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PACIFIC RESEARCH INSTITUTE

STATEMENT BEFORE THE OVERSIGHT AND GOVERNMENT REFORM

SUBCOMMITTEE ON HEALTH CARE, DISTRICT OF COLUMBIA, CENSUS AND THE

NATIONAL ARCHIVES

The Affordable Care Act and Its Impact on Patients

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The views expressed in this testimony are my own and do not necessarily represent those of the Pacific Research Institute or its Board of Directors.

Introduction:

Mr. Chairman and Ranking Member, I would like to thank you so very much for the invitation to testify before the Oversight and Government Reform Subcommittee on Health Care, District of Columbia, Census, and the National Archives.

Testimony:

I am going to focus my testimony on the impact of the Affordable Care Act on patients in the United States. On June 28th, 2012, the U.S. Supreme Court ruled in a 5-4 decision that the individual mandate is constitutional under Congress' power to tax. As a result, the law remains in effect until such time as it is repealed by Congress. It is noteworthy that according to the latest Rasmussen poll, 54 percent of voters would like to see the Act repealed. This percentage has been fairly constant since before the bill was signed into law on March 23rd, 2010.

Everyone agrees that the key goal for all Americans is affordable, accessible, quality care. The question is how best do we achieve that goal? There are two competing visions when it comes to answering that question. One focuses on empowering doctors and patients, and the other on expanding the role of government in our health care system through increased mandates, new subsidies, higher taxes, and controls on insurance companies. This latter vision is President Obama's which he managed to enact in the 2700-page Patient Protection and Affordable Care Act. It is my belief that his ultimate goal is a single payer, "Medicare for All" program for all Americans.

The President's two main goals for health care reform were universal coverage and bending the cost curve down. On universal coverage, it is expected that 34 million out of the 50.2 million Americans who were uninsured in 2011 according to the latest U.S. Census Bureau figures, will become insured starting in 2014. Approximately 18 million will be added to the 50 million currently enrolled in Medicaid, the federal-state funded program for low income Americans who earn under 133 percent of the Federal Poverty Level (FPL). A further 16 million will receive subsidies from the government on a sliding scale up to 400 percent of the FPL.

The Congressional Budget Office (CBO) has estimated that by 2021 there will be approximately 23 million who are still uninsured. This is not the universal coverage that was promised. It is also interesting that of the 50.2 million uninsured in 2010, 14 million were eligible for Medicaid and CHIP and had not signed up. It is my belief that most do not sign up because of the difficulty in finding a doctor. Physicians do not want to treat Medicaid patients because the government reimbursement rates are so low. It is projected by HHS that Medicaid payments are between 58 percent and 66 percent of private health insurance payments, a 34 to 42 percent underpayment.

It is also important to note that just because a person does not have health insurance it does not mean he or she does not get health care. Under the federal law EMTALA, anyone can turn up at an emergency room and receive treatment. In addition, of the roughly 50 million uninsured about 20 million live in households with incomes greater than $50,000 a year. Two-thirds are young people between 18 and 31, the young invincibles, who decide that purchasing insurance is not a good economic decision for them. Many of them pay for their care out of pocket when they need it.

Now for the issue of cost, the U.S. spent 17.9 percent of GDP or $2.6 trillion on health care in 2010—one-sixth of our economy. It has been projected in an article in *Health Affairs* that by 2020, the U.S., under the President's law, will spend about $4.6 trillion on health care or 20 percent of GDP. This projection suggests the ACA will not achieve its goal of lowering the cost of health care.

Spending in the U.S. is often compared to Canada, a country that spends 11.4 percent of GDP on health care. The question is raised, if Canada can spend a much lower percentage, why can't the U.S.? The answer is that Canada has a single payer system which began when the government took over health care in the 1970s. The government sets a global budget and determines what percent of GDP can be spent on health care. The problem is that the demand for health care is much greater than the government is prepared to spend. As a result, costs are kept down but care is rationed, there are long waiting lists for care, as well as a lack of access to the latest treatments and procedures.

According to the Fraser Institute's latest report *The Private Cost of Public Queues, 2012*, the average wait time from seeing a specialist to getting treatment by a specialist is 9.5 weeks, up from 9.3 weeks in 2010. The report also showed that in 2011, 941,321 Canadians out of a population of 35 million are waiting for treatment.

Take the case of my own mother who lived in Vancouver, Canada. In June 2005, she thought that she had colon cancer so I suggested that she make an appointment with her primary care doctor which she did. Her doctor felt that she did not have colon cancer but did order an X-Ray which did not reveal cancer. I told her that she needed a colonoscopy to determine whether or not she had colon cancer. She followed up with her doctor who told her that because she was a senior and because there were many younger people already on a waiting list for the procedure, that she would not be eligible for one. By late November, my mother had lost 30 pounds and was hemorrhaging. I called the doctor and she went to Vancouver General Hospital in an ambulance. She spent two days in the Emergency Room and two days in the "transit lounge" waiting for a bed in a ward. My mother got her colonoscopy but she passed away two weeks later from metastasized colon cancer. By denying or rationing care, it is possible to keep costs down but it does not bode well for a patient's health.

Under the Affordable Care Act, it is inevitable that in order to bend the cost down, care will be rationed like it is in Canada and the U.K. Patients will suffer.

The President wanted a health care bill that cost $900 billion over 10 years. The CBO estimated that the final bill would cost $940 billion over the decade beginning in 2010. The CBO recently revised its forecast saying that the cost of the ACA will be $1.76 trillion from 2012 to 2022. This is almost double the amount projected. Richard Foster, Chief Actuary at the Centers for Medicare and Medicaid Services (CMS) told Congress that he did not think that "the ACA would hold down costs or let everyone keep their insurance if they like it." This goes against the President's oft-repeated promise "if you like your health insurance and you like your doctor, nothing will change." During the lengthy debate on the law, the CBO said that the average family would see their premiums increase by $2100 rather than decrease by $2500 as the President kept promising.

The Kaiser Family Foundation reported in 2012 that premiums in 2011 were up 9 percent for families over 2010 compared to a 3 percent increase over the preceding year. They said the average premium in 2011 was $15,073. The consulting firm Milliman has predicted that the average family premium in 2012 will be $20,728.

Several economists have projected that the cost of the law from 2014 to 2024 will be closer to $2.6 trillion. That is because most of the cost drivers do not go into effect until 2014—Medicaid expansion, individual and employer mandates, subsidies, state-based exchanges, and the end of price discrimination for insurance for those with chronic conditions.

Since the Supreme Court ruled the individual mandate is constitutional under Congress' power to tax, it is projected by the CBO that 4 million will pay the $95 tax starting in 2014. According to estimates by *The Wall Street Journal*, 75 percent of the tax will be paid by people earning under $120,000 a year. This is a highly regressive tax that goes against the President's commitment not to increase taxes on the middle class.

Under the employer mandate, starting in 2014, any employer with 50 or more employees who drops coverage or who has a single employee who receives a subsidy will have to pay a fine of $2000 per employee. A new CBO report predicts that up to 20 million will lose their employer-based coverage. McKinsey predicted one-third of the approximately 160 million Americans with this coverage could lose it. This is another example of the emptiness of the President's promise of no change in your insurance under the law.

With the projected $675 billion in new taxes under the law, patients will ultimately have less income to purchase the type of health coverage that fits their individual needs. For example, there is the 2.3 percent tax on medical device companies starting next year, the 3.8 percent tax on unearned income for those individuals earning $200,000 a year or more, the tax on drug and on insurance companies.

While the final law did not have a "public option", I believe that if the ACA is not repealed and replaced, there will be pressure for a public option which the government will price lower than the plans offered in the exchanges. Ultimately, private insurers will be "crowded out," care will be rationed, and we will be on our way to a Canadian-style "Medicare for All" health care system.

America needs a health care system that empowers doctors and patients. Only then will we be able to achieve affordable, accessible, quality care for all. This is the vision that we should be embracing in the health care reform debate. For example, we need to change the federal tax code so that individuals can purchase health insurance with pre-tax dollars just like those who have employer-based coverage. The federal government got us into this mess during WWII and it has distorted the system so that if you lose or quit your job, you lose your insurance. We need to make insurance portable so it stays with the individual and then it will be possible to build a competitive market in health care just like in other aspects of our lives.

State-based medical malpractice reform will go a long way to reducing the cost of defensive medicine which PriceWaterhousecoopers estimates at $210 billion a year. This is turn will make health care less expensive.

Medicare and Medicaid both need major reforms—premium support, vouchers, means testing, raising the eligibility age, and block-grants to the states for Medicaid. If these changes are not made, Medicare and Medicaid will cost, according to the CBO, $1.8 trillion a year. Both programs will be bankrupt and not there for those who need them most.

Tax breaks for Health Savings Accounts are the way to encourage people to have coverage and at a lower cost. It is estimated that there are 13.5 million HSA holders as of January 2012.

The ultimate question is who do the American people want to be in charge of their health care: an HMO bureaucrat, a government bureaucrat, or do they themselves want to be in charge?

Universal choice is the key to universal coverage. If the ACA is not repealed and replaced early in 2013, it will not be possible to reverse this program. This is the most important battle facing the American people today. Taxes will be up, care will be rationed, and the quality of our care will go down. We will be on the path to a health care system controlled 100 percent by the government.

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Sally C. Pipes

President & CEO
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Sally C. Pipes is president and chief executive officer of the Pacific Research Institute, a San Francisco-based think tank founded in 1979. In November 2010, she was named the Taube Fellow in Health Care Studies. Prior to becoming president of PRI in 1991, she was assistant director of the Fraser Institute, based in Vancouver, Canada.

Ms. Pipes addresses national and international audiences on health care issues. She has been interviewed on ABC's 20/20; CNN's Lou Dobbs Show; FOX News' "Glenn Beck Show;" NBC's "Nightly News with Brian Williams"; FOX Business Network; "The O'Reilly Factor," FOX News "Your World With Neil Cavuto", "The Today Show;" "Kudlow & Company on CNBC, MSNBC, "Dateline;" "Politically Incorrect;" "The Dennis Miller Show;" and other prominent programs.

She writes a weekly health care column "Piping Up" for *Forbes.com.* In the past, she has written regular columns for the *Examiner* newspapers, *Chief Executive*, and *Investor's Business Daily.* Her health care opinion pieces have appeared in the *Wall Street Journal, Washington Post, USA Today, Financial Times of London, The Hill, RealClearPolitics, New York Times, Los Angeles Times, San Francisco Chronicle, Sacramento Bee, U.S. News and World Report,* the *Boston Globe,* and the *San Diego Union-Tribune*, to name a few. Ms. Pipes' views on health care also appeared in a special report of the world's 30 leading health care experts published by *Forbes.com* entitled, "Solutions: Health Care and in Steve Forbes' latest book *How Capitalism Can Save Us.* She was widely quoted in *Shape* Magazine and in the *New York Times Sunday Magazine* in an article by Princeton's Peter Singer on how Obama will ration your care.

As a health care expert, Ms. Pipes has debated Paul Krugman, Princeton economics professor and *New York Times* columnist, in New York at Rockefeller University. Sponsored by Intelligence Squared, the debate was attended by 450 people and was viewed by 270 million around the world through NPR and BBC Worldwide. She debated Princeton Professor Uwe Reinhardt and Harvard's Dr. David Himmelstein twice on the "No" side of the motion that "universal health coverage is the responsibility of the federal government."

She served as one of Mayor Rudy Giuliani's four health care advisors in his bid for the Republican nomination for president in 2008. She appeared in Michael Moore's movie "Sicko" and has participated in prominent debates and public forums, testified before the House Energy and Commerce Committee, committees of the California and Oregon legislatures, appeared on popular television programs including debating former Vermont Governor Howard Dean on CNBC, participated in talk radio shows nationwide, and had 180 opeds published on health care issues in 2010.

Her book ***The Truth About ObamaCare*** was published by Regnery Publishing and released August 2010. To date over 12,000 copies have been sold. Following his latest review, Tom Sowell said in his nationally-syndicated column, ***The Truth About ObamaCare*** rose to #38 in sales on Amazon.com. He wrote "Fortunately—in fact, very fortunately—you don't have to slog through 2,400 pages of legislative jargon or turn to a fortune teller to divine the future. A new book ***The Truth About ObamaCare*** by Sally Pipes lays it out in the plainest English." Her latest book ***The Pipes Plan: The Top Ten Ways to Dismantle and Replace Obamacare*** was released by Regnery in January 2012. Dr. Arthur Laffer wrote the foreword and endorsements are included from Steve Forbes, Indiana Governor Mitch Daniels, and Dr. Hal Scherz, head of Docs4Patientcare.

Her first book, ***Miracle Cure: How to Solve America's Health Care Crisis and Why Canada Isn't the Answer*** with a foreword by Milton Friedman was released September 28, 2004. It is available on Amazon.com. In October 2008, her second book ***The Top Ten Myths of American Health Care: A Citizen's Guide*** with a foreword by Steve Forbes, was published. The release was well timed with the national debate on health care reform. It has been widely reviewed and quoted. Over 1.2 million copies have been downloaded from PRI's website and 4,500 copies have been sold. Thomas Sowell in his syndicated column wrote of the book "Before you do anything else, make a note to read ***The Top Ten Myths of American Health*** Care. It might literally save your life."

Ms. Pipes served on the Medical Advisory Council of Genworth Financial's Long-Term Care Insurance Division in 2006, and currently serves on the national advisory board of Capital Research Center, the Advisory Board of the California Association of Scholars, and the State Policy Network president's advisory council. She has served as a trustee of St. Luke's Hospital Foundation in San Francisco, a board member of the Independent Women's Forum, and as a governor of the Donner Canadian Foundation. She was a member of California Governor Arnold Schwarzenegger's transition team in 2003-04.

She received the Roe Award at the 2004 annual meeting of State Policy Network. The award is a tribute to an individual in the state public policy movement who has a passion for liberty, a willingness to work for it, and noteworthy achievement in turning dreams into realities. In 2005, *Human Events* named her one of the **Top 10 Women in the Conservative Movement in America**. In 2008, she was honored by the California Women's Leadership Association. She received the 3rd Annual Women Achievers' award, "Celebrating the Spirit of Women". She was also featured in a new book "Women Who Paved the Way" as one of 35 most outstanding women in business in the nation. In August 2009, she was invited by Canada's Minister of Finance to participate in his "Third Annual Summer Policy Retreat" at Meech Lake in Quebec. The three-day event was attended by a small group of professors, think tank presidents, and small business leaders. The focus was on how to restructure the Canadian health care system.

She was the founder in 2008 of the Benjamin Rush Society, a Federalist Society-type organization for medical students across America. There are 20 chapters at medical schools from Harvard to Duke.

Ms. Pipes, a former Canadian, became an American citizen in 2006. Married to Professor Charles Kesler, she is a member of the Mont Pelerin Society. While in Canada she was a member of the Canadian Association for Business Economics (president for two terms).

Committee on Oversight and Government Reform
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Name:

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2009. Include the source and amount of each grant or contract.

None.

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

Testifying at the request of Trey Gowdy, Chairman, Committee on Oversight and Government Reform Subcommittee on Health Care, District of Columbia, Census, and the National Archives. There are no relationships with these entities.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2009, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

None.

I certify that the above information is true and correct.
Signature:

Date: July 5/12