

# Health insurance

The US House of Representatives recently voted to repeal and replace those elements of the Affordable Care Act (ACA or Obamacare) in such a way that the Democrats would not be afforded the possibility of mounting a filibuster in the Senate. That got us to thinking about the effect of this legislation on rural residents in general and farmers in particular.

As we are writing this the details have not been released. We are told that even those voting on the ACHA have not read it. In addition, changes were made to the legislation so close to the House vote that the Congressional Budget Office had not determined its impact or cost before House members cast their votes. As a result, our discussion will be confined to a general analysis of health insurance issues.

For the most part, individual farm operations consist of a small number of family members which makes most farmers unable to obtain employer paid health insurance unless one spouse works for a larger employer that offers coverage. That leaves many dependent upon obtaining health insurance through an affinity group like a farm organization or in the general individual market.

For many farmers, the ACA has afforded them a level of protection that was previously unaffordable. Our concern is the impact that any changes to the law will have upon farmers and other rural residents. We do know that the ACA has reduced the number of the uninsured persons in rural counties across the country.

So why the push to repeal the current legislation? The answer is both political and philosophical. Opposing Obamacare provided Congressional Republicans with a political advantage beginning with the 2010 election, an advantage they have used every election since.

The philosophical issue is more curious given that the essentials of the design of the ACA were set out by a conservative think tank in the 1990s as an alternative to Clintoncare. It was this plan Mitt Romney used to provide universal health care coverage in Massachusetts when he was governor.

If many Democrats had their way, universal health care coverage would be centered around a single payer plan like Medicare and Medicaid. But to fulfil a vision of universal health care insurance that goes back as far as Teddy Roosevelt and later Harry Truman, the Democrats settled on the current design to at least move the ball forward rather than go for a program that many worried would go down to certain defeat and thus continue nearly 100 years of failure.

The issue is not really one of the cost to the general public for covering the uninsured because we all will pay for it one way or the other.

In the absence of universal health insurance coverage, the uninsured avoid going to the doctor because of the cost. And when they must obtain medical care they head to the Emergency Room. They are treated there because hospitals generally find it morally unacceptable to turn someone away and as a result they end up with unreimbursed medical costs. To cover those costs, they charge higher rates for those patients who are insured or pay the bill out of their own pocket.

Alternatively, those unreimbursed health care costs can be covered through taxes to subsidize coverage at a level that each family can afford.

Those who think that they are healthy enough may decide to stay out of the health insurance market—often the young and members of groups like farmers without employer paid coverage—because their expected personal costs for health care are less than the cost of purchasing a policy. But in doing so they create a systemic risk for the insurance market because

sooner or later it is like playing Russian Roulette; there is a bullet in the chamber in the form of a costly, recurrent illness.

Once the expected healthcare costs are greater than the cost of insurance they want to enter the insurance market. Traditionally, insurers have guarded against that type of systemic risk by charging high premiums. Once a farmer or any family member has a skin cancer or an accident, they have a pre-existing condition and coverage suddenly becomes unaffordable just at the moment that they need it.

The ACA tried to get around this problem by requiring everyone to purchase a basic-level policy or pay a penalty on their income tax form. It may seem like coercion but with a mix of customers, insurance companies can cover pre-existing conditions at reasonable rates.

The same issue of systemic risk rears its head in talking about people purchasing just the insurance they need instead of a plan with a minimum level of coverage for most health care needs. Sooner or later they are going to need an additional coverage and when they enter the market they raise the rates for every policy holder.

At the population level, we know the what—the risk of various diseases—we just don't know who. At the individual level, we can look at family history and narrow our determination of the risk of getting any particular disease, but if we are wrong and come down with the disease the result may be very costly. Universal health insurance coverage allows us to avoid taking that risk.

Are there problems with the ACA? Certainly! One of the biggest problems for rural areas is having only one insurance plan in the program. The question is “do we throw the baby out with the bathwater” or do we get about the business of coming up with a workable solution that has broad public support and ensures that no one has to delay a needed medical visit because they can't afford the cost?

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