



ISSUE BRIEF : NOVEMBER 2018

HEALTH CARE REFORM

WHAT THE ACA MEANS FOR THE 180 MILLION AMERICANS
WITH PRIVATE INSURANCE - AND WHAT REPEAL
AND MEDICARE FOR ALL PROPOSALS COULD COST THEM

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INTRODUCTION

Business Forward has worked with more than 100,000 business leaders across the U.S.

We cover a range of issues, including health care, education reform, tax reform, trade, infrastructure, clean energy, intellectual property, and immigration. We organize local roundtables, Washington fly-ins, national conference calls, and training webinars. We also help business leaders work with local media, publish op-eds, and submit testimony to government agencies. More than 650 mayors, governors, Members of Congress, and senior Administration officials have participated in our briefings.

Year after year, our business leaders rank health care costs as their top concern.

Last month, we asked business leaders to tell us what they think about the health care costs, in general, the ACA, GOP repeal, and Medicare for All proposals. **This paper combines analysis of the ACA and competing proposals with commentary from business leaders in our network.**

AFFORDABLE CARE ACT CAN BE FIXED

October 17, 2018

Washington, D.C., has become too partisan and there is no better example of that than the topic of health care - a deeply personal, complex issue that affects every single one of us and one-sixth of the American economy.

No one believes that the Affordable Care Act is perfect, including us, but both its passage, and the attempts to repeal it, reveal just how broken Washington is.

Senator Joe Manchin (D)
Senator Susan Collins (R)

THE REGISTER~HERALD.

EXECUTIVE SUMMARY

We have a plan to fix health care. It's called the Affordable Care Act (ACA), and it is working.

The ACA is known for helping 20 million uninsured Americans obtain coverage, but it has also reduced costs for small businesses, increased worker productivity and mobility, and invested in preventative care that will reduce the long-term cost of chronic conditions like diabetes and heart disease.

Health care is a complicated business, but the market forces capable of controlling health care costs are simple: information, competition, and incentives. Government takeovers (Medicare for All) and block grants to states (repeal) transfer authority without directly managing those market forces.

To put information, competition, and incentives to work, a health care system must 1) cover pre-existing conditions, 2) require Americans to buy insurance, and 3) subsidize the cost for lower income families struggling to pay for insurance. Health care experts call this the “three-legged stool” of health care reform. If you eliminate any of the three legs, reform “tips over.”

Instead of replacing the ACA, proponents of repeal are attacking each leg of the stool: They have eliminated the insurance mandate, threatened subsidies, and sued to get rid of protection for pre-existing conditions.

Instead of improving the ACA, proponents of Medicare for All want to replace it entirely — and give Congress and the Department of Health and Human Services (HHS) control over 950,000 doctors, 3 million nurses, 5,500 hospitals, and the 51 million medical procedures they perform each year.

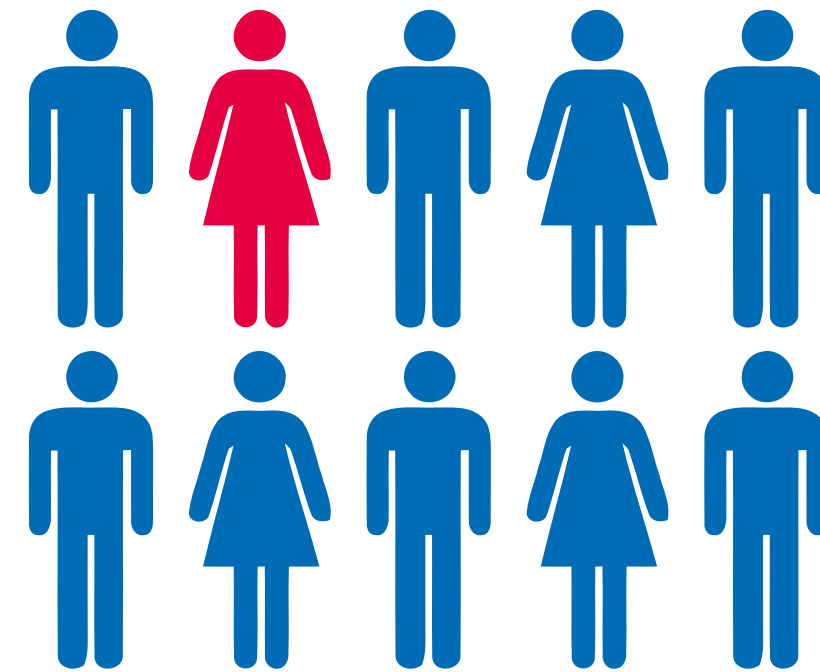
HEALTH CARE BASICS

AMERICANS SPEND

\$3.3
TRILLION

PER YEAR ON HEALTH CARE

13 MILLION



OR NEARLY

1 IN 10

WORK IN THE
HEALTH CARE SECTOR

950K
DOCTORS

2.9M
NURSES

PERFORM 51,000,000
PROCEDURES PER YEAR
AT 5,500 HOSPITALS
MANAGING 895,000 BEDS

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HEALTH CARE COVERAGE, KAISER FAMILY FOUNDATION, 2016; DOCTORS (FSMB, 2016), NURSES (BLS, MAY 2017), PROCEDURES (KAISER FAMILY FOUNDATION, MAY 2017), HOSPITALS (AHA 2018 FAST FACTS)

WE HAVE A PLAN TO FIX HEALTH CARE. IT'S CALLED THE AFFORDABLE CARE ACT (ACA), AND IT IS WORKING.

20 million more Americans have health insurance, cost inflation slowed, and today's new investments in preventive care should reduce long-term spending on chronic conditions like diabetes and heart disease.

One measure of the ACA's success is the number of bipartisan proposals to protect it, improve it, and build upon it. While partisans try to blow the ACA up, bipartisan groups of governors and Members of Congress have offered common sense enhancements, including the Bipartisan Governors Fix, proposals from the bipartisan Problem Solvers caucus, and a series of proposals from the Bipartisan Policy Center.

“ Healthcare is a vital issue for all Americans because of its importance to the workforce and families. It is imperative Congress and the executive branch have a balanced approach for better reforming healthcare. ”

- WILLIAM SMITH
COMPLIANCE CONSULTANT, MTA SMALL
BUSINESS DEVELOPMENT PROGRAM,
NEW YORK, NY

“ The ACA “is a solid foundation on which to build and was working for many Americans, including myself, my spouse, and my child. The time and resources invested should not be thrown out because of partisan politics! ”

- KAREN GAUTHIER
PRESIDENT, CREATE04, LLC,
RICHMOND, VA

“ The Affordable Care Act takes us in the right direction. What we need next is to work on lowering the cost of health care. We do not want to jettison the Affordable Care Act. ”

- CHRISTOPHER MEYER
PRINCIPAL, ASIA GLOBAL,
ORANGE COUNTY, CA

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JONATHAN COHN, HUFFINGTON POST, 08/31/2017); BIPARTISAN GOVERNORS FIX (8/30/2017), BIPARTISAN PROBLEM SOLVERS CAUCUS (7/31/2017), BIPARTISAN POLICY CENTER (8/30/2017)

HOW THE ACA HELPS AMERICANS WHO ALREADY HAD INSURANCE

Controlling systemwide costs lowers private insurance premiums, too.

As more Americans are covered, more unnecessary procedures are avoided. Preventive care reduces the cost of chronic conditions, overall health care costs will fall, insurance premiums will fall, and our economic growth will accelerate.

ACA reduces premiums – and risk – for small businesses.

First, small businesses paid more for health care than large companies (18% more, on average), because they have less bargaining power. The ACA offers small business coverage at more competitive rates. Second, a small business's insurance premiums can rise dramatically if one of its employees (or family member) suffers an expensive illness or has a serious accident, because the increased risk/cost is spread across the company's employees. With the ACA, the small business's risk is shared across the system, not just the company.

ACA reduces “job lock.”

Health care costs – and pre-existing conditions, in particular – discourage workers from switching jobs, forsaking higher salaries (which hurts their families). Health care concerns also discourage workers from leaving jobs to start their own businesses. This hurts our entire economy, because new businesses are the largest driver of job growth.

Healthier workers perform better today and avoid costs tomorrow.

Workers with health insurance are more productive because they get sick less often and face less stress. Preventive care helps them avoid or mitigate chronic conditions, like diabetes and heart disease.

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LONG-TERM COST REDUCTIONS LOREN ADLER AND PAUL B. GINSBURG, HEALTH AFFAIRS, 07/21/2016); SMALL BUSINESS PREMIUM (NATIONAL CONFERENCE OF STATE LEGISLATURES, 09/12/2018).

“ We’re a small company that could not possibly afford to offer healthcare without the ACA, especially pre-existing condition coverage. ”

- SKI MILBURN
CEO, VAIREX AIR SYSTEMS,
GOLDEN, CO

“ It’s important that employees are able to move coverage from employer to another and be covered for a pre-existing condition. Depressed employees do not perform well when they are anxious about their treatment choices and cost of care. This affects the whole country’s productivity. ”

- MUNTAHA HADDAD
DIRECTOR, NASAA INC.,
CHARLES TOWN, WV

“ We are a small business with less than 12 employees. Prior to the ACA, 30% of our employees experienced delays and denials due to pre-existing conditions. Also, prior to the ACA, there was only one plan that we could afford to offer our employees. After the ACA, we have had 2-3 plan options to consider in offering employee coverage. ”

- JAMES RATCLIFF
CEO, ROWPAR PHARMACEUTICALS,
SCOTTSDALE, AZ

WHY THE ACA WORKS: MARKET FORCES AND “THE THREE LEGGED STOOL”

The ACA, like the Republican health care proposals on which it is based, uses market forces to control costs and extend coverage: It 1) increases competition among insurers and providers; 2) gives consumers more (and clearer) choices; 3) changes how we pay for care to avoid unnecessary procedures; and 4) reduces long-term costs of conditions like heart disease and diabetes by providing preventive care.

But market forces will not work if incentives for insurers, providers, and patients are not aligned properly. To expand coverage and control costs, we must simultaneously 1) cover pre-existing conditions, 2) require Americans to buy insurance, and 3) subsidize insurance for those who cannot afford the full cost. Without protection for pre-existing conditions, insurers can reject high cost families, which hurts those families. Without the mandate, people can wait until they get sick to buy insurance, which hurts insurers. And, without subsidies, low-income families cannot afford the mandate. Experts call this the “three-legged stool” of health care. Cut just one leg, and the stool tips over.

Alternatives to the ACA are likely to fail because they eliminate or distort the market forces that drive health care prices. In different ways, and for different reasons, repeal and Medicare for All would undermine each of the three “legs” supporting health care reform.

“If you want private insurers to cover people with pre-existing conditions, you have to ban discrimination based on medical history. But that in itself isn’t enough, because if policies cost the same for everyone, those who sign up will be sicker than those who don’t, creating a bad risk pool and forcing high premiums... [the ACA provided] incentives to get healthy people to sign up, too. On one side there was a penalty for not having insurance (the individual mandate). On the other, there were subsidies designed to limit health expenses as a share of income.”

- PAUL KRUGMAN
NOBEL PRIZE-WINNING
ECONOMIST

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MARKET FORCES AND HEALTH CARE COSTS, NICHOLAS BAKALAR, NEW YORK TIMES, 5/22/2017;
NAMRATA UBEROI, KENNETH FINEGOLD AND EMILY GEE, DEPARTMENT OF HEALTH & HUMAN SERVICES, 03/03/2016

POTENTIAL RISK OF REPEAL AND REPLACE

House Republicans have voted to repeal Obamacare more than 50 times. While they have yet to offer a workable plan, most Republicans propose replacing ACA with block grants to states.

Like the Congress before them, they have discovered **there's no workable substitute for the three-legged stool**. Simply transferring decision making from Washington to state capitals cannot produce the market forces necessary to reduce costs and expand coverage.

In place of a comprehensive solution, they have chosen to damage all three legs, simultaneously, by eliminating the mandate requiring Americans to buy health insurance (leg 1), threatening subsidies for low income families struggling to pay for health insurance (leg 2), and suing to eliminate protections for pre-existing conditions (leg 3).

The potential result? **Repealing the ACA without a plan that includes the same key reforms would cause 32 million people to lose coverage, double premiums in the individual market, and cause the individual market to collapse.**

**32
MILLION
WOULD LOSE
COVERAGE
IF THE ACA IS
REPEALED**

“The G.O.P. can’t come up with an alternative to the Affordable Care Act because no such alternative exists. In particular, if you want to preserve protection for people with pre-existing conditions — the health issue that matters most to voters, including half of Republicans — Obamacare is the most conservative policy that can do that...”

- PAUL KRUGMAN
NOBEL PRIZE-WINNING
ECONOMIST

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ON GOP REPEAL EFFORTS, TESSA BERENSON, TIME, 03/24/2017; ON LIKELY IMPACT OF ACA REPEAL, JACOB LEIBENLUFT, CENTER ON BUDGET AND POLICY PRIORITIES, 7/18/2017 AND ALISON KODJAK, ALYSON HURT AND GISELE GRAYSON, NPR, 07/18/2017

POTENTIAL RISK OF MEDICARE FOR ALL

Half of Americans lose control over their coverage. Medicare for All would push 180 million Americans (56% of our population) out of employer-based and other private plans into a government-run, one-size-fits-all program. Congress and HHS would decide which services doctors can provide, what the doctor can charge, and who should pay for it all.

An industry that represents eighteen percent of our economy – and employs one out of 10 workers – would be managed by Congress, not markets. Congress would legislate health care rights, and the Department of Health and Human Services would issue regulations based on Congress's direction. ACA exchanges would be eliminated. Private insurance (and the companies that provide it) would be eliminated. Doctors, nurses and staff working at private hospitals would come under government control. Because Medicare payments are lower than private insurance payments, some of America's 5,500 hospitals could go out of business.

Massive organizational challenge. Under Medicare for All, Medicare would expand six-fold (from 56 million to more than 300 million). Congress would dictate the shift of 180 million Americans from private to government insurance, 74 million Americans from Medicaid to Medicare, and 28 million Americans from uninsured to Medicare.

Shift from premiums to taxes. Estimates of Medicare for All legislation vary, but experts estimate it would require a \$32 to \$40 trillion increase in federal spending over 10 years. Much of this cost would be offset by eliminating premiums for the half of Americans with private insurance, but taxation and the size of our government would increase dramatically. The total revenue collected by the Federal government each year is about \$3.3 trillion. To cover the cost of Medicare for All, the federal government would have to double the amount of taxes it collects each year.

Uncertainty. The nature of the rights Congress establishes and regulations HHS writes would change with each election. Even if Congress were able to avoid government shutdowns, filibusters, and general partisan gridlock, the resulting legislative burden, bureaucratic infrastructure, and market uncertainty would be enormous.

Scarcity. Doctors and nurses would likely see pay cuts, which could reduce the number of new doctors and nurses. The bureaucracy of managing a single payer system will lead to longer wait times for medical referrals. With the government establishing prices, companies have less incentive to innovate. Over time, the U.S. will produce fewer breakthrough treatments or drugs.

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