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Where lawmakers come to blog

The Obamacare transformation

By John Daniel Davidson - 07/31/13 02:00 PM ET

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Ten years ago, then-candidate for U.S. Senate Barack Obama (D-Ill.) said he wanted to see a single-payer, universal health care system, “But we may not get there immediately.” Now, it appears his administration has found a way to get there—by simply refusing to enforce the parts of the Affordable Care Act that stand in the way of single-payer.

The administration’s recent decision to postpone the employer mandate until 2015 and suspend the requirement that states verify eligibility for exchange subsidies at first seemed like nothing more than an admission of technical difficulties with the law’s implementation. The delays were presented as a common sense measure to give employers “transition relief” as they figure out how to report details about their employee insurance plans to the government.

But there is more to it than that. Having suffered major setbacks in its effort to expand Medicaid and impel states to establish health insurance exchanges—the law’s two main components—the administration has apparently decided that the law is impossible to implement as written and must be rewritten by administrative decree. The outlines of a single-payer system are now emerging.

The immediate goal is to get as many people as possible enrolled on the exchanges before the end of the year. This will prevent or delay an adverse selection “death spiral” of skyrocketing premiums on the exchanges, caused by too few healthy people signing up. And it will drum up support for the unpopular law by getting more Americans hooked on federally-subsidized health insurance.

From the administration’s point of view, conceding that key parts of Obamacare cannot be implemented isn’t a failure if the effect is to swell enrollment on the exchanges. The insurance subsidy entitlement, administered through the exchanges, is the single-payer scheme at the heart of the law. If you peel away provisions like the employer mandate and Medicaid expansion, what’s left is a universal health care entitlement—enforced through the individual mandate and administered through the exchanges.

Indeed, the recent delays dramatically enhance the role of the exchanges in Obamacare. By postponing the \$2,000-per-employee penalties imposed on

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large employers that do not offer qualified health insurance, the administration has in effect invited employers to forego offering insurance at all and dump their employees onto the exchanges instead.

And by suspending the requirement that states verify applicants' eligibility for exchange subsidies, the administration solved a problem created by delaying the employer mandate. The law requires employers to report the details of their insurance offerings to the Internal Revenue Service so the agency can verify that workers have been offered affordable coverage, as required by the law. If an employer doesn't offer affordable coverage, its employees can qualify for subsidies on the exchange. But delaying this employer reporting requirement meant there would be no way for the IRS to verify whether an employee qualified for subsidized coverage.

To get around this, the administration opted to allow the exchanges to run on the honor system. In a 600-page rule quietly posted late on July 5, the administration announced that state-based exchanges "may accept the applicant's attestation" about their income and coverage status. Essentially, anyone who reports that they qualify for a subsidy is going to get one.

This amounts to a massive expansion of eligibility for federally-subsidized coverage through the exchanges—an expansion that is nowhere in the law and was never approved by Congress, but that moves Obamacare closer to a single-payer system.

The calculation behind these decisions is hard to miss. The more people get coverage through the exchanges, as opposed to their employers, the more federal assistance for health insurance will become the new normal. Once habituated to government welfare for insurance, Americans will be loath to give it up. Support for the law will then likely grow along with the rolls of those dependent on its subsidies, as has been the case with Medicare and Medicaid.

The exchanges were sold as "marketplaces" where consumers would shop for myriad insurance products as if shopping for airfares on Expedia, with competition keeping prices low. In fact, the opposite is happening.

As the October 1 deadline to begin enrollment approaches, major insurers are opting out of the exchanges. In California, insurance giants Aetna and UnitedHealth Group have both announced they will exit the state's individual market at the end of the year. Blue Cross Blue Shield of Texas, which controls about 50 percent of the individual market in that state, is the only insurer that has said it will offer exchange coverage in all 254 of Texas's counties. Fewer insurers on the exchanges mean less competition, which helps pave the way to single-payer.

The administration's decision to suspend key parts of Obamacare has given opponents of the law reason to hope the impending "train-wreck" might finally be at hand. But as long as it doesn't affect the single-payer subsidy at the heart of Obamacare, the train-wreck may actually speed up a transition to the single-payer system that the president wanted all along.

Davidson is a health-care policy analyst at The Texas Public Policy Foundation.

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