

MIT Student

11.002 Making Public Policy

The True Costs of the Affordable Care Act

Introduction

In 2010, President Obama and a liberal dominated congress passed the Patient Protection and Affordable Care Act (ACA) – creating a law that requires all Americans to purchase health insurance, forces insurers to cover all patients regardless of pre-existing conditions, requires states to set up health insurance exchanges, and funds states to extend Medicaid coverage to those below 400% of the poverty line. To pay for the extended coverage, the act also increases taxes on the wealthy, and creates a new tax on high cost health plans. Liberals were able to pass the ACA by specifying provisions that appeased healthcare opponents, by promising extra pork-barrel funding to key legislators' districts, and by invoking a senate procedural loophole that made the legislation require fewer votes to pass; however, conservatives still have a chance to repeal the law in the coming years because the Republican Party is expected to gain many congressional seats in the Nov 2014 election. Therefore, the Club for Growth should concentrate its efforts on electing conservatives into congress.

Satisfying Historical Opponents to Healthcare Reform

Obama was not the first president to push a healthcare reform bill through congress. Truman, Nixon, Carter, and Clinton all tried to make drastic reforms the healthcare system but failed because of opposition from the insurance industry, pharmaceutical companies, people with existing insurance, and other healthcare related stakeholders (Oberlander, 2010). However, Massachusetts passed a health reform bill in 2006 by pleasing constituents with expanded coverage “while leaving the thornier task of cost containment for future years” (Kaiser Family

Foundation, 2012). Learning past health reform efforts, the writers of the ACA included several concessions that temporarily satisfied healthcare stakeholders traditionally opposed to reform.

A critic of the ACA was the group of Americans already insured by their employer or by Medicare. This group was already satisfied with their coverage and would not benefit from healthcare reform (Benson et al, 2010). In fact, this group feared the possibility of a mandatory government run health plan that provides fewer benefits than they currently enjoy (Skocpol, 2010). Insured Americans also feared that higher costs to private insurance companies would trickle down and cause their employer to drop company sponsored insurance (Skocpol, 2010). Extending Medicaid coverage to the poor could also increase taxes (Skocpol, 2010).

To satisfy people already on their employer or labor union's insurance, the ACA allowed employees to keep private health plans instead of forcing a switch to a government run plan (Skocpol, 2010). In addition, the ACA attracted young constituents by allowing them to stay on their parent's insurance coverage until they were twenty six (Skocpol, 2010). To appeal to senior citizens under Medicare, a clause in the ACA gave seniors "\$250 checks to... close the 'doughnut hole' gap in Medicare prescription drug coverage" (Skocpol, 2010). All these promises increased healthcare spending while ignoring the unpopular issue of costs.

Passing the ACA also required the support of the pharmaceutical companies, doctors, and insurers. Many congressional leaders, including Democrats, would not vote for a bill that compromises the profits of healthcare related corporations because their largest donors are healthcare lobbyists (Cohn, 2010). According to a lobbyist for the Pharmaceutical Research and Manufacturers of America, "If we turned against this deal, there was no way to pass the bill... Until we end, we could have blocked the sixty votes in the senate" (Cohn, 2010). To befriend the

lobbyists, ACA supporters did not aggressively pressure healthcare companies into lowering prices charged to federal insurance plans. Even though the healthcare industry was required to slightly reduce their prices, they were still guaranteed more profit because of the increased number of people seeking healthcare (Oberlander, 2010).

By “buying out” these interest groups, Democrats have brought former healthcare reform opponents onto their side. Skocpol predicts that Republicans will have trouble repealing certain earmarks in the ACA “as constituents discover specific aspects of the law that they like” (2010). As seen in the passage of Massachusetts’ healthcare reform, promising additional benefits is more popular than paying for the benefits or revoking them (Kaiser Family Foundation, 2012).

Buying Out Senators

Even if liberals convinced constituents and lobbyists to support health care reform, congressional representatives were the immediate voters for the ACA. Even though Democrats held 59 of the 60 seats needed to pass legislation in the senate, some conservative Democrats were hesitant to support the bill (Oberlander, 2010). Therefore, these key senators were given personal gifts and were promised extra funding for their districts in exchange for support.

One of these senators was Kent Conrad, a Democrat from North Dakota who criticized the amount of taxpayer money the ACA would sink. To win his support, Obama “showered presents on Conrad’s dog” and “raised reimbursements for hospitals in five frontier states with low population density [including North Dakota]” (Cohn, 2010). Similarly, ACA leaders “gave Nebraska additional federal Medicaid money in exchange for Senator Nelson’s support” (Oberlander, 2010).

Although Republican Senator John McCain denounced Democrats' actions as "unsavory deal-making" (Oberlander, 2010), the deals will have a limited effect on Democrats' re-election chances because these deals are a common practice to get bills passed.

Changing the Rules

Despite the personal gifts and pork barrel spending aimed at attracting additional support, Democrats still could not attract the 60 votes needed to pass the ACA in the Senate. Unexpected events such as the death of Democratic senator Kennedy and the election of Republican replacement Scott Brown made the 60 votes difficult to achieve (Cohn, 2010). However, Democrats' majority in the Senate still allowed them to invoke a procedural loophole known as the budget reconciliation process and pass the ACA through the Senate with 51 instead of 60 votes (Oberlander, 2010). Consequently, the ACA was passed without support from Republicans or conservative Democrats.

Democrats were able to establish the voting procedures since they controlled a majority in the Senate when the ACA was passed. But if Republicans gain a majority after the next midterm election, the same tactics can be used to pass a bill repealing portions of the ACA. Republicans would also have precedent that justifies using the budget reconciliation process.

A Chance to Repeal

While the ACA became a law in 2010, the Club for Growth still has a chance to repeal parts of the law if Republicans gain more congressional seats in the 2014 midterm elections.

Republicans will have a stronger case against the ACA in the 2014 elections because Democrats used short sighted promises to get the law passed. By promising earmarks and profits to lobbyists, constituents, and legislators, Democrats won support, but increased the ACA's costs

and limited cost saving deals with healthcare companies (Oberlander, 2010). Constituents did not notice the added costs of the ACA because “[the ACA’s] major coverage provisions... do not begin until 2014, a delay that allowed Democrats to fit the bill under a trillion-dollar price tag” (Oberlander, 2010). In September 2014, a study by the congressional budget office revealed that “federal spending on Obamacare and related legislation has far exceeded anyone’s estimates”, with some items more than double the cost advertised by President Obama (Chen, 2014).

Once more studies report the actual cost of the ACA, more voters should support conservatives’ efforts to repeal portions of the law (Chen, 2014). Unfortunately, there will be limited data available before the November 2014 election. Therefore, the Club for Growth should focus its efforts on publicizing any available data on the ACA’s costs. Cost data is crucial in supporting conservative candidates’ arguments. Even if Republicans do not control 60 seats in Senate, a majority will be enough to invoke the budget reconciliation procedures to revoke parts of the ACA.

Conclusion

Although Democrats attracted enough support from voters, healthcare lobbyists, interest groups, and politicians to pass the ACA in 2010, they significantly increased the cost of the law. Once these increased costs are recognized, support for the ACA and Democratic legislators will wane and the Club for Growth will have a chance to elect Republican legislators in the 2014 election and repeal portions of the law. However, publishing and publicizing cost data before the election in November 2014 will be challenging.

References

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