

The Republican Health-Care Unraveling: Resist Now, Rebound Later

BY PAUL STARR

Imagine if Donald Trump had been a genuine populist and followed through on his repeated promises to provide health insurance to everybody and take on the pharmaceutical and insurance industries. Populists in other countries have done similar things, and Trump might have consolidated support by emulating them.

Of course, Trump's promises about health care weren't any more genuine than his promises about Trump University. But even if he had been in earnest, he would have still faced a problem. Unlike right-wing populists elsewhere, Trump did not come to power with a party of his own or well-developed policies. He came tethered to the congressional Republicans, entirely dependent on them to formulate and pass legislation. That dependence will likely complicate Trump's ambitions in such areas as trade policy. But nothing so far has made more of a mockery of Trump's populism than the health-care legislation introduced in early March by Paul Ryan and the House Republican leadership and fully backed by Trump.

The Ryan bill is abhorrent for many reasons. It calls for a massive tax cut for people with high incomes, while costing millions of other Americans—24 million by 2026, according to the Congressional Budget Office—their health coverage. It would turn Medicaid from a right of beneficiaries into a limited grant of funds to the states,

and it pays for the tax cuts for the rich with cuts in health care for the poor. The bill's reduced tax credits for insurance make no adjustment for low income, while some credits would go to people with incomes over \$200,000.

But what is most amazing about the bill is how badly it treats constituencies and states that voted for Trump and the GOP. The changes it calls for in the individual insurance market would hammer older people (those between the ages of 50 and 64) and residents of red states and rural areas. Republicans appear to be so determined to cut taxes on top incomes that they are willing to sacrifice the interests not only of the poor—we knew that—but of many of their own voters. The same pattern is evident in the federal budget that Trump has proposed.

While the whole effort to “repeal and replace Obamacare” poses an enormous political risk for Republicans, it presents an equally significant political opportunity for liberal and progressive Democrats. I am not talking only about short-term resistance to the Republican rollback of the Affordable Care Act. Now that Republicans have shown their true hand on health care, they are creating new possibilities for long-term progressive organizing and policy alternatives.

The struggles to achieve health insurance for all in the United States have long suffered from one fundamental political handicap. The uninsured and underinsured

(people enrolled in plans riddled with exclusions and limits) have been an inchoate population without any organization or voice of their own. The combination of measures America adopted in the mid-20th century produced a large, protected public: employees with good fringe benefits, seniors and the disabled with Medicare, veterans, and the low-income groups

be concentrated among 50- to 64-year-olds. That's primarily because the bill would allow insurers to charge 60-year-olds five times as much as 20-year-olds, instead of the 3-to-1 ratio in the ACA. (The adjustments for age in the bill's tax credits do not come close to offsetting the higher premiums; a last-minute amendment, allowing increased tax deductions

The reaction against GOP moves could boost progressive organizing and bolder reforms.

that qualified for Medicaid. The people who were left out—mainly low-wage workers, people in part-time work, the unemployed, and individuals with pre-existing conditions—did not share a common identity or cohere politically.

But the Republican effort to undo the ACA could provide the long-missing organizational impetus. It is one thing to go without health insurance; it is another thing to have that insurance threatened or taken away. It also matters who would be losing coverage. Overall, according to the CBO, the Ryan bill would raise the number of uninsured in 2026 to 52 million, or 19 percent of the nonelderly population (compared with a projected 10 percent under the ACA). But the uninsured under Ryan's legislation would

for medical expenses, provides little or no benefit to low-income people but may be changed in the Senate.) When twenty-somethings don't have insurance, many give it little thought because they may not expect to need medical care. But older people aren't so oblivious. Take away their health insurance, and they are going to be angry.

Besides pushing a lot of older people out of coverage, the Ryan bill is brutal on states with high health costs because it would provide a flat tax credit that doesn't vary according to geography (unlike the ACA, which provides greater subsidies in high-cost states to make coverage affordable). The Ryan bill's tax credits are substantially smaller on average than those in the ACA, but people in high-cost states would

face especially sharp increases in premiums because of the way the bill structures its tax credits.

According to an analysis by the Center on Budget and Policy Priorities, Ryan's bill would reduce premium tax credits by more than half in Alaska, North Carolina, Oklahoma, Alabama, Nebraska, Wyoming, West Virginia, Tennessee, Arizona, South Dakota, and Montana. The net cost of insurance would rise dramatically as a result. Notice something about those states? They elect a lot of Republicans—or at least they did.

Within states, rural areas generally have higher premiums than urban areas. So the flat tax credits provide less help in affording insurance there, too. The big Medicaid cuts that Republicans are calling for will also have a severe impact in rural areas. The resulting declines in coverage will force some rural hospitals and clinics to close, with spillover effects on middle-class people who depend on the same facilities and services.

Ryan and other House Republicans have touted one CBO finding: After initially increasing insurance premiums, their bill would reduce premiums after 2020 compared with the ACA. But that's because their measure would force so many older people to drop coverage that the average age of the insured population would drop. It's nothing to be proud of. Trump and the Republicans promised more coverage and lower costs when they replaced Obamacare. It is now transparently obvious that they can't deliver on that promise and that they are willing to deny health insurance even to millions of people who voted for them.

BLOCKING TRUMP'S CHAOS OPTION

If Trump and the Republican Congress cannot pass legislation this year, they do have a fallback option. They can claim that the ACA is collapsing and make sure that it does. Then they can return to health-care legislation later and say they have no choice except

to repeal Obamacare. This is the option Trump at times has seemed to prefer. "Let it be a disaster, because we can blame that on the Dems," he told the National Governors Association on February 27. "Let it implode, then let it implode in 2018 even worse. ... Politically, I think it would be a great solution."

When Trump talks about Obamacare imploding, he is talking not about the entire program (although he seems to think so), but rather one specific part: the insurance exchanges in the individual market. The danger he and other Republicans invoke is a "death spiral"—a situation where rising premiums drive the



healthy out of the market, forcing premiums up and more healthy people out, until the market fails. The exchanges are nowhere near that point. Although rates in the exchanges did rise sharply in 2016, they rose to the level originally projected by the CBO (premiums had come in lower than expected earlier). Moreover, the vast majority of individuals who buy insurance in the exchanges receive subsidies that cap the cost of their premiums; many of them also receive subsidies covering a share of deductibles and co-pays. Consequently, as the CBO and other studies have found, the exchanges have some protection against a death spiral—as long as the subsidies are fully funded and the individual mandate is enforced.

But the insurance exchanges could soon face a dire crisis because the Trump administration has created uncertainty for both insurers

and enrollees about the survival of the program and enforcement of the mandate. If the administration doesn't enforce the mandate—or if Congress eliminates the penalty for failing to insure, as the House bill would do for this year—the incentive for healthy people to pay for coverage will fall, threatening the viability of the market.

Some damage has already been done. As soon as the Trump administration came into office, it canceled outreach efforts in the final phase of the open-enrollment period for 2017. Since individuals who enroll early tend to be those who know they will have high

medical costs, while late enrollees are a healthier group, the cutoff of late outreach not only reduced total enrollment but also led to a higher-cost pool. The Trump administration is also proposing to shorten the open-enrollment period for 2018.

Other measures the administration favors could encourage insurers to stay in the market, albeit with mixed effects on enrollees. The administration wants to tighten up special enrollment outside of the open-enrollment period, which may well be justified; it also proposes requiring people to pay any unpaid premiums before enrolling for the next year. In a step that would help keep premiums down, the administration has encouraged states to seek waivers to develop reinsurance programs for the individual market, as Alaska has already done. (Reinsurance spreads the cost of high-cost cases across the entire market.) Alaskans buying insurance individually faced a possible 40 percent rate increase because of 37 very high-cost cases, accounting for one-quarter of claims. The reinsurance measure adopted by the state, using funds from an existing premium tax, kept premium increases by Premera Blue Cross, the sole insurer in Alaska's exchange, to 9.8 percent.

Insurance companies need to indicate by June whether they will offer coverage in the exchanges for 2018. Uncertainty about the rules is a recipe for chaos. If they believe the mandate will not be enforced, they are likely to jack up premiums or withdraw entirely from the market. About a third of the exchanges, mainly in rural areas, have only one carrier offering coverage this year; additional withdrawals for 2018 could create just the kind of crisis that Trump and the Republicans need as a pretext to undo the ACA.

This problem has a ready solution. If Republicans in Congress do not replace the ACA for the coming year, the Trump administration needs to make clear that it will enforce the law as it stands for 2018 and fully fund the program (including cost-sharing subsidies). Moreover, Republicans cannot plead there is no way to strengthen the individual market. The Ryan bill contains a Patient and State Stability Fund of \$100 billion over ten years that the CBO believes states would use largely to cover high-cost enrollees in the individual market and thereby prevent a death spiral. In the absence of comprehensive new legislation, Congress should provide those funds in a separate measure to stabilize the market for 2018. The Republicans cannot blame a collapse on Democrats when they have it in their power to maintain coverage for the millions of people who depend on the market now.

THE NEXT PROGRESSIVE HEALTH AGENDA

Even as they resist the Republican rollback of the ACA and Medicaid, Democrats should be thinking about new initiatives in health care. No doubt the next steps will depend in part on what Trump and the Republicans end up doing. In the wake of federal legislation, many of the critical decisions in the short run may move to the states. But Democrats cannot limit themselves to defensive efforts to salvage the ACA at either

the federal or the state level. They need to think about a more attractive national agenda in health care that reflects the lessons of the ACA and new political realities.

The coming national Democratic debate is going to focus on extending Medicare—to whom, how quickly, and under what rules will be the questions. The strategy for universal coverage in the ACA relied on the extension of Medicaid for the poor, but the limitations of that approach should now be clear. In its 2012 health-care ruling, the Supreme Court effectively made it impossible to use Medicaid as a foundation for universal coverage. As a mixed federal-state program, Medicaid affords states the opportunity to limit coverage, and the ACA experience has shown how far red states will go in doing that. Republicans may also succeed in eliminating Medicaid's status as an entitlement, which will be hard to restore.

As a national program with deeper public support as an entitlement and no role for the states, Medicare does not suffer from these problems. When Medicare was enacted in 1965, its backers hoped to use it to cover other groups besides seniors, and in 1972 Congress did extend it to the disabled and patients with end-stage renal disease. (The disabled become eligible for Medicare two years after they qualify for federal disability insurance, a delay that leaves many people with high costs in the individual market.) But the expansion of Medicare then stopped, and in the 1980s Democrats in Congress obtained Republican support for incremental expansions of Medicaid to cover low-income pregnant women and young children. This was the path that led to the ACA's further Medicaid expansion, a strategy that the Supreme Court and Republicans have now brought to an end.

Many people will equate an expansion of Medicare with a "single-payer" plan. But even Medicare-for-all would not be a single-payer system since about

one-third of current Medicare beneficiaries use the program to buy coverage in a private Medicare plan. Medicare today is a marketplace—but a marketplace with a dominant public plan and not just a "public option," which might turn out, if badly designed and established separately from Medicare, to be a relatively small and weak player in the market.

Medicare-for-all faces two enormous obstacles. Moving everyone under age 65 into Medicare would require a huge increase in taxes; employees who now receive health care as a fringe benefit would inevitably look at those taxes as an additional burden, even if reformers try to assure them that their wages would rise once health care was financed by taxes.

Moreover, many seniors insist that Medicare is their program, and they fear—or can be made to fear—that extending the program to others will jeopardize their coverage. They also see Medicare

a program that would be partly financed by taxes and that would automatically provide a basic level of coverage (no mandate needed), which those in midlife could increase by paying income-related premiums (as seniors do now).

Midlife Medicare would have advantages for both its beneficiaries and those age 49 and below remaining in the individual insurance market. The enrollees in Midlife Medicare would benefit from the countervailing power that Medicare exercises. Medicare pays provider rates that are substantially below those paid by private insurers in the non-Medicare market, yet providers accept Medicare patients, who consequently do not face the "narrow networks" in most plans in the individual and small-group markets. Americans who continue to have employer coverage will have the assurance that if they need to retire early, they will have health insurance as good as they would now get at

An additional step to relieve the burden on the individual market would be to eliminate the two-year delay in the eligibility of the disabled for the existing Medicare program. Combining this step with Midlife Medicare and a strong reinsurance program would stabilize and make coverage in the individual insurance market significantly less expensive. With these measures in place, the system could be more or less workable even if Republicans eliminate the individual mandate in favor of a 30 percent premium surcharge on individuals who fail to maintain continuous coverage (as the Ryan bill would do). Although I don't think that would be a good thing to do, I also don't think Democrats want to focus their next health agenda on restoring the individual mandate.

Formulating a new health-care agenda requires acknowledging that although the ACA has done much good, it has not worked out

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as an earned benefit, and many of them resist extending it to people who they believe haven't earned it.

But there is a way forward: create a new part of Medicare for the older population below age 65—the older population who have also earned Medicare coverage by paying taxes and who are directly threatened by current Republican legislation. My name for this new program is "Midlife Medicare," which would be open to people age 50 to 64 not otherwise insured (for example, by an employer). Seniors would be more likely to accept this extension than any other; for one thing, AARP welcomes as members all Americans 50 years of age and older. Earlier versions of this idea have been referred to as a "Medicare buy-in"; I have in mind

age 65. Midlife Medicare is also a response to the rising death rates and declining health that economists Anne Case and Angus Deaton have demonstrated among non-Hispanic whites in midlife.

Moreover, by pulling the 50- to 64-year-olds out of the individual insurance pool covering people 49 years of age and under, Midlife Medicare would make coverage for the younger population substantially cheaper. The younger enrollees in the individual market would, in effect, no longer be shouldering part of the cost of the more expensive 50- and 60-year-olds. This is a much better way to reduce rates for 20-year-olds than the Republicans' proposal to let insurers charge 60-year-olds five times as much as young adults.

as well as its supporters originally hoped. The Supreme Court and the red states have limited how far the strategy could go in achieving health care for all. High deductibles and narrow networks have meant that many people are unhappy with the coverage they are receiving. Trump and the Republicans cynically played on public dissatisfactions, suggesting they would provide something better when, in fact, their alternatives would intensify the problems Americans face. We need to move in a more promising direction that takes into account the difficulties that progressive reform has long faced in health care. Midlife Medicare could be a big next step toward a system that works better for everyone. ■
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