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## ObamaCare Death Spiral Update

Increasingly, the only customers for ObamaCare policies are those who are already sick.



UnitedHealth Group Inc. headquarters in Minnetonka, Minn., March 9.

*PHOTO: BLOOMBERG NEWS*



By  
**HOLMAN W. JENKINS, JR.**

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It's hard to exaggerate the alchemy of distortions that are turning ObamaCare into such a pending disaster that big insurers like Aetna, Anthem, Humana and UnitedHealth Group, once supporters, can't cut back their participation fast enough.

ObamaCare was always going to be a questionable deal for taxpayers if the only people who signed up were poorer people whose premiums were largely paid by taxpayers. That was fine as far as insurers were concerned. They can make a profit even if taxpayers are the only ones paying.

For insurers, the problem lies elsewhere: ObamaCare policies have proved so unattractive that even customers eligible for subsidies are turning away unless they also happen to be seriously or chronically ill. That's because deductibles and copays keep going up with each successive renewal period. For a family of four on a bronze plan, the deductible is now above \$11,000. This is the equivalent, in the case of routine illness or injury, of not being insured at all.

And the problem only gets worse as insurers, to stem their losses, keep hiking premiums, copays and deductibles. With each turn of the wheel, ObamaCare becomes an insurance program that appeals only to those who already know they face large health-care costs.

From Day One, defenders of the Affordable Care Act pooh-poohed the “death spiral” predictions that sober analysts, being realistic about the law's incentives, voiced. Yet the outcome was always implicit in the program's design. The death spiral would have been a non-birth spiral if ObamaCare hadn't originally offered direct, temporary subsidies to insurers to offset their losses. ObamaCare wouldn't be with us today if insurers weren't hanging on in quiet expectation that Washington somehow will come up with more funding to keep the jalopy going. Indeed, even as Aetna, one of ObamaCare's biggest cheerleaders, was throwing in the towel this week on plans to expand its ObamaCare exchange business, its chief, Mark Bertolini, was full of ideas for how taxpayer money could be used to make the business profitable.

There are rational ways to subsidize health insurance for the needy (and stop subsidizing the non-needy). There are rational ways to compensate insurers for taking on the uninsurable, i.e., those with pre-existing conditions.

All this could have been done without losing perverse and uncontrollable incentives of the sort that already make U.S. health care so problematic. Alas, non-Rube Goldberg is not Congress's métier.

So we come to last month's *reductio ad absurdum*. In a lawsuit, UnitedHealth Group, the country's biggest health insurer, charges that American Renal Associates, one of the biggest providers of kidney treatment, supplied charitable “donations” to pay for ObamaCare policies (average annual premium \$4,800) so patients could patronize American Renal's dialysis treatment (average annual cost \$100,000).

What's more, United claims many of these patients, for which American Renal billed \$4,000 per session, were eligible for Medicare or Medicaid, which pays less than \$300 per session.

OK, modulate your outrage for the fact that American Renal vehemently denies the allegations—and for the fact that Medicare and Medicaid keep themselves afloat partly by underpaying for services like dialysis, knowing providers will make up the difference by charging higher prices to private customers.

State and federal regulators increasingly face this problem and are in a deep quandary. After all, ObamaCare is supposed to cover those with pre-existing conditions, and hospitals and other providers have every incentive to sign up their sickest patients for ObamaCare to make sure they get paid. How can anyone complain about charity?

All this cost shifting and gaming of our payment systems is inevitable because long-term U.S. policies have created a customer, i.e. patient, at the point of sale who has little skin in the game financially once insurance kicks in. The same patient also tends to be relatively passive on the question of whether care is medically necessary once someone else is paying.

During the 2008 campaign, President Obama stated a deceptively insightful vision of health-care reform: If health insurance were a good deal, nobody would have to be forced to buy it. He was specifically rejecting, of course, Hillary Clinton's proposed individual mandate (which he would later adopt). But his original concept was a good one. By now, nobody who has paid attention fails to grasp all the ways our system rewards providers for delivering excessive care at excessive and uncompetitive cost.

Many Democrats, it's no secret, see these perversities as a feature and not a bug—bringing closer the day when Washington will take charge of health care entirely. It's their article of faith, impervious to experience, that the solution to government screwing up health care is to give government more power over health care.