

It's time

Charlotte Howard *NEW YORK*

Obamacare begins its main act

It all led up to this. Lofty speeches and fierce lobbying; impassioned arguments in town halls and America's highest court; stacks of regulations and millions of dollars of federal contracts; obstinate governors and desperate efforts to appease them—these were just the prologue to the main event. On January 1st 2014 America will take a giant step towards universal health care. It is one of the few rich countries not to offer it already.

The Patient Protection and Affordable Care Act, better known as Obamacare, was passed in 2010. Some of the law's provisions are already in place—for example, young adults may stay on their parents' insurance policies. But the main provisions take effect in 2014. They will change American health care dramatically, though not always in the way Barack Obama intended.

Millions of people will have insurance who did not have it before, including many among the sick and the poor. To date, insurers have been able to charge exorbitant rates to the ill, or deny them coverage altogether. From 2014 this will be forbidden. But insurers would implode if they sold only cheap insurance to very sick people. So Obamacare offers a stick and carrot to encourage others to have insurance, too.

From 2014 an "individual mandate" will require everyone to buy insurance or pay a penalty. To help those who cannot afford insurance, Obamacare offers new subsidies. The federal government will give more money to states that expand Medicaid, the health programme for the poor. For people with incomes between 100% and 400% of the federal poverty level (\$11,490 in 2013), Obamacare will provide tax credits to buy insurance on new online shopping sites, called health exchanges.

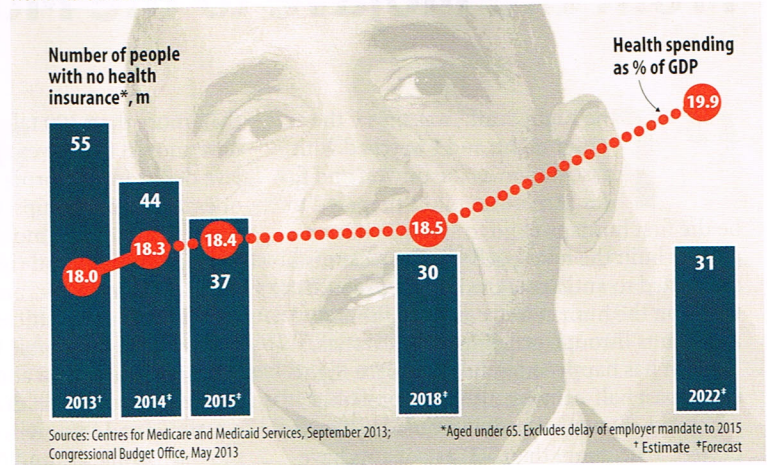
More than 40m people will remain uninsured

This will not, however, work exactly as hoped. First, the health exchanges have had a bumpy start. The government had expected states to set up their own exchanges, but most governors refused. So bureaucrats in Washington have done it for them, with contractors scrambling to build complex enrolment systems. Technical kinks plagued the exchanges' launch in October.

Second, Obamacare will extend insurance to fewer people than planned. It originally required states to expand Medicaid. Less than half of them plan to do so, thanks to a Supreme Court ruling that made the expansion optional. As a result, many adults earning less than the poverty level will be eligible for neither Medicaid nor subsidies. The Congressional Budget Office expects the number of uninsured to fall by 11m in 2014. But more than 40m people, or about one in eight Americans, will remain uncovered.

Huge pieces of the law remain a mystery. For instance, will people obey Obamacare's mandate to buy insurance? The penalty for not doing so in 2014 is only \$95, or 1% of income. Many do not know that Obamacare still exists—in August 2013, 44% of those

Coughing up Health care in America



surveyed thought the law might have been overturned.

If young, healthy people do not buy insurance in 2014, the consequences could be grave. Insurers would be left with a sickly pool of patients. That could prompt a jump in insurance prices in 2015, which would make young people even less likely to enroll, pushing up health costs further still. This dreaded "death spiral" has haunted pundits since Obamacare's inception.

The coming year will also bring new evidence of Obamacare's effect on companies. Mr Obama delayed to 2015 a requirement that companies with 50 or more full-time staff must offer insurance. Eventually some firms—and their employees—may think it better to drop insurance so that workers can seek subsidies on the exchanges. Some companies say they will hire more part-time staff to avoid having to buy insurance.

Hey, big spender

Another question is how Obamacare will affect health spending. America devoted \$2.7 trillion to health in 2011, a staggering 17.9% of GDP. The average across the OECD, a group of rich countries, was 9.3%. Spending in America has been climbing at a gentler pace, partly because of the recession. The government's actuaries expect it to start rising more quickly, as Obamacare expands insurance, the population ages and the economy recovers.

There are factors that may constrain costs, however. Obamacare includes programmes to pay doctors for providing good care, rather than just lots of it. Firms are making employees pay for a greater share of their health expenses, which is making patients act like consumers. Employers and patients alike will press hospitals to make prices transparent. In 2014 America's health market will change radically. But it will be just the start. ■

Just possibly...

The men's soccer team reaches the **World Cup final** for the first time (America's women have won it twice).

Despite being the Democratic front-runner, **Hillary Clinton** says she will not stand for president in 2016.

Frustrated by **Obamacare**, Americans limp over to **Mexico**, which has had free, universal health care since 2012.

2014 IN BRIEF

Three overseas territories elect governors: **Guam** (currently Republican), the **Virgin Islands** (Democratic) and the **Northern Mariana Islands** (run by the local Covenant Party)

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