



OBAMACARE HAS FAILED

March 2017

The Affordable Care Act is Harming Individuals and Families

Instead of expanding the number of individuals with health insurance by making coverage more affordable, the Affordable Care Act [ACA] imposes tax penalties on Americans who choose not to buy, or cannot afford, a health care plan that meets the dictates of Washington bureaucrats. Since 2010, more Americans have disapproved of Obamacare than have approved.

- In 2016, roughly 6.5 million taxpayers paid the individual mandate penalty.¹ The average penalty was about \$470, for total penalties of \$3.0 billion.
- Repealing Obamacare would provide relief to working families and individuals by removing these coercive tax penalties.
- While the Congressional Budget Office [CBO] originally estimated 21 million individuals would enroll in the ACA exchanges in 2016, fewer than 11 million actually obtained coverage.²

Premiums and Deductibles Are Soaring

- President Obama promised premiums would decline by \$2,500 per family.
- Americans with employer health care coverage – approximately 155 million people – are paying higher premiums and higher deductibles under Obamacare.³ Average annual family premiums in the employer-sponsored market have soared by roughly \$4,300 and now total more than \$18,000 annually.⁴ Individual premiums are up 27 percent, double the rise in workers' wages (13 percent) and almost triple the cumulative inflation rate since 2010 (10 percent).⁵
- Deductibles are also increasing under Obamacare. Deductibles for individual plans in the employer-sponsored market are up an average of 60 percent since 2010 – from \$917 to \$1,478 in 2016.⁶
- The Obama Administration announced in October sharp premium increases for health insurance coverage on the Obamacare exchanges in 2017. These increases are nearly four times larger than previously projected, with the average benchmark increase across the country being 25 percent. Last year, critical exchange benchmark premiums increased an average 7 percent, making the Administration's announcement of a nationwide average increase for 2017 of 25 percent even more troubling.⁷

- In Oklahoma the situation is far worse, with premiums on the Obamacare exchanges anticipated to increase by 76 percent on average. The Oklahoma Insurance Department announced in October 2016 that premium increases would range from 58 to 96 percent.⁸
- In some cases, premiums have more than doubled to make up for insurance companies' financial deficits. In North Carolina, for instance, Blue Cross Blue Shield lost about \$400 million during the first two years of the Obamacare marketplaces. To make up for that loss, the company raised its premiums by an average of 32.5 percent in 2016.⁹

Patients' Choices Are Dwindling

- Despite the President's promise, "if you like your health care plan, you can keep it" – labeled by PolitiFact as the 2013 Lie of the Year¹⁰ – millions of people lost their plans due to the cancellation of policies that did not satisfy the coverage requirements mandated by the ACA.¹¹
- Access to care is more limited since Obamacare took effect, as more health plans narrow networks – limiting the number of physicians and hospitals covered under the plan – in an effort to reduce costs while still offering plans that meet the ACA-mandated requirements.
- As reported by *Modern Healthcare*, 70 percent of plans sold on the Obamacare exchanges in 2014 consisted of narrow networks.¹² McKinsey & Co. reported that 2017 exchange plans would continue to favor narrow networks, yet prices continue to rise.¹³
- According to an Avalere study, Obamacare networks have 34 percent fewer providers compared to commercial plans. On average, Obamacare plans have 42 percent fewer oncologists and cardiologists and 32 percent fewer primary care physicians.¹⁴
- Rural health care providers are also hurting. Since 2010, 80 rural hospitals have been forced to close across America.¹⁵ Another 673 rural hospitals are vulnerable and on the brink of closing.¹⁶

Insurance Markets Are Collapsing

- Many of the Nation's biggest insurance providers have been forced to withdraw from the Obamacare marketplace after losing billions of dollars. This occurred in part because there have not been enough young and healthy people signing up for insurance to counteract the cost of providing care for older, less healthy enrollees.¹⁷
- Even Democrats have called into question the viability of the Obamacare exchanges. ACA architect Jonathan Gruber said that the "stupidity of the American voter" helped Democrats pass Obamacare; and Democrat strategists warned then-presidential candidate Hillary Clinton of low ACA exchange enrollment and "significantly higher adverse selection than expected."¹⁸
- With such significant losses, insurers either had to scale back their presence on the ACA's exchanges or hike premiums to help make up lost revenue. Neither option is a good thing for Americans seeking health care.¹⁹
- Many insurers have decided to pull back from the marketplace completely, leaving many Americans with only one option from which to buy insurance:

- In 2016, a total of 225 counties across the country had only one insurer offering coverage, and that number has grown to 1,022 counties for 2017.²⁰
- In 2017, five states – Alabama, Alaska, Oklahoma, South Carolina, and Wyoming – will have only one insurance provider, as will large sections of Florida, Missouri, Tennessee, and Utah.²¹
- Arizona’s Pinal County, where 10,000 individuals had signed up for an exchange plan in 2016, was without a single exchange option until a 51 percent premium hike was approved for Blue Cross Blue Shield of Arizona – the result of a total absence of competition.²²

The ACA is Stifling Economic Opportunity

Jobs and Hours Are Being Cut

- Obamacare reduces work in three principal ways:
 - Its employer mandate makes full-time workers – especially younger and less-skilled workers – costlier to hire by requiring employers to provide expensive Obamacare-compliant insurance. Under the mandate, employers with more than 50 full-time workers who fail to meet certain arbitrary health coverage criteria set by the administration will be subject to tax penalties of up to \$3,000 per worker.
 - It discourages work because its premium subsidies become much less generous as people earn more income and the Medicaid expansion creates an eligibility cliff. For the individual or family, earning more makes their health coverage costlier.
 - Its tax increases total more than \$1 trillion over the next decade, reducing economic growth, wages, and work.
- CBO projects Obamacare will reduce the labor supply by roughly 2 million full-time-equivalent workers by 2025.²³ The individuals who will be most affected by this decrease are those who make less than 275 percent of the Federal poverty level, which translates into about \$66,000 in income for a family of four. The decline in the labor force also creates a drag on economic growth.
- Because of the tax penalty, employers will likely shift their hiring toward part-time workers (those who work less than 30 hours per week) in order to avoid triggering the ACA’s employer penalty. This coincides with troubling trends in the labor market:
 - Roughly 2 million Americans are now working part-time because they cannot find full-time work.²⁴ That is more than half a million more than before the recession.²⁵ In the absence of its repeal, the ACA will likely contribute to this increasing trend toward part-time work.

The ACA is Wasting Billions of Dollars on Mismanagement

- The ACA exchanges added billions of dollars in additional administrative costs. Prior to implementation, the total administrative cost for a covered individual was \$414 per year. The administrative cost more than tripled, however, to \$1,804 per covered individual in 2014, as the total Federal cost amounted to \$9.75 billion to enroll 6.34 million people.²⁶

HealthCare.gov

- The HealthCare.gov rollout suffered major glitches, and even President Obama acknowledged that it was a “well-documented disaster.”
- A September 2015 Department of Health and Human Services [HHS] audit found HealthCare.gov contracts were poorly managed, costing taxpayers hundreds of millions of dollars.²⁷ According to reports, the total cost of the failed enrollment system surpassed \$2 billion.²⁸
- In a test of the system in 2014, the Government Accountability Office [GAO] was able to enroll 11 of 12 people with false identities on HealthCare.gov into subsidized exchange coverage who were then eligible to receive roughly \$30,000 in tax credits. All 11 maintained subsidized coverage through 2014 and were re-enrolled in 2015. Some fake applicants were approved for subsidized coverage based solely on their attestation without any supporting documents.²⁹
- For coverage year 2016, GAO tested another 15 fake applicants, all of which were initially approved for subsidized coverage. GAO’s testing found continued failings in the verification system.³⁰

Subsidy Blunders

- In February 2015, the Obama Administration revealed it had mishandled tax forms for 800,000 people who purchased insurance through the Federal exchange. HHS had incorrect information on about 20 percent of forms.^{31, 32}
- According to the Administration, about 50,000 people had already filed their tax forms using the incorrect information. The corrected 1095-A forms were not expected to be available until early March. As a result, many refund checks were delayed by weeks, if not months.
- The Administration allowed subsidy payments to more than 300,000 people who did not have legal residence.³³ The people who received unlawful premium subsidies likely cost Federal taxpayers more than \$500 million. Most of this money will never be repaid.

Obamacare State Exchanges

- While the Federal website has received most of the attention, the State exchanges have had numerous problems as well.
- While the Centers for Medicare and Medicaid Services [CMS] provided nearly \$4.8 billion to assist with State-run exchanges, it failed to properly oversee this effort, contributing to poorly run State exchanges. State-based exchange operations have either shut down or are significantly underperforming in Hawaii, Maryland, Massachusetts, Nevada, Oregon, and Vermont.³⁴

Obamacare Co-Ops

- The Co-Op program was intended to demonstrate how well a single-payer system and public option could work. To date, more than 23 co-op plans have received a total of \$2.4 billion in Federal loans. In total, 18 of the 23 co-ops have now failed, leaving only five co-ops still in existence.³⁵ In all, “failed co-ops have now cost taxpayers more than \$1.8 billion in funds that may never be recovered.”³⁶

ENDNOTES

- ¹ IRS Commissioner John A. Koskinen updated members of Congress regarding 2016 tax filings related to Affordable Care Act provisions, 9 January 2017: <https://www.irs.gov/pub/newsroom/commissionerletteracafilingseason.pdf>.
- ² Congressional Budget Office, *H.R. 4872, Reconciliation Act of 2010 (Final Health Care Legislation)*, 20 March 2010: <https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/costestimate/amendreconprop.pdf>. CMS.gov, *March 31, 2016 Effectuated Enrollment Snapshot*, 30 June 2016: <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-06-30.html>.
- ³ Congressional Budget Office, *Federal Subsidies for Health Insurance Coverage for People Under Age 65: 2016 to 2026*, March 2016: <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51385-HealthInsuranceBaseline.pdf>.
- ⁴ Kaiser Family Foundation, *2016 Employer Health Benefits Survey*, September 14, 2016: <http://kff.org/report-section/ehbs-2016-summary-of-findings/>.
- ⁵ Kaiser Family Foundation, *2016 Employer Health Benefits Survey*, 14 September 2016.
- ⁶ Kaiser Family Foundation, *2016 Employer Health Benefits Survey*, 14 September 2016, Exhibit 7.7.
- ⁷ Health Plan Choice and Premiums in the 2017 Health Insurance Marketplace, Office of the Assistant Secretary for Planning and Evaluation, 24 October 2016: <https://aspe.hhs.gov/sites/default/files/pdf/212721/2017MarketplaceLandscapeBrief.pdf>.
- ⁸ Robert King, "Oklahoma Obamacare plans face 75 percent hike," *Washington Examiner*, 4 October 2016: http://www.washingtonexaminer.com/oklahoma-obamacare-plans-face-76-percent-hike/article/2603629?custom_click=rss.
- ⁹ Karen Garloch, "NC Blue Cross announces rate increase of 24.3 percent for ACA marketplace plans," *The Charlotte Observer*, 17 October 2016: <http://www.charlotteobserver.com/living/health-family/karen-garloch/article108764207.html>.
- ¹⁰ <http://www.politifact.com/truth-o-meter/article/2013/dec/12/lie-year-if-you-like-your-health-care-plan-keep-it/>.
- ¹¹ Lisa Clemans-Cope and Nathaniel Anderson, "How Many Nongroup Policies Were Canceled? Estimates From December 2013," *Health Affairs*, 3 March 2014: <http://healthaffairs.org/blog/2014/03/03/how-many-nongroup-policies-were-canceled-estimates-from-december-2013/>.
- ¹² Bob Herman, *Network Squeeze: Controversies Continue Over Narrow Health Plans*. March 28, 2015: <http://www.modernhealthcare.com/article/20150328/MAGAZINE/303289988>.
- ¹³ "2017 exchange market: Plan type trends," *McKinsey & Co.*, November 2016: <http://healthcare.mckinsey.com/2017-exchange-market-emerging-plan-type-trends>. "2017 exchange market: Pricing trends," *McKinsey & Co.*, November 2016: <http://healthcare.mckinsey.com/2017-exchange-market-emerging-pricing-trends>.
- ¹⁴ Avalere, *Exchange Plans Include 34 Percent Fewer Providers than the Average for Commercial Plans*. July 15, 2015: <http://avalere.com/expertise/managed-care/insights/exchange-plans-include-34-percent-fewer-providers-than-the-average-for-comm>.
- ¹⁵ Ayla Ellison, "A state-by-state breakdown of 80 rural hospital closures," *Becker's Hospital CFO*, 13 December 2016: <http://www.beckershospitalreview.com/finance/a-state-by-state-breakdown-of-80-rural-hospital-closures.html>.
- ¹⁶ Rural Relevance – Vulnerability to Value, *Ivantage Health Analytics*, 2 February 2016, <https://www.ivantagehealth.com/news-release-february-2-2016/>.
- ¹⁷ Anne Wilde Mathews and Stephanie Armour, "Health Insurers' Pullback Threatens to Create Monopolies," *Wall Street Journal*, 28 August 2016: <http://www.wsj.com/articles/health-insurers-pullback-threatens-to-create-monopolies-1472408338>.
- ¹⁸ Elise Viebeck, "ObamaCare architect: 'Stupidity' of voters helped bill pass," *The Hill*, 10 November 2014: <http://thehill.com/policy/healthcare/223578-obamacare-architect-lack-of-transparency-helped-law-pass>. Brian Blase, "WikiLeaked Clinton Memo Acknowledges Obamacare's Exchanges Are Failing," *Forbes*, 18 October 2016: <http://www.forbes.com/sites/theapothecary/2016/10/18/leaked-clinton-memo-acknowledges-obamacares-exchanges-are-failing/#5637a75740b8>.
- ¹⁹ Stephanie Armour, "ACA Premiums Jump 25%; Administration Acknowledges Extended Enrollment," *Wall Street Journal*, 25 October 2016: <http://www.wsj.com/articles/aca-deadline-extended-for-those-who-lost-their-health-plans-1477349583>.
- ²⁰ Insurer Participation in the 2017 Individual Marketplace, Kaiser Family Foundation, Accessed 22 December 2016: <https://public.tableau.com/profile/kaiser.family.foundation#!/vizhome/InsurerParticipationinthe2017IndividualMarketplace/2017InsurerParticipation>.
- ²¹ Insurer Participation in the 2017 Individual Marketplace, *Kaiser Family Foundation*: <https://public.tableau.com/profile/kaiser.family.foundation#!/vizhome/InsurerParticipationinthe2017IndividualMarketplace/2017InsurerParticipation>.

Reed Abelson and Margot Sanger-Katz, “Obamacare Options? In Many Parts of Country, Only One Insurer Will Remain,” *The New York Times*, 19 August 2016: http://www.nytimes.com/2016/08/20/upshot/obamacare-options-in-many-parts-of-country-only-one-insurer-will-remain.html?_r=0.

²² Anne Wilde Mathews, “Arizona’s Pinal County Gains Health-Law Exchange Insurer,” *Wall Street Journal*, 8 September 2016: <http://www.wsj.com/articles/arizonas-pinal-county-gains-health-law-exchange-insurer-1473297959>. Arizona Department of Insurance, “Major Medical Health Insurance Filings Containing a Threshold Rate Increase (10% or greater): For Effective Date January 1, 2017”: https://insurance.az.gov/sites/default/files/documents/files/AZ_MM_THRESHOLD_FILINGS_eff20170101_20160803.pdf.

²³ Edward Harris and Shannon Mok, *How CBO Estimates the Effects of the Affordable Care Act on the Labor Market*, Congressional Budget Office Working Paper 2015-09, December 2015: https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/workingpaper/51065-ACA_Labor_Market_Effects_WP.pdf.

²⁴ Bureau of Labor Statistics, U.S. Department of Labor, *The Employment Situation – November 2016*, 2 December 2016: <http://www.bls.gov/news.release/pdf/empisit.pdf>. Overall, roughly 5.7 million Americans total are working part-time involuntarily, which is roughly a million more than before the recession.

²⁵ Bureau of Labor Statistics, U.S. Department of Labor, *The Employment Situation – December 2007*, 4 January 2008. http://www.bls.gov/news.release/archives/empisit_01042008.pdf.

²⁶ Robert Book, *The ACA Exchanges Increased Administrative Costs of Health Insurance*, American Action Forum, 21 December 2016: <https://www.americanactionforum.org/research/aca-exchanges-increased-administrative-costs-health-insurance/>.

²⁷ Department of Health and Human Services, Office of the Inspector General, “CMS Did Not Always Manage and Oversee Contractor Performance for the Federal Marketplace as Required by Federal Requirements and Contract Terms”: <http://oig.hhs.gov/oas/reports/region3/31403001.pdf>.

²⁸ Alex Wayne, “Obamacare Website Costs Exceed \$2 Billion, Study Finds,” *Bloomberg*, 24 September 2014: <https://www.bloomberg.com/news/articles/2014-09-24/obamacare-website-costs-exceed-2-billion-study-finds>.

²⁹ Committee on Finance, *Nonpartisan Watchdog Finds HealthCare.gov Approving Subsidies for Fake Applicants*, July 15, 2015: <http://www.finance.senate.gov/newsroom/chairman/release/?id=3e92ee66-2bb7-4ca3-8e38-ede4af367db6>.

³⁰ GAO, *Patient Protection and Affordable Care Act: Results of Undercover Enrollment Testing for the Federal Marketplace and a Selected State Marketplace for the 2016 Coverage Year*, September 2016: <http://www.gao.gov/assets/680/679671.pdf>.

³¹ Robert Pear, “Tax Error in Health Act Has Impact on 800,000,” *New York Times*, 20 February 2015: http://www.nytimes.com/2015/02/21/us/incorrect-tax-information-health-insurance.html?emc=edit_na_20150220&nid=68689306&_r=3.

³² Robert Pear, “Tax Error in Health Act Has Impact on 800,000,” *New York Times*, 20 February 2015: http://www.nytimes.com/2015/02/21/us/incorrect-tax-information-health-insurance.html?emc=edit_na_20150220&nid=68689306&_r=3.

³³ Louise Radnofsky, “Thousands to Lose Health Insurance Over Residency Questions,” *The Wall Street Journal*, 11 February 2015: <http://www.wsj.com/articles/thousands-to-lose-health-insurance-over-residency-questions-1423693709>.

³⁴ “Insurance exchange sets deadlines in preparation of ending services,” *Honolulu Star-Advertiser*, 10 May 2015: <http://insurancenewsnet.com/oarticle/insurance-exchange-sets-deadlines-in-preparation-of-ending-services>. Meredith Cohn and Andrea K. McDaniels, “State to recoup \$45 million it paid to build failed health exchange,” *The Baltimore Sun*, 21 July 2015: <http://www.baltimoresun.com/health/blog/bs-hs-noridian-settlement-20150721-story.html>. Josh Archambault, *Whistleblowers Expose the Massachusetts Connector*, Pioneer Institute Public Policy Research, March 2015: <http://pioneerinstitute.org/healthcare/press-release-whistleblowers-behind-the-scenes-account-of-health-connector-meltdown/>. Christine Kern, “Nevada Health Exchange Throws in The Towel,” Health IT Outcomes, 28 May 2014: <http://www.healthitoutcomes.com/doc/nevada-health-exchange-throws-in-the-towel-0001>. Stephanie Armour, “Five States’ Health-Care Exchanges See Costly Fixes,” *Wall Street Journal*, 3 June 2014: <http://www.wsj.com/articles/five-states-health-care-exchanges-see-costly-fixes-1401838017>.

³⁵ Louise Norris, “CO-OP health plans: patients’ interests first,” HealthInsurance.org, 21 October 2016: <https://www.healthinsurance.org/obamacare/co-op-health-plans-put-patients-interests-first/> Maine’s Co-op is still in existence, however, their expansion into New Hampshire was not successful and contributed to \$74 million in losses the for the co-op in 2015. The co-op now will not offer plans in New Hampshire for 2017.

³⁶ Committee on Energy & Commerce, U.S. House of Representatives, Collapse: And Then There Were Six, 12 September 2016: <https://energycommerce.house.gov/news-center/press-releases/and-then-there-were-six>. Maryland’s transition to a for profit has not been approved by CMS, and it is unclear what will happen to the \$65.5 million loan. <http://www.bizjournals.com/baltimore/news/2016/12/08/evergreen-health-suspended-from-individual.html>.