

# The Bad News About ObamaCare Keeps Piling Up

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**It's now obvious that many millions will lose the coverage they have.**

In his brilliant exposition of why sweeping policy changes often have unintended consequences, the late sociologist Robert K. Merton wrote that leaders get things wrong when their "paramount concern with the foreseen immediate consequences excludes the consideration of further or other consequences" of their proposals. This leads policy makers to assert things that are false, wishing them to be true.

Which brings us to President Obama's many claims about his health-care reform. Take his oft-expressed statement that if you like the coverage you have, you can keep it. That sounds good—but perverse incentives in his new law will cause most Americans to lose their existing insurance.

This was brought home to me when I asked the CEO of a major restaurant chain about health reform's effect on his company, which now spends \$25 million a year on employee health insurance. That will jump to at least \$90 million a year once the new law is phased in. It will be cheaper, he told me, for the company to dump its coverage and pay a fine—\$2,000 for each full-time worker—and make sure that no part-time employee accidentally worked 31 hours and thereby incurred the fine.

Employees who lose coverage get to select a policy from a government-sponsored insurance marketplace called the "exchange." This will be subsidized by taxpayers. Depending on his income, a worker will have to pay between 8% and 9.8% of the cost.

But there are a few hitches. Employers now pay for employee health plans with pre-tax dollars, but workers who buy into one on the exchange pay with after-tax dollars. Families making less than \$30,000 and individuals making less than \$15,000 a year will be dumped into Medicaid, widely viewed as second-class health care.

Either Mr. Obama was stunningly blind to these perverse effects when he promised people could keep their coverage, or he felt that admitting his plan would collapse employer-provided health coverage could keep it from passing. Either way—self-deception or deliberate deceit—health reform is going to turn out far differently than was promised. And because more workers will be dumped into subsidized coverage, taxpayers are likely to pay much more than the \$1 trillion-plus price tag claimed by ObamaCare advocates for its first 10 years.

It doesn't end there. Another way the new health reform will have consequences that are the opposite of what was promised can be found in new draft regulations (its Interim Final Rule) from the Department of Health and Human Services. The proposed rules could cause as many as half of all workers to lose their existing coverage.

Health-care plans that existed before the new law are "grandfathered" with regard to some of its provisions. The rules released Monday spell out how little these plans can change without losing their protected status.

Health plans would no longer be grandfathered if a business changes insurance companies (a common practice when employers shop for lower prices), raises deductibles more than 5%, drops any existing benefits, or even increases co-pays by as little as \$5.

Complying with these new rules would raise costs for companies who provide coverage, reduce competition among health insurance companies, and discourage efforts to make employees more price conscious. The Obama administration itself estimates that these draft rules could cost up to 80% of small employers and 64% of large employers their grandfathered status. This translates to between 87 million and 115 million Americans losing their current coverage. Companies and insurers promise a hardy fight on the proposed regulations, but repeal of the provisions that authorized them are the only guarantee of their defeat.

ObamaCare generates more bad news every month. On top of sluggish job creation, burgeoning deficits, out-of-control spending, and a miserable response to the Gulf oil leak, the Obama presidency may be reaching a tipping point. His competence is being called into question and his credibility undermined. Either one is bad for any president. Both can be politically lethal.

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