

## Who Will Benefit and Who Will Lose from Obamacare?

The debate continues over the Patient Protection and Affordable Care Act (ACA, Obamacare) (1). On the one hand the White House and their Democratic supporters say the law will: 1. Expand coverage to the poor; 2. Control costs; and 3. Improve care. On the other hand, opponents say the law is a job killer. Employers will be forced to eliminate positions, or reduce staffers to part-time hours to save costs. A recent article stated that Obamacare is certain to create a number of new positions but that seemed to be only part of the story (2). Below we offer our short lists of who will benefit and who will lose under Obamacare.

### *Who Will Benefit*

- 1. Uninsured patients.** Many patients who are uninsured or underinsured will benefit because their lack of health insurance results in delays in diagnosis and treatment. Uninsured patients often seek care in the hospital emergency department. Included in the uninsured are the poor and those with preexisting conditions.
- 2. Hospitals.** Most hospitals are not-for-profit and as part of their community service provide free or undercompensated care to patients without health insurance. However, under Obamacare, hospitals will now receive payment improving profitability (3). However, the Center for Medicare and Medicaid Services (CMS) has shown a tendency to punish hospitals that underperform on certain performance measures such as 30 day readmission rate. It is possible that the initial increase in payments may be eventually be offset by reduction in payments for noncompliance.
- 3. Insurance Companies.** Everyone will be required to purchase health insurance and that is great for the insurance business. Because there is some uncertainty regarding the eventual costs, insurance companies will generously estimate any increase in costs and pass this along to the consumer. Overall premiums will likely increase.
- 4. Lawyers.** Obamacare rules and regulations are highly detailed, complex, confusing and changing. This will require increased numbers of lawyers to interpret the law and decide how it should be followed. It has been estimated that companies will spend \$6 billion on legal services relating to government regulations this year, up 5% from 2012 (2). This will likely continue to increase under Obamacare.
- 5. Administrators and Bureaucrats.** The complicated rules and regulations of Obamacare will be policed at several levels. This will require increased manpower to maintain compliance from the hospital quality assurance department to the state and Federal government. Payroll employees will need to increase. Obamacare requires employers to offer insurance to employees who work an average of 30 hours a week or more, at a cost for workers of not more than 9.5% of their annual salary. The responsibility of tracking work hours and health spending will fall to payroll departments.

Under Obamacare, doctors and hospitals must use electronic medical records, replacing paper systems with digital records and billing. According to the Bureau of Labor Statistics (BLS) the number of medical records and health information technicians employed in the U.S. has grown 7% to more than 182,000 since 2009, before Obamacare was enacted (4). Employers will also have to build new electronic systems to report the costs of their employees' health coverage to the government, although they will have more time to do it, since the 2014 deadline has been extended.

Medical billing coders to submit the new electronic payments will be needed. The estimated 25-30 million new patients will bring many new bills. This will include coders not only for physician offices and hospitals, but also coding jobs for insurance companies.

Navigating Obamacare will likely require a huge increase customer support staff known as "navigators". The Centers for Medicare and Medicaid Services recently announced it would provide \$54 million to fund the positions, and virtually any individual or entity could apply to serve as navigators.

Consultants will be needed to advise administrators how to reduce costs and increase profits. These consultants will cost money.

Administrators will likely seize the opportunity to increase their control over medical practice and increase their pay by claiming increased responsibilities supervising more employees. Over the past 20 years there has been a decrease in administrative efficiency and an accompanying increase in administrators and administrative costs (5). Obamacare will likely continue this trend.

- 6. *Fitness Clubs & Health Education Providers.*** The law pressures employers to reduce their health spending by making workers healthier. Companies will likely hire health education providers to help employees design personalized nutrition and fitness programs, and offer workers incentives to participate. The field will grow 24% to over 300,000 positions by 2020, according to the BLS (6).
- 7. *Nurse Practitioners and Physician Assistants.*** The increase numbers of people with health coverage through Obamacare is expected to increase the demand for physician services by at least 2% to 3% (2). Because Obamacare emphasizes preventive care, the increase will be especially high for primary care for services such as regular checkups and other preventive medicine. However, the relatively sudden increase in patients will not be matched by a sudden increase in physicians. Doctors, especially primary care physicians, are already in short supply and take years to educate before entering the workforce (1). The physician workforce cannot possibly be expected to expand sufficiently to handle the increase in patients. Rather, physician assistants and nurse practitioners will be needed to perform many of the same services. BLS forecasts PA jobs will grow 30% to more than 108,000 from 2010 to 2020 (7); registered nurses will increase 26% to more than 3 million (8).
- 8. *Occupational therapists.*** Under Obamacare, patients with disabilities can no longer be denied health insurance. This will likely increase the demand for

occupational therapists, which help optimize disabled people's homes and workplaces to meet their mobility needs. However, like physicians, this profession is already in short supply with an unemployment rate of just 1% and a forecast for 43% growth in jobs by 2020 (9).

But what about the losers? Here's our short list of losers under Obamacare.

### **Who Will Lose**

- 1. Unemployed and small business.** Small business owners' fear of the effect of the new health-care reform law on their bottom line is prompting many to hold off on hiring and even to shed jobs in some cases, a recent Gallup poll found (10). Forty-one percent of the businesses surveyed have frozen hiring because of Obamacare. Nineteen percent answered "yes" when asked if they had "reduced the number of employees you have in your business as a specific result of the Affordable Care Act" (10).
- 2. Physicians.** Increased demand for physician services, which are already in short supply, should increase physician reimbursement. However, it has been clear for some time that the law of supply and demand does not apply to healthcare. Instead, Obamacare will further reduce fees to health care providers, by \$415 billion over 2013-2022 (11). As these reductions go into effect, more and more physicians are certain to stop taking new patients whose insurance offers low reimbursement. This is already happening with Medicare and Medicaid patients. This may lead to poorer health outcomes especially in the poor, the very people Obamacare was intended to help the most (11).
- 3. The Poor in Some States.** The poor should finally have access to affordable insurance under Obamacare, but millions will most likely remain uninsured (12). Low-income adults in the 21 states that aren't expanding Medicaid will not be eligible. Some 4.9 million people will not be covered in 2016 if these states don't expand, according to the Urban Institute. Another 1.5 million uninsured are in six states that are considering expansion, but have yet to approve it. The three states in the Southwest, Arizona, New Mexico and Colorado are all expanding.
- 4. Safety-Net Hospitals.** Hospitals that serve the most vulnerable patients, so called safety-net hospitals, may be hurt by Obamacare (13). These hospitals receive "disproportionate share payments" through the Medicare and Medicaid programs, money to cover high levels of uninsured patients. These payments will be cut by more than \$30 billion over the next decade. Under Obamacare, the safety-net hospitals will gain a new source of revenue when millions of the uninsured gain coverage but the law's spending cuts could result in a net decrease in reimbursement. This may be especially true in those states that are not expanding Medicaid. Safety-net hospitals in these states may end up with the same number of uninsured patients but with less reimbursement.

5. **Lightly-Regulated States.** Some states allow insurers to sell bare-bones plans excluding the sick, which keeps costs down (14). Under Obamacare, insurers must offer a package of essential benefits -- including maternity, mental health and medications -- and must cover all who apply. States including Indiana, Ohio, Florida and South Carolina, have recently released preliminary rate information highlighting steep price increases. In contrast, states such as California and New York will likely see price reductions since they already require insurers to provide comprehensive coverage. Rates there could fall by half since the pool will expand to include many younger, healthier residents under Obamacare.
6. **Young Men.** Obamacare requires that women pay the same amount as men. Furthermore, Obamacare does not allow insurers to charge older participants more than three times the young. One analysis found that 21-year-old men will pay more, but older women and men will pay less (14). A young man's increase would be 63% while older men and women will pay about 6-7% less.
7. **Healthy Patients.** Healthy patients will likely pay more for less care. One example is healthy young men (see above), but also included are people who do not need many of the preventative services offered such as smoking cessation, weight reduction, etc.

Obamacare promises improved, cheaper healthcare. The logic is that costs would be reduced and healthcare would be improved by paying only for value- and evidence-based care. However, this approach has been in place for some time at CMS and has yet to reduce costs or improve care. For example, President Obama promised that electronic healthcare records would "...cut waste, eliminate red tape and reduce the need to repeat expensive medical tests". However, rather than reduce costs, the opposite happened. With better documentation, physicians billed at higher levels actually increasing costs (15). Response blaming physicians was swift implying physician malfeasance rather than administrative mismanagement (16). To date no evidence of widespread fraud has been produced. Even CMS' highly touted hospital infection reduction program fails to pass muster on close inspection. The incidence of hospital infection relies on hospitals self-reported data. Faced with a financial penalty, many hospitals have chosen to be less than truthful about their infection rates rather than accept a reduction in payments (17).

Most of the deficiencies of Obamacare can be corrected. Correction can only occur when programs are tested and then observationally evaluated to identify problems that may arise. Elements of programs that are beneficial should be continued and improved. Bad ones should be dropped. The political game of continuing costly programs that do not improve healthcare and spinning the results will jeopardize everyone's future. Even with the most perfect programs (and Obamacare is far from that), Obamacare insures 30 million additional people and that costs more. The money to pay for it will have to come from healthy workers. There is no such thing as a free lunch.

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