The Truth About Obamacare: Does Government-Run Healthcare Work?

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With a historic vote, the 2,500 page “Patient Protection and Affordable Care Act” was signed into law March 23

- “Understanding Health Care is similar to unraveling an onion – it has many layers & many tearful moments.”

- I do think everyone would agree that the key goal for America is affordable, accessible, quality health care for all.

- The question: how best to achieve the goal?

- There are two competing visions when it comes to health care reform & achieving universal coverage.
• Two Visions: One focuses on patient-centered solutions, empowering doctors and patients, and encouraging innovation in new drugs, biologics, and medical devices.

• The other focuses on increasing the role of government through more mandates, higher subsidies and taxes, & controls on insurance companies.
  – This is Obama’s vision and what he achieved with the ACA—What Ted Kennedy called “Medicare for All”.
  – 50 percent of health care is already in government’s hands, the highest percentage in history.
How do we achieve universal coverage while at the same time reducing the cost of health care?

- The U.S. spent 17.3 percent of GDP or $2.5 trillion on health care in 09—1/6\textsuperscript{th} of the economy. Canada spends 10.4 percent. In Canada, gov’t sets a global budget, the one the gov’t can afford. It results in long waits, rationed care, and lack of access to the latest equipment.

Higher Costs

- Foster says the cost curve will bend up, not down. The U.S. will spend $310 billion more under the new law than without it.

- It will add 1 percent to the share of GDP spent on health care by 2019, bringing the total to 18.3 percent.

- Because of unanticipated increased demand, supply issues may interfere with providing services to 34 million newly insured people.
Our New Health Care System:

- The ACA passed without a single Republican vote. Noteworthy that Obama, Pelosi, and Reid did not care about the views of the American people.
- Rasmussen poll: up until the vote, 55 percent did not want Obama Care. As of Sept 20, their poll shows 61 percent of voters want the legislation repealed.
- Kaiser Tracking Poll found that between July & Aug, support for the overhaul fell from 50 to 43 percent. This shows that while Obamacare passed, it did not win in the “Court of Public Opinion.”
- A recent IBD poll revealed that 45 percent of doctors would seriously consider quitting medicine.
• Former President Bill Clinton on “Meet the Press” on Sept 19 said he was wrong in his prediction that, once Obama signed the legislation into law, the popularity of the legislation would increase. He was wrong about the polls.

• Americans do not want the federal government in charge of their health care—tea parties, VA & NJ elections, and Scott Brown’s Republican Senate victory Jan. 19th in MA.
Democrats’ Passing of Health Care Reform:

- Obama’s #1 domestic policy issue during the 2008 campaign until passage of Obamacare on March 23rd was health care reform. It was rammed through without a single Republican vote.

- The President, Pelosi, and Reid were committed to using “budget reconciliation” to pass an amended bill with “fixes” so they would only need 51 Senate votes.

- David Axelrod told Wolf Blitzer on CNN that Obama was more excited about the health care passage than being elected president!
Repeal and Replace:

• Following passage of the ACA, the GOP has been talking “repeal and replace”. They must keep to this message till 2013 when, if they take the presidency and Congress, the Act can be repealed. Medicare Catastrophic was repealed in 1989.

• There is a 10th Amendment constitutional challenge against the DOJ — 20 states & NFIB in one suit and VA in another. Fed Judge Vinson heard the case in FL. Judge Hudson upheld legality of the VA suit and announced on Oct 18 during oral arguments that he will make a decision by Jan 1/11.
• Missouri passed an initiative against the mandate with 71 percent support. Several other states including Colorado and Arizona have ballot initiatives pending.

• Challenge is over the individual mandate. Congress has the constitutional authority to levy taxes. It does not have the constitutional authority to force Americans to buy health insurance. Hence, Obama’s flip flop from the mandate not being a tax to being one. Gov’t requiring individuals to purchase something from the private sector is unprecedented.
The “Patient Protection and Affordability Act:

• It will not be possible to keep costs under $940 billion over 10 years.

• Since most of the Act does not go into effect until 2014, the cost will actually be $2.5 trillion over the decade to 2024.

• 159 new boards and commissions will be established under Obamacare.
The Main Pillars of Obamacare:

Pillar 1: Achieving Universal Coverage and Lower Costs:

• The President’s goal was universal coverage and lower costs. Under Obamacare, 34 million more Americans will be insured, 18 million being added to Medicaid rolls bringing the total to 84 million by 2019, up from 50 million today. Costs will increase, not go down.

• According to the CBO, by 2019, 23 million will still be uninsured. This is not universal coverage. Interesting that of the 50.7 million uninsured, 14 million are already eligible for Medicaid and have not signed up.

• On the cost side, the CBO said premiums for the average family will rise by $2,100, not decrease by $2,500 as Obama promised over and over again.
Pillar 2: Medicare and Medicare Advantage Programs:

• In 2011, funding to Medicare Advantage, the popular private program that enrolls 11 million seniors, to be cut by $202 billion. CMS actuary says under the new law the number of seniors will be reduced to 7.4 million. Because of the feds cutting reimbursements, Harvard Pilgrim will discontinue offering MA plans at year end. 22,000 seniors in MA, ME, and NH will be affected.

• Traditional Medicare to be cut by $575 billion over 10 yrs. Foster says will affect access to care and an ability to find a doctor. One in three already having a hard time finding a doctor. New IPAB established to set fees for docs and hospitals.
• Dr. Don Berwick, appointed head of CMS by a recess appt on July 8, supports federal restrictions on treatments that are too costly. “Since we have a limited resource pool…the decision is not whether we will ration care but will we ration with our eyes open.”

• The FDA is considering cancelling the use of Avastin for treating breast cancer because of cost and poor outcomes, according to the agency.

• Called Britain’s NHS “one of the greatest health care institutions in human history” and a “global treasure.” 750,000 Brits are on waiting lists for admission to NHS hospitals. Law says wait not to exceed 18 weeks but for most specialties, only 30-50 percent of patients treated in 18 weeks.
Medicare Tax Increases:

- Beginning in 2012, couples earning over $250,000 and individuals earning over $200,000 will pay a .9 percent Medicare Payroll tax increase bringing the total tax to 2.35 percent.

- There will also be a new 3.8 percent assessment on unearned income--dividends, interest, and other sources.
Pillar 3: Excise Taxes on Insurance, Drug, and Device Cos:

- Starting 2011, new excise taxes on insurance, drug, and device cos. This will have a negative impact on R&D.

- Device companies’ tax rate reduced from 2.8 percent to 2.3 percent but the base has been broadened, raising $20 billion in new taxes.

- These taxes will be passed on to consumers but it is likely R&D will suffer from a lack of investment. Patients will ultimately suffer.
Pillar 4: State-Run Insurance Exchanges:

- State-run exchanges will begin in 2014 offering private plans for individuals and small businesses.

- On participating plans in the exchanges, government will mandate the benefit plan including GI and CR. The federal gov’t’s Office of Personnel Management (OPM) will be in charge of regulating the plans.

- Sebelius will keep a “list” of insurers that have introduced unreasonable premium increases. They will not be able to participate in the exchanges. “Zero tolerance” for insurers blaming Obamacare for premium increases. This is in effect “price controls.”
Temporary Exchanges—2010 till 2014

• Effective July 1, the feds made $5 billion available for temporary pools for individuals with pre-existing conditions and who have been uninsured for six months or more.

• CMS’ chief actuary Richard Foster said money will run out by 2011 or 2012.
Pillar 5: Individual Mandate: Necessitated by GI and CR

- By mandating that everyone has insurance, the cost of insurance will go up. The 14 million young “invincibles” make conscious decisions not to buy insurance if they deem it too expensive. They will opt to pay fines. CBO says 4 million will pay the fine in 2016.
• Under the ACA, fines for uninsured individuals--$695 or 2.5 percent of income, whichever is higher, by 2016. Per family cap in 2016 is $2,250. Mandate starts in 14.

• How do you enforce? 16,000 new IRS agents to be hired at a cost of $10 bill.

• IRS Commissioner Doug Shulman said fed gov’t cannot freeze bank accounts, seize assets, or pursue criminal charges but individuals could be penalized by reducing or confiscating tax refunds.
Pillar 6: Employer Mandate:

- No employer mandate but if any employee in a firm with more than 50 employees receives a government subsidy to buy insurance in an exchange, employers will have to pay a fee of $2,000 to the government covering all employees, not just those receiving the subsidy.

- So much for the president’s oft-repeated statement “if you like you health insurance plan and you like your doctor, nothing will change.”

- Chief actuary of CMS says 14 million will lose employer-sponsored coverage. Doug Holtz-Eakin says 35 million. Lewin group had projected 119 million.
Pillar 7: Small Business

- In 2012, all businesses must issue IRS 1099 forms to document every business-to-business transaction of $600 or more. Congress hopes to raise $17 bill in new taxes & fees.
• Tax credits are only available for a maximum of 6 years (2016), and the gov’t puts small business owners through a series of complicated tests to determine if they qualify and how much they will receive.

• Fewer than one-third of small businesses even pass the first three of four tests to qualify, have 25 employees or less, provide health insurance, and pay 50 percent of the cost of insurance.

• Many will drop coverage so in 2014, small businesses and their employees can purchase insurance in the exchanges.
• According to a study from the Commonwealth Fund, 16.6 million workers are employed by small businesses that are eligible for tax credits.

• Only 3.4 million are at firms that would take advantage of the credits. And, these employees are at firms already offering insurance.

• 10 percent tanning tax went into effect July 1. Will hit 19,000 small businesses.
Pillar 8: Public Option:

- There is no “public option” in the ACA. But, it is on the agenda for amendments in future years. So many liberal Democrats want this option—Frank, Dean etc.

- And, on July 22, Lynn Woolsey introduced a “robust” public option amendment—Medicare rates + 5 percent.

Pillar 9: Health Savings Accounts:

- Ten million people have HSAs. Starting in 2011 and each year after, eligible tax-free amounts will be reduced. No over-the-counter medications covered.
• Will lead to “death” of HSAs because Sec of HHS will review and determine required benefits under all health plans each year. May result in not allowing individuals to add new money to their HSA accounts.
In Summary:

- After more than a year of debate and his 58 speeches, Obama said “I believe that Congress owes the American people a final up or down vote on health care reform.” He got his wish.

- Pelosi said “we have to pass the bill so that we can find out what is in it!” That statement was the impetus for writing my book “The Truth About Obamacare.”

- At a town hall meeting in Montana in late Aug., Senator Max Baucus said he could not “waste” his time reading the bill. He should read my 240-page book “The Truth About Obamacare.”
• Many economists, myself included, believe ultimately there will be a public insurance option which will be priced cheaper than the private plans in the exchanges.

• Demand for health care will be higher than projected, the cost will increase beyond what gov’t wants to pay, and government, like in Canada & the U.K., will have to set a global budget—a budget the government can afford.

• Private insurers will then be “Crowded Out”, care will be rationed, and America will be on the road to a Canadian-style “Medicare for All” system.
Polling data, election results, and outrage by Americans made it clear, Americans do not want higher taxes, increased deficits, and rationed care.

- But the President, Pelosi, and Reid have a broad ideological vision that involves gov’t making decisions for Americans rather than individuals making their own decisions. The “Progressive Era” is back.

- It looks like there will be negative ramifications for the Dems in the November elections because of the bill passing. While repeal cannot take place until 2013, the Republicans, if they take the House, can deny appropriations for funding new programs. Also, it should be possible to repeal the CLASS Act and the 1099 tax filing provision.

- This will be the largest entitlement program since the “Great Society.” We must keep up the fight!
• Universal choice is the key to universal coverage. As I have shown, the president’s promise of achieving universal coverage while reducing the cost of health care is not possible.

• Taxes up, deficits up, care will be rationed care, and quality down! Canadians come here. Where will the best docs and we as patients go if we get a single-payer system? Newfoundland premier Danny Williams who came to Miami for heart surgery and paid out of pocket said “It’s my health, it’s my choice.”

• We are on the “Road to Serfdom” and we need an off-ramp. Repeal and Replace is the “only” solution.

“If you think health care is expensive now, wait until it is free.”

Hippocratic oath: First do no harm.”
Sources

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