American Healthcare Reform

How Enhancing Obamacare Would Save Trillions of Dollars

History

Prior to World War II, most Americans paid for their own medical care directly to the provider, however in the 1930s, the Local Blue Cross insurance entities was created to offer guaranteed service for a fixed price, thus the Individual Health Insurance market was born. Back then, health insurance really was insurance: the transferring of risk from an individual to a company for unforeseen illness/accidents that could not be personally financed by the insured. These plans provided coverage for major items like hospitalizations that people could not afford to pay for themselves. All other expenses were paid out-of-pocket directly to the service provider.

The Beginning of Employer Sponsored Health Insurance

After World War II, the United States government was concerned about post-war inflation. The U.S. Government had already witnessed the devastation that hyperinflation had brought to post World War I Germany. Trying to stop the hyperinflation from accruing, the Government instituted wage and price controls. For obvious reasons labor groups did not like this and planned to strike. To avoid having mass strikes throughout the country, the War Labor Board Exempted **Employer-Sponsored** Health Insurance from wage controls and from income tax.

This historical event created a tremendous tax advantage for Employer Sponsored Insurance Plans that Individual Insurance Plans do not have. This tax advantage status has cost taxpayers Trillions of dollars of the years and is still the driving force behind employer Sponsored plans. Employers receive a 100% tax deduction for premiums paid while the benefits employees receive are also exempt from federal, state, and city income tax.

Employer Sponsored Insurance Plans have become so embedded in our culture that Employees perceive Employer Sponsored Insurance as a benefit. Most employees do not understand that Employer Sponsored Insurance is in fact part of their compensation package. Though employers send premiums to insurance companies on the employee's behalf, the employee is still paying 100% of the premium cost through compensation. The Employer receives the tax advantages of the arrangement while the employee who is trading the cash compensation has no ownership or choice in the plans selected. If the employee leaves the employer or becomes so sick they are no longer able to work and maintain eligibility, they lose the Employer Sponsored Insurance Plans.

Financing Health Care through Employer Sponsored plans has embedded the cost of Health Care into all our products and services making the United States less competitive in the world market. The tax advantage status of employer sponsored insurance is the main cause the United States is the most expensive health care system in the world. No other country in the world finances healthcare through employer sponsored plans.

Early Years

In the late 1940s, The U.S. Government tried to end the tax advantage status of Employer-Sponsored Insurance, however, the industry had grown so popular with labor groups and Business because to the Tax Advantages they preferred the Employer-Sponsored health insurance model and fought to keep it. By the mid-1960s, Employer-Provided health insurance had become imbedded into our culture. The employer model worked well until the early 1980's because costs remained relatively low and employees usually stayed with the same company for most of their career. Today that is not the case. Today it is rare for an employee to stay with the same company throughout their carrier. The current trend is growing where employees will work for several companies changing jobs every few years.

Employer-Sponsored Health Insurance 1980's -90's

The Employer-Sponsored health insurance market began to have problems in the late 1980's and early 1990's. Insurers were looking for ways to maximize profits and started aggressively using eligibility clauses in the contracts they offered to only insure the healthiest of groups. These clauses were things like minimum number of hours that must be worked, minimum number of employees had to participate, Employers must contribute a fixed percentage of the premium. These clauses allowed the Insurance companies to shield themselves from the sickest employees and are still used today.

The escalating costs of Employer Sponsored Insurance and its Eligibility restrictions started a slow migration for the self-employed and small employer groups to switch from Employer Sponsored plans to individual plans. This Migration would have devastated the Employer-Sponsored insurance market. Insurance Companies will do everything in their power to protect Employer Sponsored insurance, after all it's their Trillion-dollar cash cow.

To combat the migration in the 1990's, Insurance companies lobbied hard for new legislation called the National Association of Insurance Commissioners' (NAIC) "Small Employer Health Insurance Availability" Model Act. The effect of this legislation created another advantage to Employer-Sponsored Insurance Plans over Individual Insurance Plans. The NAIC Act made plans to small employers restricted "Guarantee Issue" the premiums could also be experienced rated. This meant that small employers could still be turned down if they did not meet eligibility requirements like minimum participation requirements. Were 80% of eligible employees had to participate in the program. The employer-contribution-to-premiums had to be 50% of the employee costs of the insurance. These groups were charged based on the claims of the group (experience rated).

While the NAIC Act did make health insurance more accessible to small businesses and temporarily slowed the migration from Employer sponsored plans it did not address the affordability and hyperinflation of the cost of health insurance. Still facing double-digit growth in health insurance premiums, many small employers either ceased offering health benefits or redesigned the plans with higher cost-sharing by employees.

The Employer-Based Health Insurance Death Spiral

A death spiral starts when an employee's cost to participate in the employer plan exceeds the employee's willingness to pay. (Insurance is transference of risk. when premiums and out of pocket costs rise to a point where it's not worth transferring the risk being insured) When this happens, the healthiest employees begin to drop off the employer plan in favor of more affordable individual policies. This causes the remaining small employer risk pool to become "sicker", resulting in higher insurance premiums on renewal the following year. Then, the process repeats. Again, the employer reduces benefits to maintain costs, more healthy employees drop off, and the rate goes up the following year. This death spiral perpetuates until the small business either: (1) cancels the plan; or (2) is unable to meet the minimum contribution requirements or minimum participation requirements set by the insurer, and the plan is canceled by the insurer. The Insurance Industry's main reason for supporting the Affordable Care Act is the instability it has caused the individual market. The ACA has driven individual Insurance premiums higher than most Employer sponsored plans, effetely killing off the completion and delaying the migration.

Rise of the Individual Health Insurance Market

Since the early part of the1980's, employer sponsored health insurance costs were steadily increasing. In the early part of the1990's, several attempts were made by the states to make health insurance more affordable and accessible to small businesses, however, these efforts did nothing to slow the rising costs of health insurance.

By the 2000's, the employer sponsored health insurance death spiral started to accelerate. This was primarily caused by new legislation in 2005 that allowed companies to offer Premium Only (Health Reimbursement Arraignments, also known as HRA). This is where an employer could offer a fixed tax-free dollar amount to the employees and the employee would use that money to purchase an individual policy of their choice. The Affordable Care Act made using premium only HRA plans illegal and subject to a fine for being a non-ACA compliant employer sponsored plan. However, the Obama administration exempted congress from this change, and it is why congress uses a premium HRA for its employees today. The average cost for a Family Employer Sponsored plan in 1999 was $5,884 per year. Today that cost has ballooned to $28,142 per year and is increasing at more than twice the rate of inflation.

The Cost of Health Insurance to Taxpayers

In 2022, the government spent approximately $2 Trillion of the $4.46 trillion total spent on Health Care. Taxpayer costs are estimated to grow to $3 Trillion of the $5.5 Trillion total spent per year by 2025. This is not sustainable and is the #1 cause of our escalating debt. If we don't find a way to control these costs, we will never be able to pay down our debt. The way to slow the out of control increases of health insurance programs is to offer an alternative to the way our government subsidies our current healthcare system. The government must offer a choice to individuals to either keep their traditional Defined Benefit program or voluntarily accept a Defined Contribution program.

Government Current Defined Benefit Expenditures

Current Health Insurance plans are Defined Benefit Plans. Medicare, Medicaid, CHIP, Employer Sponsored, and ACA Tax Credits are all Defined Benefit Plans where premiums are paid for a specific set of covered supplies or services. The taxpayer cost of these programs in 2016 (the latest information available) are as follows

- Medicare $944 Billion
- Medicaid $805 Billion
- CHIP $23 Billion
- Government Subsidies of Employer sponsored Insurance $280 Billion
- Government Contribution to Employer-Sponsored Insurance Premiums $36 Billion
- Retiree Drug Subsidy Payments to Employer Sponsored Insurance Plans $10 Billion
- ACA tax credits $90 Billion

Enhance the ACA with a voluntary Alternative Defined Contribution

On February 28th, 2017, President Trump's remarks to a Joint Session of Congress included, "We should help Americans purchase their own coverage through the use of tax credits and expanded Health Savings Accounts - but it must be the plan they want, not the plan forced on them by our government… We should give our great state governors the resources and flexibility they need with Medicaid to make sure no one is left out".

Instead of just paying premiums directly for insurance and/or healthcare programs the government should allow individuals to voluntary elect to claim a tax credit for the purchase of any Individual Medical (IM) product available in the States that the consumer lives in. Any unused tax credit that is not spent on insurance premiums would be rolled into the consumer's tax-free HSA. Tax credits would be age-based and not income based so everyone qualifies. Tax credits are based on age on January 1 of each year in the amount of $100 starting at the age of 26. This number will be increased every 5 years based on the Current CPI.

Example

- 0 – 25 years old $2,500 per year
- 26-years old $2,600 per year
- 27-years old $2,700 per year
- 40 -years old $4,000 per year
- 50 -years old $5,000 per year
- 60 years-old $6,000 per year
- 70years old $7,000 per year
- 80 Years old $8,000 per year
- 85 years old $8,500 per year

Tax credits are advance-able and refundable which means everyone could participate.

Example 1: A 30-year-old couple with 2 children over the age of 4 that has coverage through an Employer Sponsored plan could choose not to take the Employer Sponsored plan and instead receive $11,000 in tax credits to purchase individual insurance. If the family found an Individual Medical plan that met their needs for $6,000, then the $5,000 left over would be deposited into the family's HSA Account.

Example 2: A 68-year-old person, newly eligible for Medicare, could choose not to enroll in Medicare and instead claim a $6800 tax credit to purchase Individual Medical Insurance or enroll into Medicare and not claim a tax credit or could enroll into a Medicare MSA plan.

Example 3: A 30-year-old Single parent with 2 kids over the age of 4 on Medicaid could choose instead to decline Medicaid and claim $8,000 in tax credits to purchase personal portable Individual insurance for themselves and children.

If this system was in place today and everyone in America was on a defined contribution plan instead of a defined benefit plan the government would be paying the following:

- U.S. Population 0-25 years of age 81 million. 81 x $2,500 = $202.5 Billion
- U.S. Population 26 -30 years of age 22.6 million. 22.6 x $2,800 = $63.6 Billion
- U.S. Population 31-35 years of age 22.2 million 22.2 x $3,300 = $73.3 Billion
- U.S. Population 36 -40 years of age 22.2 million 22.2 x $3,800 = $84.4 Billion
- U.S. Population 41-45 years of age 21 million 21 x $4,300 = $92.5 Billion
- U.S. Population 46-50 years of age 19.7 million 19.7 x $4,800 = $94.6 Billion
- U.S. Population 51-55 years of age 21 million 21 x $5,300 = $111 Billion
- U.S. Population 56-60 years of age 21.3 million 21.3 x $5,800= $123.5 Billion
- U.S. Population 61-65 years of age 21.3 million 21 x $6,300= $132 Billion
- U.S. Population 66-70 years of age 17.9 million 17.9 x $6,800= $122 Billion
- U.S. Population 71-75 years of age 14.8 million 14.8 x $7,300= $108 Billion
- U.S. Population 76-80 years of age 9.5 million 9.5 x $7,800= $74.1 Billion
- U.S. Population 81-85 years of age 6 million 6 x $8,300= $50 Billion
- U.S. Population 85-90 years of age 3.9 million 3.9.3 x $8,800= $34.4 Billion

- U.S. Population 90-100+ years of age 2.6 million 2.6 x $10,450= $27 Billion

Total government outlay 1.4 trillion vs the current 2 trillion.

Today's cost of health insurance in traditional HSA ppo Health Insurance plans with $5,000 deductible 100% coinsurance.

68022 zip code

25-year-old male $135 a month

25-year-old female $136 a month

30-year-old Male $141 a Month

30-Year-old Female $159 a month

35-Year-old Male $162 a Month

35-Year-old female $191 a Month

40-Year-old Male $196 a Month

40-Year-old female $225

45-Year-old Male $242

45-Year-old Female $261

50-Year-old Male $299

50-Year-old Female $287

55-Year-old Male $365

55-Year-old Female $347

60-Year-old male $447

60-Year-old female $390

Benefit -1, Working Families, and the Cost of Insurance

For many, employer-based health insurance has become too expensive. For example, schoolteachers typically must pay $500 or more a month to add their families to the schools' health insurance plan. The age-based tax credits are generous enough that many families would have 100% of their health insurance premium paid plus receive thousands of dollars into their HSA account. This means teachers would save at least $6,000 a year in premiums that they are currently spending plus the $4,000 HSA deposit for a net change of $10,000 a year. Defined Contribution Plans enhances spendable income to the America's middle-class families and working poor. Some families save even more. The current Obamacare price in Omaha for the lowest cost Silver Plan for a 60-year-old couple with Obamacare is $34,500 a year. This couple will get zero Obamacare income-based tax credit if they earn $65,000 a year. However, they would qualify for $12,000 in the age-based tax credit plan that would pay 100% of the cost of an Individual Medical product that is currently available in Nebraska. This couple would save $34,500 a year in premiums.

Benefit -2, The Price of Products and Services will Drop.

The current cost of our products and services are higher because the high cost of employer-sponsored health insurance is embedded into their cost. The Defined Contribution Plan will strip these high-embedded costs out of American products and will make our products and services more competitive in world markets. When products and services are lower for Americans their hard-earned dollars will purchase more and last longer. When American products are more competitive the economy will grow accordingly.

Benefit -3, Local Taxes Will Drop

One of the biggest expenses for City, County and State Governments is the cost for employee health insurance. The Defined Contribution Plan lifts the cost of employee insurance off the backs of local governments, which will allow all local taxes to be diminished.

Benefit -4, Older Workers Become Employable Again

Employer-based health insurance discriminates against older workers because their health insurance costs are more. Companies prefer the lower health insurance costs of younger workers so it is more difficult for employees over the age of 45 to find employment if they lose their job. Employers won't care about the age of an employee if the employee has their own health insurance with age-based tax credits. This change will help older workers find new employment.

Benefit -5 Increase federal tax income

The current tax deduction of employer-based insurance plans is the single largest cost of the federal government. The federal government is missing out on over $300 billion a year in tax revenues. This along with the bloated cost it pays for federal government employees. Would save the government nearly a trillion dollars a year.

Benefit -6 eliminate jog lock create generational wealth.

Insurance would no longer be tied to employment. The policy would be individually owned. HSA deposits would grow and have substantial value over people's lifetime's allowing for assets to be accumulated for future health care needs. Unused funds would be transferred tax free to dependents.

Enhanced Health Savings Accounts (HSA)

All Politicians agree on making HSAs bigger, better and bolder by increasing the amount that may be deposited each year. The maximum deposit would double so singles may deposit $6,900 and families $13,300. Employers may also choose to help fund HSA's. When employers pay employees in their paychecks they must pay payroll tax, workers' compensation, and unemployment taxes. Employees must pay payroll tax, Federal and State Income tax in most States. When employers make HSA deposits to employees all these costs are eliminated. HSAs are compensation without taxation. HSA's earn interest and may be invested in mutual funds for the possibility of higher returns. HSAs turn high taxes and health insurance premiums into assets for employees.

Defined Contribution Plans for Young Families

The big question is: why spend the money that is growing tax free? Some people that spend $100 at the dentist don't have to spend the funds from their HSA. Instead, they pay with a different VISA and save the dental receipt because they have the freedom to let the HSA funds continue to grow tax free and can reimburse themselves the $100 at time in the future. Some HSA clients today have over$150,000 in their HSA and have never taken any funds out so they can be used later in retirement.

Prosperity for America

Lifting the cost of health insurance off the backs of American employers will make our economy soar like never before. America needs a salesman to sell the idea of American healthcare reform so our Nation can begin our healing process. Defined Contributions are exactly what the doctor ordered. America needs more options, more choices and more freedom, including age-based tax credits. Defined Contributions will empower America to save premiums, eliminate taxes and build wealth. Modernizing our inefficient healthcare system with American Healthcare Reform will make America great again. Transitioning from the current mediocre, Medicaid, ACA employer sponsored plans will take time. Creating the option and the private sector will keep premiums in check along with empowering the insured to understand the costs of health care.

Population by Age
https://www.statista.com/statistics/241488/population-of-the-us-by-sex-and-age/

Government Costs
http://www.pnhp.org/news/2016/january/government-funds-nearly-two-thirds-of-us-health-care-costs-american-journal-of-pub
http://ajph.aphapublications.org/doi/abs/10.2105/AJPH.2015.302997

Key Dates
https://www.ncbi.nlm.nih.gov/books/NBK235989/table/ttt00007/?report=objectonly

Reforming Federal Pay
https://www.downsizinggovernment.org/federal-worker-pay

Cost of Health Insurance 1980
http://www.nber.org/chapters/c9863.pdf
https://www.bls.gov/opub/mlr/2008/06/art3full.pdf
https://www.dol.gov/dol/aboutdol/history/reich/reports/costs.htm

Government cost

https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html