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The Obamacare Shock

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The Affordable Care Act, aka Obamacare, goes fully into effect at the beginning of next year, and predictions of disaster are being heard far and wide. There will be an administrative “train wreck,” we’re told; consumers will face a terrible shock. Republicans, one hears, are already counting on the law’s troubles to give them a big electoral advantage.

No doubt there will be problems, as there are with any large new government initiative, and in this case, we have the added complication that many Republican governors and legislators are doing all they can to sabotage reform. Yet important new evidence — especially from California, the law’s most important test case — suggests that the real Obamacare shock will be one of unexpected success.

Before I can explain what the news means, I need to make a crucial point: Obamacare is a deeply conservative reform, not in a political sense (although it was originally a Republican proposal) but in terms of leaving most people’s health care unaffected. Americans who receive health insurance from their employers, Medicare or Medicaid — which is to say, the vast majority of those who have any kind of health insurance at all — will see almost no changes when the law goes into effect.

There are, however, millions of Americans who don’t receive insurance either from their employers or from government programs. They can get insurance only by buying it on their own, and many of them are effectively shut out of that market. In some states, like California, insurers reject applicants with past medical problems. In others, like New York, insurers can’t reject applicants, and must offer similar coverage regardless of personal medical history (“community rating”); unfortunately, this leads to a situation in which premiums are very high because only those with current health problems sign up, while healthy people take the risk of going uninsured.

Obamacare closes this gap with a three-part approach. First, community rating everywhere — no more exclusion based on pre-existing conditions. Second, the “mandate” — you must buy insurance even if you’re currently healthy. Third, subsidies to make insurance affordable for those with lower incomes.

Massachusetts has had essentially this system since 2006; as a result, nearly all residents have health insurance, and the program remains very popular. So we know that Obamacare — or, as some of us call it, ObamaRomneyCare — can work.

Skeptics argued, however, that Massachusetts was special: it had relatively few uninsured residents even before the reform, and it already had community rating. What would happen elsewhere? In particular, what would happen in California, where more than a fifth of the nonelderly population is uninsured, and the individual insurance market is largely unregulated? Would there be “sticker

shock” as the price of individual policies soared?

Well, the California bids are in — that is, insurers have submitted the prices at which they are willing to offer coverage on the state’s newly created Obamacare exchange. And the prices, it turns out, are surprisingly low. A handful of healthy people may find themselves paying more for coverage, but it looks as if Obamacare’s first year in California is going to be an overwhelmingly positive experience.

What can still go wrong? Well, Obamacare is a complicated program, basically because simpler options, like Medicare for all, weren’t considered politically feasible. So there will probably be a lot of administrative confusion as the law goes into effect, again especially in states where Republicans have been doing their best to sabotage the process.

Also, some people are too poor to afford coverage even with the subsidies. These Americans were supposed to be covered by a federally financed expansion of Medicaid, but in states where Republicans have blocked Medicaid expansion, such unfortunates will be left out in the cold.

Still, here’s what it seems is about to happen: millions of Americans will suddenly gain health coverage, and millions more will feel much more secure knowing that such coverage is available if they lose their jobs or suffer other misfortunes. Only a relative handful of people will be hurt at all. And as contrasts emerge between the experience of states like California that are making the most of the new policy and that of states like Texas whose politicians are doing their best to undermine it, the sheer meanspiritedness of the Obamacare opponents will become ever more obvious.

So yes, it does look as if there’s an Obamacare shock coming: the shock of learning that a public program designed to help a lot of people can, strange to say, end up helping a lot of people — especially when government officials actually try to make it work.