Insight

State of American Health Care

CHRISTOPHER HOLT, BRITTANY LA COUTURE | JANUARY 20, 2015

American health care is sick. In the past year health care spending has increased monumentally, yet Americans are not benefiting. Massive changes to the insurance market, Medicaid, and Medicare have cost billions of dollars and come with a host of unintended side-effects. When it comes to the Affordable Care Act (ACA), it is obvious that sometimes the cure is more dangerous than the disease.

In the individual market, over 8 million Americans enrolled in health insurance through an exchange.[1] However, about 700,000 failed to pay their premiums, and about 74 percent of enrollees already had insurance before the ACA was implemented.[2] So, in 2014, about 1.7 million people (roughly enough to populate Manhattan) gained insurance through the ACA.

Many people enrolled in the exchanges because they were eligible for tax subsidies. In addition to the 24 percent increase in their own premiums, American taxpayers also helped pay for the $17 billion in subsidies given out this year.[3] This comes out to about $10,000 in subsidies per new enrollee.

Medicaid had a banner year as well, increasing the number of Americans in the program to about 68.1 million, including 8.9 million new enrollees, many of whom became eligible due to the Medicaid expansion.[4] The cost of covering these newly eligible individuals was $20 billion. The American Action Forum has estimated that the Medicaid expansion, if implemented in all 50 states, will cost $174 billion in lost economic growth in the next 10 years, and 206,000 full-time equivalent jobs between 2014 and 2017.

2014 did see some cuts to Federal spending though; beneficiaries in Medicare Advantage plans saw a $1,300 per beneficiary cut in benefits.[5] This reduction will also limit seniors' autonomy by reducing the scope of choices among plans. Those at greatest risk of being affected by these cuts will be low-income and minority enrollees. Low-income beneficiaries with poor health may be forced to spend an average of 40 percent of their monthly income on healthcare expenses due to these cuts.[6]

Overhauls in all areas of the health care market have resulted in changes that the legislators and bureaucrats who wrote the ACA may not have predicted. Examples of these can be seen in the labor, insurance, and provider markets. Reforms such as Medicaid expansion, income-based subsidy eligibility, the employer mandate, and the 30-hour work week have wreaked havoc on the job market. The overly complex system of providing and paying for exchange subsidies has created a marketplace where consumers must navigate a minefield of hidden costs and exemptions that could leave them and their families unexpectedly uninsured or liable for large medical bills. Of course to incur medical bills, one must first find a provider. It is increasingly difficult to find a doctor accepting new patients – especially as more and more doctors refuse to accept new exchange plans.

As we begin a new year and assess the state of American health care, it is important to focus on upcoming opportunities to eliminate these unwanted side-effects and create an environment where affordability, access, and quality need not be compromised for one another.

[1] http://www.wsj.com/articles/obama-administration-says-7-3-million-who-picked-health-plans-on-exchanges-have-paid-premiums-1411058425