Op-Ed

The Perils of Health Care Nostalgia

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LAST SUMMER, UNITED PARCEL SERVICE (UPS) DELIVERED SOME news about its company health insurance policies, and the people who had those plans weren't too happy about it. Like many large companies, UPS had traditionally offered spousal coverage to its employees. Drivers, office workers, and all other full-time workers had the option to buy into the employee health plan and also to add their husbands or wives. But starting in 2014, UPS officials said, the option would no longer be available to all workers.¹ When employees asked for an explanation, company officials said that UPS was desperate for ways to cut benefit costs. And a big reason for that desperation, they said, was the Affordable Care Act.

This story, first reported in *Kaiser Health News*,² got tons of attention. It seemed to be one more sign that the Affordable Care Act ("Obamacare") was disrupting insurance for people who already had good coverage. Unfortunately, the reporters, the producers, and eventually the politicians talking about the story rarely grasped the nuances. For one thing, the change affected only white-collar employees and of them, only those with spouses who had alternative sources of coverage. By the company's reckoning, only about 15,000 employees met those criteria—less than 5% of the company's US workforce. For the rest, the ones whose spouses truly depended on UPS for insurance, the old arrangements would remain in place.

The role of the Affordable Care Act in the company's decision was also a lot murkier than the headlines suggested. UPS officials revealed that they were expecting its employee insurance costs to rise by between 11% and 12% in the coming year.³ But new Affordable Care Act requirements appeared to explain no more than one-third of that expected increase. Those requirements, in turn, consisted largely of one-time or short-term charges, such as the added cost of covering employees' children under the age of 26. "The notion that those are going to be make-or-break when they are otherwise absorbing 7 to 10 percent a year [of health

care inflation] is kind of ridiculous,” said Jonathan Gruber, the MIT economist who was an architect of the Affordable Care Act.²

Still, the most important wrinkle that the coverage and commentary missed had to do with context. Yes, UPS was reducing coverage for spouses, but would UPS have done so anyway, even if the Affordable Care Act had never become law? Offering coverage to spouses is a remnant of a previous era when most couples usually had just one breadwinner. Today, both partners in the majority of couples work, and in many cases, both partners have access to health plans through their employers. This has reduced the demand for spousal coverage, which is why the percentage of companies offering it has been declining. Maybe the law prompted UPS to take action now, or maybe the law gave UPS a convenient scapegoat. Either way, the chances are good that UPS would have made the same decision eventually, and probably sooner rather than later.

There’s a lesson here. As the journalist Sam Baker observed in the *National Journal*, “Just because something is happening and Obamacare exists doesn’t mean it’s happening *because* Obamacare exists.”⁴ In order to evaluate the Affordable Care Act—or, for that matter, any major health care reform—we must consider what policy wonks call the “counterfactual.” We can’t simply compare the new reality with the old reality. We have to think about how the old reality already was changing. In effect, we have to imagine a parallel universe, one in which the Affordable Care Act had never become law, and decide how the health care system would have changed in its absence.

It’s not easy. Among other things, it’s impossible to know how a hypothetical future might have unfolded. But it’s frequently possible to make an educated guess. Consider the issue of “rate shock.” The Affordable Care Act imposes new regulations on insurers who sell coverage directly to consumers, rather than through employers. These regulations force insurers to offer more comprehensive benefits, while prohibiting carriers from denying coverage to people with preexisting conditions. If all else is equal, that tends to make insurance more expensive. The law’s subsidies offset the higher prices for some people, but not for all, so some people’s premiums in 2014 are higher than they were in 2013.

Understandably, these people are not happy about the change. But they may not be worse off. Many of those old policies had large gaps in coverage; for example, they left out key services, like mental health, or had no limit on out-of-pocket expenses. Somebody holding one of those policies was thus at risk of incurring huge, potentially ruinous, hospital

or drug bills. What's more, once those plans ceased to be profitable, insurers selling policies in the old market frequently jacked up the premiums or closed the plans altogether. If the Affordable Care Act were not on the books, it's entirely possible somebody holding one of those policies still would have gotten hit with huge rate hikes or lost coverage altogether.

Another change that's generated anxiety is the increasing use of "narrow networks." People buying coverage on their own, through one of the online marketplaces the law has created, are discovering that many of the plans limit access to a relatively small number of physicians and hospitals. That can create real problems for people with severe medical problems because they may depend on particular specialists. Moreover, while the law supposedly protects such people by guaranteeing that all plans have adequate networks of providers, plenty of people with these plans are finding access difficult.

But narrow networks are not a new feature of the health care landscape. They have been around at least since the 1980s, when insurance companies first began experimenting with managed care and created exclusive lists of providers as a way to drive down costs. The change wasn't popular, so by the late 1990s, insurers backed off a little. Then, under pressure to reduce or at least hold down premiums, insurers a few years ago began experimenting with narrower networks all over again. The trend, in other words, was already under way.⁵ At most, the law accelerated it. Furthermore, it's not even clear that the law has had that effect.

The counterfactual can cut in the other direction, by the way, thereby undermining the arguments of the law's champions. For the last few years, health care costs have been rising more slowly than before, and promoters of the Affordable Care Act, including those at the White House, have claimed some credit for that change. Experts, however, disagree about how much this reflects changes in the law⁶ and how much it reflects changes that were previously taking place. That is, even before the Affordable Care Act took effect, employers were looking for ways to spend less on employee benefits, and insurance companies were meeting that demand with newer, cheaper options.

Failure to consider the real counterfactual is an old story in health care debates, and it was arguably a key failure of the debate over President Bill Clinton's health care reform proposal, which died without so much as a vote in the late summer of 1994. As details of that plan emerged,

critics warned that its enactment would likely transform insurance away from the old-fashioned fee-for-service system (in which insurers more or less pay all fees to all providers) to managed care (in which insurers limit access to providers and procedures and set fees more aggressively). It was a potent argument. But the transition to managed care had already begun when Clinton introduced his reform plan, and it continued after Congress failed to enact it.

Of course, the Clinton plan really would have steered health care into different directions, just as the Affordable Care Act is doing now. But if reasonable people can disagree about whether those changes are for better or worse, the basis for that judgment can't be a desire to preserve the old status quo because that was never possible. Health care in America was bound to change, no matter what. The question for voters and, eventually, the historians is whether the changes taking place with the law are better than those that might have happened without it.

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