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America's Health Care War

The debate over the Affordable Care Act (ACA) – the 2010 law known to many as "Obamacare" – reached a crescendo on July 28. In the early hours of the morning, three Senate Republicans joined all of the body's 48 Democrats to defeat the last in a string of "repeal and replace" bills offered by Republican leaders. The Senate vote effectively repudiated seven years of GOP efforts to dismantle the law and, more important, derailed the first such effort that featured a Republican president willing to sign what Congress passed. The vote's failure will not end GOP attempts to undo Obamacare. President Trump has signaled he will try to cripple the law through administrative actions, and Republicans in Congress could regroup and try again. But this dramatic interlude does signal the end of the conceit that has dominated the past seven years – that Republicans have a viable alternative to the ACA that would, as Trump put it during the 2016 campaign, "take care of everybody…much better than they're taken care of now."

Between Trump's inauguration and the failed Senate vote, it became clear Republicans had no such plan. Far from offering something much better, they sought to repeal key features of the ACA without putting much in place. Their blueprints not only envisioned undoing the law's major expansion of Medicaid, the state-administered health program for low-income households and elderly residents of nursing homes. They also proposed imposing permanent limits on the growth of the program (which is jointly funded by the federal government and the states). These cuts – totaling roughly three-quarters of a trillion dollars over the coming decade – were designed to free up money for other priorities, especially tax cuts. Their effect, according to the non-partisan Congressional Budget Office, would have been a sharp rise in the number of citizens without insurance.

Yet while Republicans could agree that the ACA was a wrong turn, they disagreed over where to go instead. Some wanted to pursue ambitious reforms that would restructure insurance so it covered fewer benefits and made patients pay more out of pocket. Others were fearful that such measures would lead to excessive dislocation. Congressional Republicans were especially torn when their constituents lived in states where GOP governors had expanded Medicaid, which the Supreme Court had declared in 2012 was optional, leading many Republican-controlled states to reject the expansion. Nor could Republicans convince most Americans they would be better off under the various bills they put forth. Polls showed the GOP legislation with less than 20% support. Meanwhile, as threats to the ACA escalated, support for the 2010 law rose. For the first time, a majority of Americans said they supported it.

Public opposition to the ACA was never based on careful consideration of its components. Instead, it was mostly grounded in partisanship, animosity toward President Obama and distrust of the federal government. Once people looked past the caricatures, however, they saw not a "government takeover" but a gap-filling approach designed to provide new options to the increasing share of people without access to employment-based health insurance – the main source of coverage in America for those younger than 65. (Americans older than 65 are covered by the federal Medicare program.)

In particular, the ACA expanded Medicaid and created new state-based "exchanges" that allowed individuals without workplace coverage to enroll in private insurance plans meeting minimum standards. Those buying coverage through these regulated marketplaces in turn received tax credits that defrayed a major share of the costs. Finally, the ACA penalized larger employers that failed to offer insurance to their workers, while requiring that all Americans enroll in an insurance plan unless its costs were unreasonable. The results were substantial. After the ACA's implementation in 2014, the share of Americans younger than 65 without health insurance plummeted from a peak of over 18% to around 10%. At the same time, health costs did not spike. Indeed, they continued to grow at historically low rates, though the ACA's role in sustaining this slowdown – which began during the economic crisis – remains subject to debate.

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If the ACA had actually been performing as badly as its critics charged, repeal would have been much easier. The law has problems, but these could have been fixed with the kinds of amendments that used to routinely follow the passage of major social programs. In particular, too few insurers are participating in the exchanges in some parts of the country – a reflection, in part, of continuing uncertainty about the law's future – and people enrolling through the exchanges are smaller in number, older and less healthy than expected, leading to a substantial rise in premiums. Still, tens of millions of Americans have come to enjoy insurance protections they would not have had otherwise. Tens of millions more have been positively affected by the law's higher benefits standards, limits on out-of-pocket costs, and the requirement that insurers cover children on their parents' policies up to age 26.

With Republicans' long campaign against the law at least temporarily stalled, two major factors will determine its future. The first is the willingness of President Trump to act on his many threats to ensure the law will fail. His administration can harm the ACA because the law gave substantial discretion the Department of Health and Human Services (now headed by a former member of Congress who once led the charge to repeal the law). In particular, the administration could try to block special subsidies to private insurers that allow them to reduce cost-sharing for lower-income patients. This change alone would likely lead many insurers to exit the program.

The second factor that will decide the ACA's future is the response of the party that passed the law in 2010 and has defended it since. Democrats in Congress will surely seek opportunities to pursue small-scale bipartisan changes to shore up the ACA. Whether Republican leaders in Congress will support such measures remains to be seen. The big test will come if Democrats regain power. Left-leaning members of the party, such as Senators Elizabeth Warren and Bernie Sanders, have said the party should seek a "Medicare for All" approach – by which they mean a universal program that looks something like the current Medicare program. A universal program of this sort would raise difficult questions, from whether to preserve employment-based insurance for those happy with it, to how to raise the taxes necessary to fund an expansive public program, to whether to allow people to buy regulated private insurance as an alternative to that program (as is permitted by Medicare today).

In the interim, expect calls to resurrect the so-called public option – a public plan modeled after Medicare that would be available to all Americans without workplace or Medicaid coverage. This proposal was sidelined during the 2009-10 debate. (Full disclosure: I am widely considered the "father of the public option".) Resurrecting it would address two major shortcomings of the ACA: the absence of insurance competition in large swaths of the country, and the law's conspicuous lack of cost-control provisions. The latter is particularly pressing, given America's exorbitant level of health care spending and long-term budget problems.

The new public option could be called Medicare Part E (for "everyone"). If the public option were offered in the exchanges – perhaps initially only in those with two or fewer private plans – it would provide good coverage and serve as a competitive benchmark for private plans. Because Medicare is such a well-liked, familiar and, crucially, cost-effective program, it would also likely draw more uninsured Americans into the exchanges.

Another positive step would be to allow employers to buy into the public option by paying a premium or payroll tax. This could lower costs for employers, provide a new option for workers and address the financing challenges posed by universal government insurance. With employers contributing to the cost of their workers' coverage through a Medicare-like plan, public coverage could be expanded without substantial additional taxes.

If the United States were to head in this direction, it would continue its long-overdue convergence with the successful health financing approaches of other advanced industrial democracies.