

# A 'Repeal and Replacement' primer

**(Editor's Note: This is part two in a Guest Viewpoint series exploring the questions and possible solutions about overhauling the Affordable Care Act. The first in the series appeared in the Feb. 4 issue, submitted by Rand Dawson)**

In attempting to understand the impending battle over repeal and replacement of the Affordable Care Act (ACA), it is important to keep in mind what ACA is: a program of individual health insurance to enable people to have affordable health coverage free from excessive financial risk.

Like all insurance, it operates by pooling the premiums of members of large classes to pay the losses actuarially predicted to be incurred by some of them.

The Law of Large Numbers tells the actuaries that the more people in the pool, the more predictable the losses will be of the actual losses experienced.

Through ACA, an estimated 20 million people gained coverage. The nonpartisan Congressional Budget Office estimates when ACA is repealed, virtually all of them

will lose their insurance within the first year. Leaving popular ACA provisions, such as the prohibition of pre-existing limitations, in place, health premiums will increase dramatically.

Assuming there's no replacement, premiums in the individual insurance market would double by 2026.

**Questions Raised:**

Why did the number of insureds dramatically increase under ACA, why will millions lose their coverage if it is repealed and why will premiums dramatically increase?

*Underwriting health insurance:*

Insurance underwriters evaluate the risk and exposures of potential clients. They decide how much coverage the client should receive, how much they should pay for it, or whether even to accept the risk of insuring them. Prior to ACA, individual health insurance pre-existing condition underwriting norms, according to the Kaiser Family Foundation, would today deny coverage to 27 percent of Americans younger than 65 — or 52 million people.

**GUEST VIEWPOINT**

By **ARNOLD BUCHMAN**  
RETIRED COUNSEL TO HEALTHCARE INSURER CIGNA

Women and seniors were charged higher premiums because they were generically more at risk. Policies were canceled if customers used them too much or rescinded if, upon the filing of a claim, a minor or unrelated pre-existing condition was found to have been undisclosed on the original application.

The underwriting limitations imposed on individual policies were thought necessary to make a profit. But, they also put adequate insurance at a reasonable price beyond many individuals and small businesses.

**ACA Solution:**

Underwriting for a group presents a more limited risk if the group is balanced between the healthy and unhealthy in a sufficiently large, able-bodied group such as an employer-sponsored plan covering working individuals. ACA attempted to overcome the risks inherent in individual insurance by requiring everyone to participate, thereby creating a large, balanced group.

To make it affordable, premium subsidies geared to income were provided. To make it adequate, certain benefits were mandated. To make coverage understandable, exchanges that presented prescribed coverage/premium options in terms allowing direct comparison between competing insurers

were created.

To entice risk-wary insurers to participate in the exchanges, underwriting losses was limited.

**Repeal:**

The initial steps taken by Congress and an executive order signed by President Trump have further shaken an already unsettled insurance market.

The prospect of eliminating all or parts of ACA has made hospitals and doctors nervous and confused and scared patients that mandated benefits such as pre-existing condition limitation exclusions, preventative care and caps on annual and lifetime out-of-pocket costs — even in group policies covering 150 million people — will no longer be provided.

Thus, insurance premiums for individuals can be expected to grow beyond reasonable reach for all but the upper class.

And for groups as well since exorbitant profit-taking by drug and device companies, medical equipment makers, labs, and supposedly "nonprofit" hospitals will no longer be curtailed by ACA.

As this happens, fewer and fewer healthy individuals buy insurance leaving more and more unhealthy people in the insurance pool generating more and more claims requiring higher and higher premiums; a

process known in the insurance industry as the "death spiral" as the risk becomes too great to underwrite.

Faced with the prospect of death spirals coupled with the uncertainties of "repeal and replace," insurers inevitably will exit the marketplace.

**Replacement:**

"Free market" solutions have been offered up. However, as David Brooks points out, the American health care system is not like a normal market.

Consumers' needs for health care are mostly unpredictable and providers who know everything about medicine don't give much information on comparative cost and quality to their patients who know virtually nothing.

Patients "under the knife" for emergency have little choice and see the bill only after care is provided. Fees for services are often determined by how many procedures are done, not whether the problem is fixed and the bill is only vaguely related to the services they've received.

Coverage is not access.

Access is the opportunity or ability to obtain coverage. So, proposed free market solutions providing access rather than coverage fall short of achieving the ACA goal of affordable coverage that enables people to actually obtain adequate health services free from excessive financial risk.

Relying on traditional underwriting concepts in replacing ACA turns on the questions of whether health coverage is a

right of citizenship and what having insurance means.

Some of the following questions will need to be asked:

Is it simply making access more affordable to people able and willing to pay for it? What of access for those whose income is below the federal poverty line?

Should out-of-pocket and premium costs be capped at an affordable fraction of every citizen's income?

Should subsidies be provided and if so in the form of tax deductions? Credits? Vouchers? Can the group to be covered be made big and diverse enough without compulsory participation so the Law of Large Numbers yields accurate underwriting?

Can the opponents of ACA devise a competitive, free market health care system that can deliver good care at lower costs when the developed world has yet to do so?

And, of course, where will the money to pay for all this come from?

Such are the policy questions that need to be resolved in judging whether a program replacing ACA is meaningful.

Or, whether Retain and Repair ACA would not be a better approach than Repeal and Replace.

*Arnold Buchman spent more than a decade with CIGNA Corp. devising and implementing financial and benefit-delivery group health insurance strategies.*



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## Annual 'Fraudville' event to raise funds for B&G club

The Boys and Girls Club's seventh annual "Fraudville" lip sync event will be held Saturday, Feb. 25, at Three Rivers Casino Resort.

"Fraudville" is a fun-filled evening featuring seven local businesses and organizations strutting their stuff on stage, as they vie for a trophy in the lip-sync contest.

Hal's Electric hopes to retain the first-place title they won last year.

They will be competing against Siuslaw Elementary School teachers and staff, Oregon Pacific Bank, Boys and

Girls Club Board members, Mapleton School teachers and staff, Florence Kiwanis and Coastal Fitness.

In addition to the lip-sync contest, there will be a silent auction with delectable treats, libations, art and sporting gear, and four live auction items with special prizes and trips.

A Name-That-Tune game was introduced last year and was so popular that it will return this year.

New to the event is a Roomba Beer Pong, where players are challenged to get the ping pong ball into a moving beer cup and may win a 6-pack.

Judging the event will be

Nicole Hundley, long-time participant in the lip-sync contest, "Boomer" and Susan Wright, Roger and Calista Cates, and special guests John and Patty Hardison.

At the start of the evening, guests will be invited to bid on a Wild Card seat at the judges table.

Rounding out the fun and games is a raffle for a Lamiglass Salmon Rod with a Shimano reel and a chartered salmon fishing trip for two, with a total package value of \$540.

All prizes are sponsored by Hal's Electric, Tony's Garage, Hunt Family Dentistry, and HuntingFish Charters.

Raffle tickets sell for \$5 each, with a maximum of 500 tickets to be sold.

"Fraudville" tickets are now on sale at Coast Insurance Services, Oregon Pacific Bank, Banner Bank, New Concepts, Boys and Girls Club and at the door for \$25.

Tickets allow entrance to the event and include food and ice cream sundaes.

A limited number of reserved seats are still available. These seats allow for up-front viewing of the hilarious antics of the lip-sync bands. Call Coast Insurance for these reserved seats by calling 541-997-3455.

All proceeds support programming at the Boys and Girls Clubs of Western Lane County.



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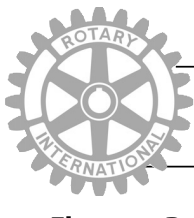
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**100 Acts of Good**

44. **Florence Rotary** continues to disburse funds for the 2015-2016 Peru Water Grant
45. **Rotary** donates \$250 to Siuslaw Middle School 8th grade Civil War field (re-enactment) day
46. **Rotary** donates \$250 to Siuslaw High School Project Graduation for a safe, alcohol and drug-free graduation night
47. **Florence Rotarians** help host the Heceta Head Lightstation's Victorian Christmas Open House
48. **Florence Rotarians** assist the Florence Kiwanis Club sell \$2365 in See's Candy
49. **Rotary** donates \$500 to Siuslaw Volleyball Club

For more information Call President, Pat Riley: 541-991-6371  
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## Civil Rights work to be recognized at library

On Saturday, Feb. 25, KXCR, Community Radio, and Citizen's Democracy Watch will commemorate 400 years of social justice activism.

The event will be held in the Bromley Room at the Siuslaw Public Library, and is free to the public.

The commemoration will include a remembrance of those who gave their lives to work for equal rights from 1717-2017.

The meeting will conclude with a conversation discussing issues of social justice and work that remains to be done.

For more information contact Jenny Velinty at 541-997-7573.



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