

# The Health Care Crisis Grows While the 2010 Health Reform Shrinks

One Year Anniversary: The Incredible Shrinking Obama Health Care Law

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*The one year anniversary of the Obama health law is March 23rd. While the law is not fully implemented, the indications from its first year are that it is falling far short of its goals and may not result in any increase in health insurance coverage, control of the costs or improvement in health in the U.S. Further, health insurance coverage is becoming less adequate while getting more expensive — unaffordable insurance will be the norm in America. The insurance industry needs to be removed from its role in health care if the United States is ever going to cover everyone in America. Improved Medicare for all in a single payer system is the only solution to the health care crisis.*

At its one year anniversary the Obama health care law is shrinking while [the health care crisis grows](#). Americans who lack any health coverage still exceeds 50 million, over 45,000 deaths occur annually due to lack of health insurance, and 40 million Americans, including over 10 million children, are underinsured.

[Premiums are rising and coverage is shrinking](#) a new norm is taking hold in America: 'Unaffordable underinsurance.' This month, the number of [waivers granted to the Obama health law broke 1,000](#) protecting inadequate insurance plans. The expansion of health insurance to the uninsured is becoming a mirage. The Obama administration has told states they [could reduce the number of people covered](#) by Medicaid as well as reduce the services provided. And, the centerpiece of the law is under court challenge - the mandate is the first time ever the federal government has forced Americans to buy a corporate product, private health insurance - is heading to a close Supreme Court decision.

## **The New Norm: 'Unaffordable underinsurance'**

To make insurance premiums affordable, the quality of insurance will need to be reduced so there is less coverage and more out-of-pocket costs, as [Don McCanne, MD, Senior Health Policy Fellow for Physicians for a National Health Program writes](#): "'Unaffordable underinsurance' is rapidly becoming the new standard in the United States." The trend in health insurance is [rising premiums and shrinking](#) coverage for many Americans who get their coverage at work as well as on the individual insurance market.

Premiums have been increasing with reports ranging from 20% to 60% increases for many Americans and businesses. Further, the law may [decrease employment-based insurance by 3 million people by 2019](#), according to the Congressional Budget Office (CBO) and the Joint Committee on Taxation. This combined with high unemployment and underemployment will

push people into the individual insurance market. The individual market is particularly at risk for increased premiums which is of growing importance because of high unemployment. [Blue Shield of California](#) decided this month to withdraw a major hike in the face of [public outcry](#). This [proposed 30%-35% increase](#) would have been the third rate hike since October, the three increases would have raised rates by 59% to [87%](#) for 200,000 policy holders. While some hope the Obama health law will slow premium hikes, Claudia Fegan, MD of Physicians for a National Health Program [writes under the Obama health law "sudden premium hikes are still possible](#) and, in my opinion, quite likely under the new law."

Underinsurance, requiring Americans to pay more of the cost of health care, may become the norm because of the 2010 law. [The new law will hasten the current trend toward underinsurance](#) as plans where patients pay an average of 40% of their health care bills qualify to fulfill the employers' obligations to provide coverage rather than pay an assessment. Massachusetts, the model on which the Obama reforms are based, recently found that [medical bankruptcies have not decreased](#) with the new law. The lesson – it is not just health insurance, but the quality of the insurance that matters. After deriding merely adequate insurance as Cadillac Plans," [the Obama administration](#) is showing support for high deductibility plans with large out of pocket costs that do not provide financial or health security.

One promise of the Obama health plan was that millions of underinsured would get decent insurance coverage because the "reform" required minimum levels of insurance. But, waivers to the requirements of the 2010 law are being widely granted resulting in millions of Americans continuing to have inadequate health coverage. Waivers allowing poor quality insurance affect 2.6 million people and are being granted rapidly to businesses, unions, insurance companies as well as states who cannot meet the Obama law requirements. The administration says the purpose of the waivers is to avoid disruption in the insurance market, in clearer language it is [to prevent](#) employers from dropping coverage and insurance companies from leaving markets. The requirement for a waiver is relatively simple; the applicant must show HHS "a significant increase in premiums or a decrease in access to benefits." [Ninety-four percent of requests for waivers have been granted](#), the largest area where waivers have been denied has been for unions. Republicans have asked HHS for in-depth details about every waiver decision and request.

The [major area of waivers are so-called mini-med plans](#), these are limited medical plans which provide workers with as little as \$2,000 in health care coverage. The Obama health care law requires \$750,000 minimum coverage in 2011. The mini-med plans do not provide security in the event of serious illness or accident. The [vast majority of these waivers](#) are for employment-based health coverage. Some of the initial waivers went to fast food chains like [McDonalds and Jack-in-the-Box](#). Unions, insurance companies and state governments have also received waivers. [Four states have received waivers](#), Florida, New Jersey, Ohio and Tennessee. Waivers are set to disappear in 2014, when people will be required to purchase insurance with tax payer subsidies – assuming that Obama health law survives and that low-paid workers can afford insurance even with a subsidy.

## **Expanded Numbers of Americans with Insurance Becoming a Mirage**

The two largest areas of expansion, Medicaid and the insurance mandate are in jeopardy. States are cutting the number of people covered by Medicaid and reducing health coverage. The insurance mandate is under constitutional attack. And, there is little evidence that people are taking advantage of programs that provide coverage for those with pre-existing illness.

The area with the biggest immediate impact on reduced coverage is the roll backs of Medicaid. Medicaid was projected to be the largest area of expansion of medical care under the Obama health care plan, covering 16 million more people, making up half the projected increase in additional Americans covered with some type of insurance under the Obama law. That is now becoming a mirage.

HHS Secretary [Sebelius wrote the 50 states](#) letting them know benefits could be cut, poor people could be required to pay a higher share of costs and that federal law allows states to reduce people covered by Medicaid. Medicaid is health care for the poor and is jointly funded by federal and state governments. Medicaid [currently covers 53 million poor children, poor pregnant women and disabled and extremely poor adults](#). Individuals must make less than \$14,500 to be included in Medicaid.

[More than half the states want permission to remove hundreds of thousands of people from Medicaid](#). Arizona alone is planning to [reduce Medicaid coverage by 250,000 people](#) and the Obama administration has indicated it will not oppose this reduction in coverage. In Wisconsin, where Governor Walker has proposed deep cuts to Badgercare (which includes Medicaid and other programs) [up to 350,000 could lose health care coverage](#). Rather than an increase in the number of people covered, the nation is on a path to reduce total people covered.

Other states, like [New York](#), [Hawaii](#) and [California](#) which are led by Democratic governors, are cutting benefits of Medicaid programs that already provide insufficient coverage. Medicaid is often one of the largest expenses of a state but because the cost is shared with the federal government it is also a large source of revenue. As a result it takes [more than \\$2 of Medicaid cuts to save a state \\$1](#). When Medicaid is cut the economy is weakened and revenues reduced as for every dollar cut, health care jobs are lost. Cutting health care for the poor and disabled continues the downward economic spiral - [the race to the bottom](#).

When it comes to people taking advantage of expected benefits of the health care law, thus far only 12,000 people have enrolled in [the Pre-existing Condition Insurance Plan](#) despite an [aggressive marketing effort](#). The Medicare actuary, Rick Foster, [told The Hill](#) the low enrollment is a "surprise," given that "millions" are eligible for the coverage. The Medicare actuary had conservatively predicted the new pools would enroll 375,000 people by the end of 2010, but that projection has not been met because the insurance is too expensive for most people who need it.

Better results might be being seen for [young adults](#). Approximately 13.2 million 18-29 year olds are without insurance, 30% of that population. Under the health care law these youth can stay covered under the parents' health insurance. There are no hard numbers for how many have taken advantage of this but the Obama administration estimates it could be as many as 1.2 million. As we see with the pre-existing illness option, predictions are one thing and reality is very likely another. Covering each dependent will cost about \$3,380 in 2011, so it is difficult to predict how many families can afford that cost in these difficult economic times when unemployment and underemployment are up and incomes are down.

The Obama health care law may [decrease employment-based insurance by 3 million people by 2019](#), according to the Congressional Budget Office (CBO) and the Joint Committee on Taxation. One estimate made by the CBO is that 8-9 million people currently covered under an employer plan would lose employer coverage because firms would choose to no longer offer coverage. They assume this would be balanced in part by those getting coverage on the exchange.

The other area where increased coverage was promised is the mandate forcing Americans to buy insurance. The mandate is [hotly contested in the courts](#) with 27 states challenging the law and over 20 lawsuits filed it. The courts have split 3-2 in favor of the mandate thus far. In the two decisions finding the mandate unconstitutional, a Virginia judge threw out only the mandate, while a Florida judge found the mandate so intertwined with the rest of the law that he would stop the whole law. The decisions have been issued along partisan lines, with three district judges appointed by Bill Clinton upholding the law; and two district judges — one appointed by Ronald Reagan and the other by George W. Bush — finding it unconstitutional. The U.S. Supreme court has five Republican appointed justices and four appointed by Democrats. It is generally viewed as four on the center-left, four on the right and Justice Kennedy as the swing vote. The vote on the Supreme Court will be a close one.

The health care law faces a congressional challenge, especially from the Republican controlled House of Representatives which has already voted to repeal the law, but more importantly, promises to use the power of the purse to not fund its implementation.

### **Single Payer Rising: Why Not Just Improve and Expand Medicare to All?**

The imploding health care law is creating an opening which may require a re-consideration of health care reform within the next five years. [Americans consistently favor](#) simply expanding and improving Medicare to cover all Americans. Terry Dougherty, director of MassHealth, from a state which the model for the Obama law is in place is reaching [the obvious conclusion](#): “I like the market, but the more and more I stay in it, the more and more I think that maybe a single payer would be better.” He notes that unlike the insurance industry government costs less, with much lower administrative costs and “We don’t build big buildings. We don’t have high salaries. We don’t have a lot of marketing.”

The low cost of publicly funded health care is consistent with the experience of America’s single payer system – Medicare. The administrative cost of running the Medicare program [has remained under 2%](#). But, the bureaucracy of trying to control the insurance industry is already growing rapidly. The [growth of the federal insurance bureaucracy](#), the federal office that regulates private insurance along with other important duties under the Obama health law, already has 252 employees and a budget of \$93 million for 2012 budget requested by the White House.

While the single payer movement is growing stronger through groups like [Health Care Now](#) and [Physicians for a National Health Program](#), the insurance industry is also getting stronger. Not only will they receive hundreds of millions in new annual tax payer subsidies but they are taking over other parts of health care. [Kaiser Health News reports](#) “Insurers have moved into technology, health-care delivery, physician management, workplace wellness, financial services and overseas ventures.” The Obama law is spurring the cancer of health insurance to spread throughout health care.

At the state level [Vermont](#) is striving toward single payer. Governor [Shumlin, his technical advisers](#) and [Vermonters support a single payer](#) program, and are considering [a bill](#) that reduces the number of funding sources and if federal waivers are granted, which [Obama reportedly supports](#), it will evolve into a single payer program. The current version of the bill [falls short of the goals of advocates who want health care treated as a human right](#) as well as of [physicians](#) who seek a single payer program.

[The “Expanded and Improved Medicare for All Act,” H.R. 676](#), a bill that sets up a single payer system has been introduced. It would provide health care to all and give consumers the most choice, provide strong health coverage as well as save money for government, business and individuals. Unlike the Obama law, improved Medicare for all would also be easier to implement. Medicare transitioned Americans over 65 from private insurance to Medicare within a year and did so without computers.

The failing Obama reforms shows that the obvious must be faced: confront the health insurance industry which makes coverage of all Americans unaffordable. President [Obama knew before running for president that single payer was the solution](#), but after [receiving \\$20 million in donations](#) from the insurance industry refused to let the only real solution, improved Medicare for all, be considered. It is time to put in place a single payer health care program that ensures that all U.S. residents have quality health care at less cost than they currently pay.

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