Op-Ed

Attention 2016 Health Policy Shoppers: Read the Fine Print

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THE 2016 PRESIDENTIAL CAMPAIGN IS UNDER WAY, AND HEALTH care, as always, is playing a prominent role. Most of the debate is still about the Affordable Care Act, and in many ways the conversation sounds a lot like the one that took place in 2012.

Republicans say they want to repeal the law and replace it with conservative alternatives. Although some Republican candidates have fleshed out these plans with actual policy details, others have stuck mostly to slogans. But all the candidates say they have the same basic goals: ending “one-size-fits-all” insurance, giving price relief to the young, and reducing the fiscal strain on government.

The Democratic side of the debate has evolved a bit more, if only because this time the president who shaped and then signed “Obamacare” is not on the ticket. There’s talk about preserving the law and defending it from attempts at repeal, of course. But there’s also talk of improving it, by bolstering the protection against out-of-pocket costs that insurance provides and using government’s leverage as a buyer of medical care to drive down prices.

The rhetoric makes both sets of ideas sound attractive, even though they are radically different, which is not so surprising. After all, politicians are salespeople, trying to sell policy. They focus on the good and ignore the bad, much as carmakers don’t dwell on the extra maintenance costs for a luxury sedan and cell phone companies downplay the difficulty of getting out of a long-term contract.

But the trade-offs are real, on both sides. Here are a few of them.

Using Government Leverage to Drive Down Prices

In most other developed countries, governments negotiate directly with the health care industry to set reimbursements. Democrats in 2016 are

talking about doing the same thing in the United States, whether in a relatively minor way (by having the government get involved with the pricing of certain high-cost drugs) or in a comprehensive way (by having the government set all prices, as most of the foreign, universal systems do). Nobody questions that this is an effective way to reduce prices and thus hold down health care spending. But if the government pushes on industry too aggressively, it can create shortages or stifle innovation. The government is also prone to misallocating resources, for instance, by paying too much for those services that have powerful lobbying groups. The experience abroad suggests that government pricing can work quite well, but the dangers of its working poorly are nonetheless real.

Reducing Out-of-Pocket Costs

From the beginning, the more liberal supporters of the ACA weren't content with the level of financial protection that the law was providing to all consumers through the new exchanges. More people would have insurance, and for the first time, the law would limit out-of-pocket expenses, as well as provide extra financial assistance for the poor and the working class. But some people would still face big copayments and deductibles, which is why Democrats are now talking about giving people more help to pay those. That's easy enough to do, but the money has to come from somewhere. Either the government has to provide subsidies or find a way to drive down the actual prices of medical goods and services, or the people receiving insurance will have to pay higher premiums.

Letting Insurers Charge Young People Less

The Affordable Care Act prohibits insurers from adjusting premiums based on medical risk, and it limits insurers' ability to adjust premiums based on age. The highest premiums (for the oldest consumers) can't exceed the lowest (for the youngest consumer) by more than a factor of 3. That's the reason that the premiums for young people buying coverage on their own (ie, not through an employer) rose when the law took effect, although the program's tax credits can offset the increases either partly or entirely. Republicans have called for rolling back that change or undoing it altogether, to give insurers more leeway to vary premiums based on age. That would certainly reduce premiums for younger people, but there's a catch: it would also raise premiums for older people.

Ending “One-Size-Fits-All” Coverage

Another regulation in the health care law requires that all insurance plans include a set of comprehensive, “essential” benefits. Previously, insurers frequently sold policies that didn’t have so many benefits. As a result, that requirement is another reason the underlying premiums for people buying insurance on their own went up when the law took effect. Republicans have called for easing the essential benefits standard or even eliminating it altogether. Most likely, insurers would start offering thinner benefit packages along with lower premiums. But of course, there’s a reason why the law required those regulations. The old policies frequently had large gaps in coverage; for example, they didn’t always include mental health or rehabilitative care. Few people, though, understood that until they got sick and discovered their insurance wouldn’t pay the bills. So if the regulation is eliminated, those problems could start all over again.

Reducing Government Spending

The Affordable Care Act is likely to reduce the deficit because the law includes revenue and cuts to other programs that offset its outlays. But it is still a huge commitment of federal resources, which many conservatives oppose for both philosophical and practical reasons. The plans that Republicans have touted would mostly reduce that commitment; in other words, they’d lower federal spending, sometimes significantly. Again, though, the money has to come from somewhere. If the federal government ends up spending less money on health care, that means less money to subsidize the purchase of private insurance, less money to provide the poor with Medicaid, or some combination of the two. Even though the government will be smaller, the number of people struggling with medical bills will be higher.

The existence of these very real trade-offs does not necessarily undermine the case for either approach. The reality is that all public policies have benefits and costs. In the end, the key question facing voters is the same one facing the proverbial car buyer or cell phone user: Are the benefits worth the cost?

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