Inspire

Obamacare's Unlikely Savior

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President Trump is commonly seen as a clear and present danger to President Obama's namesake law as it begins its 10th year. A genuine reflection tells a different story.

The surprising election of Donald Trump to the presidency brought reversal expectations to several bits of Obama-era legislation, not the least of which was the disassembly of the newly constructed health insurance markets. President Trump assumed his office under the mantra of 'repealing and replacing' the Affordable Care Act (ACA), colloquially known as Obamacare. His campaign-style rhetoric has resolutely aligned with fulfilling that mission. His policy impact, however, has been mechanical rather than principled, and it is largely veiled in public discourse as it is disassociated with either political party's goals or talking points. On balance, the president's actions have circuitously settled ACA marketplaces and extended the duration of the current policy environment.

Legislative Failures

Mr. Trump inherited a troubled marketplace that was less than half of its projected size, comprised of a skewed population, and declining in terms of both consumers and insurers. He pledged a grand makeover, but his commitment to repeal legislation showed signs of unsteadiness. He celebrated House passage of the American Health Care Act (AHCA), but later decried the bill as "mean" and suggested the Senate could be "more generous".

Notably, the Senate shifted from the AHCA's broad reaching age-based tax credits to the failing Obamacare-style income-based subsidies platform that had resulted in mixed incentives and unbalanced enrollment across the country. The Better Care Reconciliation Act (BCRA) was derided by some as 'Obamacare-lite', and it and the repeal efforts that followed could not unify the slim-majority Republicans.

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Regulatory Action

The stalled legislative efforts allowed the executive branch to influence market mechanics and President Trump's first two years were unusually active. He provided an unexpected market boost with his decision to stop reimbursing Cost-Sharing Reduction (CSR) payments. The technical ramifications of not reimbursing insurers is paradoxical, as the mathematical result is increased federal spending and reduced premiums for lower-income enrollees. Consequently, 2018 market results revealed striking improvements. Enrollment significantly exceeded expectations, insurer profitability skyrocketed to record levels, and premiums decreased for the first time in 2019. The beneficial market changes reignited insurer interest, and the number of state-levels insurers increased 17% in 2019 after a 28% reduction in 2017 and a 21% reduction in 2018.

Unfortunately, the CSR action did nothing to help people ineligible for premium subsidies who were the most harmed by Obamacare. Recent legislative and regulatory efforts have focused on relief for this group, striking the penalty for avoiding Obamacare markets and allowing off-market alternative options to be utilized. Like the ACA itself, President Trump's footprint of 'improvement for some and escape opportunities for others' is clunky. It's not a strategic policy framework, but a series of disjointed changes that has favorably shifted the rules for the market's two significant eligible population groups.

Nevertheless, this all bodes well for ACA survival. The legislative catalyst for ACA repeal and the ACA legislation itself is identical, and that's a critical mass of people without solutions in the marketplace of last resort. Until 2019, widespread consumer dissatisfaction was a growing concern with an individual mandate forcing people ineligible for premium subsidies to choose between a tax penalty and the high premium marketplaces.

Election Implications

A more liberal president may have championed Obamacare, continued funding CSR payments, and stayed the unsustainable course until significant adjustments were necessary. A more conservative president may have preemptively aligned Congress with prescribed policy details. President Trump, arguably and perhaps unintentionally, has favorably changed the market dynamics without doing either.

The good news will certainly continue. Consistent with the favorable 2018 environment, 80% of eligible enrollees were able to obtain coverage for less than $75 per month in 2019 and enrollment in ACA markets remains steady. Legislative disruption, which could generate more unintended consequences, is unlikely to materialize in the new divided Congress. Recent flexibility granted to states signals further opportunity to strategically enhance market attractiveness within the Obamacare structure.

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State Variances

Some states, notably California, have achieved appreciable success with a hands-on approach and strategic involvement in market design. The loosening of federal rules may offend their sensibilities but should not slow their progress. In fact, the new dynamics enhance the facilitation of state objectives. The regulatory modifications and new waiver guidance add opportunities to access federal funds and allow states to pursue their own unique goals or restore original ACA components.

Nationwide, the enhanced funding granted in 2018 and the new flexibility added in 2019 continue to advance the ACA's newfound popularity. This is of practical importance because Congress is acutely sympathetic to voter sentiment, and less concerned about maintaining purity of ACA ideals or strict fidelity to insurance principles. States such as California are not harmed by other states' variant approaches in the modified regulatory environment. On the contrary, the ability of states to reflect their own values in their own markets calms the electorate and improves overall stability, assuring the continued flow of federal funds necessary for the ACA model to properly function.

Calm Waters Ahead?

Except for a distracting lawsuit in Texas challenging ACA constitutionality and a procedural case in New Mexico related to risk adjustment methodology, the Obamacare waters are as calm as they have even been. If left undisturbed, we will discover if the current satisfaction in both segments of the bifurcated market can endure, but it won't be next week. As actuaries in the health industry often say, we won't know for a couple of years.

We are not the only professionals who think of the future in terms of a retrospective review of the results of our handiwork. In August 2010, Senate Finance Committee Chair Max Baucus underwhelmingly championed his committee's work on the high visibility ACA legislation. He plainly exclaimed "Several years from now you're going to look back and say 'Eh, maybe it wasn't so bad'." Maybe so. Maybe we'll also look back and say that the ultimate savior of Obamacare was once as unimaginable as the business cards he had printed in 2017: Donald John Trump, President of the United States.

About the Author:

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