Whatever replaces Obamacare will face the same challenges

Sick people need coverage. Insurers need healthy customers, too. Everyone needs to be able to afford it.

From the Editors in the February 1, 2017 issue

The Republicans are in power in Washington, and their priority is ending Obamacare. The plan is to pass repeal legislation during the filibuster-proof budget process, but to delay implementation while they turn to a persistent question: What will they replace Obamacare with?

The answer is unknown, but some GOP alternatives have been formulated—including a detailed one by Rep. Tom Price, Donald Trump's nominee for health secretary. Price characterizes Obamacare as government control, offering his plan as a way to return power to patients and doctors.

Yet Price's plan can't avoid trying to do the same kinds of things Obamacare does. That's because Obamacare isn't government health care (like the Veterans Health Administration) or government insurance (like Medicare). It's primarily a set of policies aimed at making the private insurance system work effectively—just as Price's plan aims to do. And accomplishing this comes down mostly to addressing three challenges.

The first is getting insurers to cover sick people. Employer-based plans cover everyone, diffusing the risk. The Obamacare exchanges prohibit discrimination based on preexisting conditions, a popular protection that Price's plan would keep. Price adds a caveat, however: if you drop your policy, insurers don't have to sell you another one later.

This continuous coverage provision is how Price addresses challenge number two: insurers need to have enough healthy customers to absorb the cost of insuring the sick ones. Price's rule gives healthy people an incentive to retain coverage. Obamacare accomplishes this with a tax penalty for those who don't get covered. Employer-based plans do so by making it painless to participate, a default option.

Many employers also pick up most of the tab. This addresses the third challenge: affordability. Employers have incentives—tax deductions, recruitment advantages—to cover premiums for employees. Price's plan would use tax credits to subsidize premiums for individual coverage—much as Obamacare does.

Yet, here is where a major difference lies. Obamacare subsidies go only to lower-income people and average almost $300 a month. Price's tax credit would range from $75 to $250 a month and is based on age, not income. That's in addition to scrapping Obamacare's separate Medicaid expansion for the poor.

In other words, the biggest question is not how to make the private insurance market work better—it's how much to spend to make that system work better, and for whom. Last year, more than 12 million Americans obtained coverage on the Obamacare exchanges. If whatever comes next fails to keep their premiums affordable, they will lose this coverage. That's what's at stake—not the details of how a plan approaches the overall challenges at hand.

A senior Trump adviser recently indicated that any new health-care law will need to protect people from losing coverage. Perhaps some of Trump's supporters will try to hold him to this standard. If the GOP is going to repeal a law that leverages the

market to get people insured, it ought to replace it with one that does this better—not one that simply does it less.