

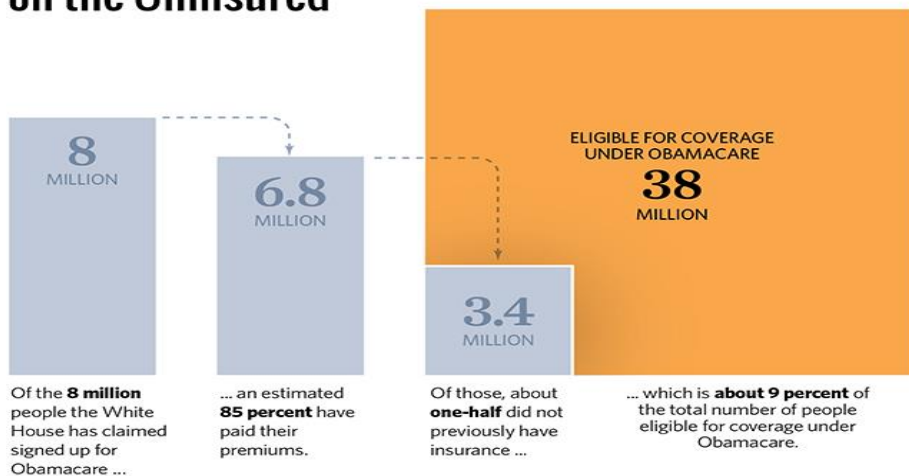


OBAMACARE BARELY TOUCHES UNINSURED

It was only recently that the administration crowed in delight when they announced that they had exceeded expectations by signing up 8 million individuals for Obamacare and that costs were lower than expected. However, the 8 million number was false because about 15-20% of individuals failed to pay their premiums according to Blue Cross and government analysts. Therefore the actual number of enrollees is closer to between 6.4-6.8 million.

A Kaiser Family Foundation report found that 47% of people who signed up were previously insured and 53% were not. Others have said it is closer to 50/50. So if we use the high number of 6.8 million paid signees and divide by 2 since 1/2 were previously uninsured, that leaves you with 3.4 million newly insured paid individuals.

Obamacare’s Underwhelming Impact on the Uninsured



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Take home lesson: We spent billions if not trillions of dollars to:

- Leave 91% of uninsured as they started, uninsured
- Increase insurance premiums about 43%
- Subsidize 85% of all Obamacare signups, with no way of validating the subsidies
- Increase deductibles and co-payments for most individuals

UH OH... 1.3 MILLION MAY BE ILLEGALS IN OBAMACARE

The inspector general just released his June report. Buried on page 11 is the fact that the government has yet to determine whether 1.3 million of the enrollees are US citizens. This finding states that 44% of the remaining 2,611,780 application “inconsistencies” are related to verifying citizenship/national lawful presence. This does not even count states like Oregon, Nevada, Vermont, and Massachusetts who are simply “unable to resolve inconsistencies.”

Table 1: Number and Percentage of Inconsistencies That the Federal Marketplace Was Unable and Able to Resolve as of February 23, 2014

Type of inconsistency unable to be resolved	Number of Inconsistencies*	Percentage of Total Inconsistencies†
Citizenship/national status/lawful presence	1,295,571	44%
Income	960,492	33%
Employer-sponsored minimum essential coverage	355,717	12%
Subtotal	2,611,780	89%
Type of inconsistency able to be resolved		
Social Security number	132,278	5%
Non-employer-sponsored minimum essential coverage	110,220	4%
Incarceration status	75,013	3%
Indian status	20,320	1%
Subtotal	337,831	11%
Total Inconsistencies	2,949,611	

Source: CMS data, February 24, 2014.

* Each applicant can have multiple inconsistencies. Inconsistencies do not necessarily indicate that an applicant provided inaccurate information or is enrolled in a QHP or receiving insurance affordability benefits inappropriately.

† Totals do not sum due to rounding.

OBAMACARE AND THE COURTS

I bet you thought that we had enough Supreme Court decisions to last a while. Well, make room for another Obamacare challenge.

Shift your attention down the street to the US Court of Appeals for the D.C. Circuit. Keep your ears open for the Halbig case. This case challenges the massive federal subsidies in the form of tax credits made to people who enroll in the program. Congress wanted the states to set up exchanges and wanted them to be dis-incentivized to opt out. The law made the subsidies available only to those enrolled in insurance through exchanges ***established by the state***.

But 34 states opted out anyway, leaving the feds to set up their exchange. But this meant that a whole group of people would not get subsidies and Obamacare would fail. The administration attempted to solve the problem by declaring that even residents of states without exchanges are eligible for subsidies.

So now the tea leaf readers are trying to decide what the court will do. They note that recently the Supremes have held that in numerous cases the administration exceeded its authority and violated separation of powers (see National Labor Relations Board vs. Canning). In fact, In Michigan vs. Bay Mills Indian Community, very liberal Justice Elena Kagan noted that this “this court does not revise legislation...just because the text as written creates an apparent anomaly as to some subject it does not address”.

Expect this one to head to the Supremes, but a Circuit Court verdict is expected any day.

OBAMACARE AND THE SICK

In order for Obamacare to succeed, an overwhelming number of healthy people who do not use health care services are needed. Analysis is now in for the first quarter. The Wall Street Journal says the data show that people insured through the exchanges have higher rates of serious medical conditions. Of enrollees seeing a doctor, 27% have significant medical problems including diabetes, cancer, heart trouble or psychiatric conditions. This is significantly higher than non-exchange plans for the same period and it's more than double the rate of those who held onto their existing individual insurances.

I smell trouble here. At the least, I see premium increases for Obamacare. But much worse is possible.

DO YOU KNOW WHAT AN IMPLICIT TAX IS....YOU BETTER

Evidently politicians and journalists don't have the same definition of tax as economists do. In order to understand Obamacare and its taxes, you need to look at the economic model. See if this model helps you out.

“Suppose, hypothetically, that the government provided a “universal” \$2,000 health benefit to every person and paid for it with a tax, in the narrow sense of the word, of \$4,000 per employee. Employees are half the population, so the employee taxes average \$2,000 per person and are enough to pay for the universal benefit.

Now consider an alternative “targeted” approach that pays the \$2,000 health benefit only to people who do not work, and gets the revenue from a \$2,000 tax per employee. By excluding workers from the benefit, the targeted approach appears to spend and tax less: only \$1,000 per person. But the economic result is the same because, in both systems, employees pay \$2,000 more than they receive. In both systems, people who are not employed receive more than employed people do: in the universal system their lack of employment exempts them from a large tax whereas in the targeted system it exempts them from a smaller tax but also gives them access to a benefit that is withheld from workers.

Withholding benefits from people who work or earn is hardly different than telling them to pay a tax. For this reason, economists refer to benefits withheld as “implicit taxes.” What really matters for labor market performance is the reward to working inclusive of implicit taxes, and not the amount of revenue delivered to the government treasury according to economically arbitrary distinctions between implicit taxes and other taxes. The targeted system gives the same economic results, including the economic harms from taxes, as the universal benefit system does but without the (politically ugly) appearance of bringing significant revenues to the government treasury.”

So now that you understand that, let's take a look at the true tax bill of the ACA. The following graph shows you taxes in relation to other tax bills over the last 70 years. The taxes include federal personal income taxes (Form 1040, shown in pink), social insurance payroll taxes (gray), and various employment and implicit taxes (red).

You will see that the ACA is the largest single piece of legislation, adding about six percentage points to the marginal tax rate faced, on average, by workers in the economy. Only by combining tax laws does it move into the third position.



A QUICK HEADS-UP

The proposal to repeal MICRA which holds your malpractice rates in check has been given the number of Proposition 46 and was successfully placed on the California ballot by trial attorneys.

WHOOOPS, THERE GOES ANOTHER HEALTHCARE BENEFIT

- Mammograms – OUT for women less than 50 and then only every two years after 50.
- Prostate Specific Antigens – OUT - period
- Routine Pelvic Exams – OUT. According to the American College of Physicians (Internists not Gynecologists) women no longer need this life saving measure.

Is it any coincidence that as we move to National Health through Obamacare that suddenly the bean-counters are determining health care and preventative services are no longer necessary. Prevention has long been a goal of medicine but now it is being cast aside as unnecessary? What is going on here...just asking?

LOTS OF HAPPENINGS GOING ON

There are a lot of healthcare issues going on and it affects your practice. How you respond will come into play today, tomorrow and for years to come. Join us at PPD. We are Private Practice Doctors. Contact me at reed.wilson@privatepracticedoctors.com.