delivered on the grandiose claims on which it was sold.

The ACA has brought significant change to the health care system and to health insurance, but why has it not produced what it promised? There are several reasons:

1. Greg Ip of the *Wall Street Journal* correctly observes that the ACA incentivized insurers to misprice risk. Total enrollment this year will be barely half of the 22 million predicted for enrollment three years ago. Premiums are about to skyrocket, which will hurt enrollment. The problem is that, for those without health insurance who were either too sick or too poor to have insurance, the ACA expanded Medicaid and gave individual subsidies. Healthy customers were required to pay higher premiums than their actual claims would justify to subsidize older, sicker customers. The ACA stipulated that insurers could no longer charge or exclude coverage for pre-existing conditions, charge men and women different rates or charge older customers more than three times as much as the young. As Greg Ip concludes, insurers could no longer underwrite risks, thereby distorting how insurance is priced. Supposed safeguards built into the ACA law have not worked.
2. The ACA sought to transform the American health care system and help American citizens purchase health insurance through carefully regulated state exchanges. Some even estimated these exchanges would replace the current employer-based system. The exchanges are not working. Instead of the estimated 21 million people that should be on the exchanges, there are only about 12 million. Columnist David Brooks summarizes that “the law is poorly designed to induce the younger, healthier people to get into the system. The penalties attached to the individual mandate are too weak. The subsidies are too small. The premiums are too costly. The deductibles are too high. Many doctors are not participating in the networks.” In addition, many insurers are suffering catastrophic losses. Brooks cites data to show that Aetna has lost \$430 million since January 2014 and is withdrawing from 11 of its 15 states. United Healthcare has lost \$1.3 billion on the exchanges and is cutting its participation to three states from 34. The end result of all this is less coverage and 24 million still lack any insurance coverage at all. Further, significant premium increases are about to be implemented. Blue Cross is requesting 62% increases in Tennessee and 65% in Arizona. Nationwide the estimated increase in premiums is 23%. Brooks quotes Sarah Kliff: “Obamacare’s insurance expansion is on the path to looking like other safety net programs we know, offering limited services to a predominately low-income population.”

There is one final point, indirectly related to the ACA, but still evidence of the problem: President Obama has significantly increased the national debt. The Congressional Budget Office (CBO) estimates federal spending will keep rising as will debt as a share of GDP—to 72.2% in 2017, 79.3% in 2021 and 85.5% in 2026. [The national debt as a share of GDP was 52.3% when Obama took office in 2009!!]

The ACA radically expanded the role of the national government in our lives. As we have seen, in terms of its goals, it is not working very well. And its cost is radically affecting almost everything in terms of government’s costs and debt as a share of GDP. Although the ACA had seemingly idealistic goals, it is not even close to meeting those goals. It has significantly increased costs and inefficiencies in government, and thereby adding to the national debt

(especially as a share of GDP). Madison sought to establish a government that “could control itself.” The ACA indicates how terribly difficult it is to do that!

See Roger Kimball, “Since Men Aren’t Angels” in the *Wall Street Journal* (3-4 September 2016); Daniel P. Kessler in the *Wall Street Journal* (12-13 December 2015); Greg Ip in the *Wall Street Journal* (18 August 2016); David Brooks in the *New York Times* (6 September 2016); and *Wall Street Journal* editorial (27-28 August 2016).