The future of the Affordable Care Act

by Thomas Rice

The U.S. Presidential election is now a year away. Here is a little of what we are hearing from the campaign trail.

By and large, the Democrats support the Affordable Care Act (ACA). Hillary Clinton has not proposed any major changes. Bernie Sanders would like health reform to go even farther, to move the United States to a single-payer system. Politically the chances of this are quite remote. Even his home state of Vermont, which is the only state to have approved single-payer legislation, had to renege on its promise when the resulting tax burden was revealed. While single-pay may save on average, it is nearly impossible to convince the public that the necessary taxes would be more than compensated for by higher wages and lower premiums for employer-sponsored coverage.

The main health care issue the Democrats are now talking about is controlling prescription drug costs. In the wake of very high roll out prices for some new drugs for treating Hepatitis C and high cholesterol, as well as huge price increases for drugs already on the market that have occurred when one company purchases drug patents from another, Democrats are proposing additional regulations. Examples include prior approval of drug prices and having Medicare negotiate drug prices with manufacturers.

Nearly all of the Republican candidates say they want to repeal the ACA. As I’ll discuss in a moment, this will be very hard to carry out. There is not much detail yet on what they want to replace it with — that is likely to come when we are closer to the election. But the main themes one hears are:

1. Removing the individual mandate to purchase coverage (as proposed by Jeb Bush and Marco Rubio), but continue to provide subsidies for purchase. Subsidies are likely to be through tax credits rather than income-based, which may help the middle class more, and the lower class less than the ACA. Less clear is how such proposals will deal with a potential increase in adverse selection, when coverage is not required.
2. Moving power and regulation to the states. An example is giving block grants to states to run Medicaid. Another (proposed by Donald Trump and Ted Cruz) is allowing people to shop across state lines for insurance, which Republicans say will save for consumers, and Democrats argue would lead to a “race to the bottom”, where states with the fewest regulations are the ones with the cheapest and perhaps skimpriest policies.
3. Encouraging the purchase of health savings accounts and other high-deductible plans.
4. Converting the Medicare program to something called “premium support”, which is essentially a defined contribution rather than defined benefit system, modeled after proposals from Alain Enthoven. Such a system would be a major departure for Medicare but is not too unlike how employer-sponsored coverage is done.

Major changes in policy, however, are unlikely. Even if the Democrats win the presidency and win back the Senate – they are four seats down in the Senate, but 24 of the 34 seats up for grabs in 2016 are held by Republicans – it will be many years before they can win back the House of Representatives. As a result, the Republicans would be able to block any legislation to, say, expand the ACA.

If the Republicans win the Presidency and even keep the Senate, they will not have super-majority, that is, 60 votes in the Senate, so the Democrats can continue to block repeal of the ACA with a filibuster. The main Republican hope would be to attach such changes to a budget bill,
which, under some very arcane rules called “Reconciliation”, can be passed with 50 votes. This is new territory and very hard to predict.

There is a more fundamental reason why the ACA is most likely here to stay. Nearly 20 million people have been helped directly by the ACA – those who have gained subsidized insurance – while few have been directly harmed. That will make doing away with the major portions of the ACA double difficult.

About the author

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