



**Infomail**

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## Too Busy Fixing Lattes Youth & the “Affordable” Care Act

“The government solution to a problem is usually as bad as the problem”

Milton Friedman, Economist

The Affordable Care Act (ACA), better known as “Obamacare” was signed into law in March 2010 and was upheld by the US Supreme Court in June 2012. Obamacare’s goal was to give more Americans access to affordable, quality health care while reducing the growth in US healthcare spending.

The Act expanded the affordability of private and public health insurance through consumer protections, regulations, subsidies, taxes and insurance exchanges.

By the end of 2014, about 6.5 million people had enrolled in a health plan which included 4.5 million renewals, and 2 million new enrollments. By the end of the open enrollment period of 2015, it is estimated almost 12 million will be enrolled in state and federal market places.

I’ve refrained from writing about the topic since we needed to see how it played out, but with almost five years in force now, maybe it’s time to look at the facts.

I know from first hand conversations with friends and family in the USA, to a tee, their healthcare premiums have jumped anywhere from 30 to 50%, and many of these people do not meet the \$200k annual income threshold which the President sold the package on. According to Forbes magazine (Sept 23, 2013), Obamacare would increase health spending by \$7450 for a typical family of four, this despite a firm pledge by the President in his first election campaign to lower premiums by up to \$2500 for a typical family by the end of his first term as President.

The President promised Obamacare would actually reduce the deficit, saving \$200 billion in the first 10 years and more than \$1 trillion over the second decade. The reality (so far), is it looks like Obamacare will increase the budget deficit by \$131 billion in the first 10 years (US Senate Committee on the Budget, October 14, 2014).

The Act was to improve care delivery, modernize the health care system, and fight waste, fraud and abuse. The reality is senior's access to care is reduced and they now have fewer provider options and in many cases are forced to find new doctors. According to the Cato Institute (Oct 20, 2014), up to 80% of Medicaid's enrollees previously had private insurance plans. Why pay for health coverage, when the government will pay for it for free? Common sense, right?

All this "free" healthcare has simply created a shortfall in primary care physicians between 12,500 and 31,000 physicians by 2025 (AAMC.org March 2015). As many as 26 million people who otherwise would have been uninsured in the absence of the ACA, now expect to have a full time doctor (If you are Canadian, this may sound familiar).

While sold as having a "not material" or "not significant" impact on business, the reality is the ACA is imposing hefty costs on top of general frustration for small businesses. Under the ACA, a 30 hour work week is considered full time, so its forced small businesses to cut hours, wages and even jobs.

The great and well-known irony of Obamacare, is that it is based on a Republican idea. Mitt Romney's three pronged health care reform, while Governor of Massachusetts, provided the template. "Candidate" Obama vowed to televise negotiations over health care, while "President" Obama did no such thing.

The youth in the USA are simply not signing on for Obamacare at the pace needed to make it successful and that is a huge problem. The folks at the Kaiser Family Foundation (KFF) estimate that a bit more than 10% of those between the ages of 18-34 have signed up. The KFF estimates there are approximately 11.4 million Americans in the 18-34 cohort and the Administration has targeted 3 million of them as needed to keep the program solvent. As of February 2015, only 1 million had signed up, and only 85% of those were paid up.

So why have so few of the younger Americans signed on?

Maybe they were too busy fixing their lattes?

Or maybe it's the simple fact that Obamacare disproportionately hurts younger people? The Administration needs younger (and healthier) Americans to subsidize the care of older, sicker (and often wealthier) Americans by redistributing wealth instead of calculating risk.

Charging young Americans more for a service they don't need or will use less frequently is both unfair and inefficient. A study by the Manhattan Institute shows Obamacare increases insurance rates on younger women by an average of 44% and up to 91% for younger men.

Obamacare was passed with the blessing of the insurance companies. The healthcare industry's largest lobbying group, America's Health Insurance Plans, argued in front of the Supreme Court that if the individual mandate was ruled unconstitutional, the entire law should be struck down. From 2009-2010, the time Obamacare was debated and passed, over \$1.8 billion was spent lobbying Congress on health issues (Source: Government opportunity.org).

Why?

Because the insurance companies who lobbied for the law could receive up to 25 million new customers from the individual mandate.

Recently Blue Shield and Blue Cross – market leaders in many states – are seeking rate increases anywhere from 20-40% or more, because their new customers under Obamacare turned out to be "sicker than expected" (Illinois +23%, North Carolina +25%, Oklahoma +31%, Tennessee +36%, Minnesota +54%).

The rate requests, from some of the more popular health plans, suggested the insurance markets are still adjusting to the ACA. From the same Kaiser Family Foundation study of 11 cities in different states, found that consumers who were willing to switch plans, would have no guarantee they could keep their existing doctors. To get those lower premiums, they often would need to accept a more limited choice of doctors and hospitals.

So while I still believe one of the biggest reasons behind Obamacare was to give this President some kind of legacy, in the end Obamacare was a response to a flawed healthcare system, but it only made things worse. I will concede that maybe it was not as bad as it could have been, but it was still an awful piece of legislation.

Obamacare contained \$1 trillion in new taxes, half of which are on the very middle class the President promised to help. Within the ACA are:

- Taxes on investment income
- Medicare payroll tax increases
- Black liquor tax hike
- Medical devices taxes
- Special needs kids taxes
- Medicine cabinet taxes
- Taxes on indoor tanning services

.....among many others.

So yes, still awful and US healthcare costs are exploding. Don't believe me? They say a picture is worth a thousand words, so I give you the stock charts of Cigna, Aetna, Humana and United Health Care Group – the biggest publicly traded health benefit companies over the past few years:



We all know stocks go up when profitability is good, and Obamacare has been very good for these companies. Costs are way up.

The president's biggest legacy is simply the largest tax increase in US history which made lobbyists and the companies they lobbied for, much wealthier

Stay tuned,

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