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Health Care Policy under President Romney

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When Mitt Romney campaigned in 2002 to become governor of Massachusetts, he offered no hint that he would lead the enactment of the most consequential state health care reform law in U.S. history. Yet as early as February 2003, Governor Romney began to intimate his intention to engineer the law promising near-universal health insurance coverage that was enacted in 2006. Though plans touted in campaign rhetoric often differ from subsequent policy actions, this gap is especially relevant in considering potential federal health policy under a President Romney.

Though Romney has offered many opinions and comments as a presidential candidate, he has not provided any detailed blueprint of his plans for U.S. health system reform, and his proposals provoke questions more than they provide answers. But a review of Romney's campaign website, public addresses, debates, interviews, and other statements[1] reveals five essential elements of his health policy intentions. Romney would seek repeal of large portions of the Affordable Care Act (ACA), especially the provisions that expand health insurance coverage for the uninsured through private health plans and Medicaid. He would attempt to move Medicare toward a defined-contribution (or premium-assistance, or voucher) model beginning in 2023. He would turn Medicaid into a block-grant program, capping the federal funds provided to state governments. He would seek to make individually purchased health insurance tax-deductible (like employer-based coverage) and preempt much state regulation of the private health insurance market. And he would oversee massive reductions in federal spending on all health programs as a byproduct of his budget and tax proposals.

How might these policy directions play out? Although Romney pledges to repeal the ACA,[2] complete repeal would be difficult because Republicans would need to maintain control of the House of Representatives and increase their numbers in the Senate from 47 to 60 to achieve a filibuster-proof majority. Failing that, if Republicans win the White House, maintain control of the House, and win a simple majority of Senate seats, they could dismantle substantial components of the ACA using budget-reconciliation rules that require only 51 Senate votes. Because reconciliation is limited to provisions with direct federal budget consequences, many ACA sections would be untouchable. However, the elements that would have the greatest impact and cost the most (e.g., Medicaid expansion and health insurance subsidies) could be repealed.

Whether Romney would seek repeal of bipartisan and popular ACA provisions, such as closing of the gap ("doughnut hole") in Medicare Part D prescription-drug coverage, consumer insurance protections, the Indian Health Care Improvement Act, calorie labeling in chain restaurants, efforts to reduce fraud and abuse, and many others, is unclear. In September, Romney said on *Meet the Press*, "I'm not getting rid of all of health care reform. Of course there are a number of things that I like in health care reform that I'm going to put in place."[3] The "replace" portion of his "repeal and replace" commitment is undefined.

Also uncertain is whether a Romney administration would seek repeal of the $716 billion in Medicare savings that would be used to finance about half the ACA's cost. Though Romney has committed to repealing these savings, his running mate, Congressman Paul Ryan (R-WI), incorporated them into his House budget resolutions in 2011 and 2012, with overwhelming support from the House Republican Caucus.[4] Rescinding these savings would advance the insolvency of the Medicare Part A Hospital Insurance Trust Fund from 2024 to 2016 and trigger an average increase of $323 in the premiums paid by most Medicare beneficiaries between 2013 and 2022. Romney has pledged not to change Medicare for current enrollees.[2] However, premium increases for future enrollees, plus the elimination of ACA-created Medicare benefits such as no-cost preventive services, will test that pledge.

Romney and the Republican National Platform also endorse Ryan's proposal to convert Medicare from a defined-benefit to a defined-contribution program.[2,4] Under this plan, new senior and disabled Medicare enrollees (beginning in 2023) would receive a capped subsidy ("premium support") to purchase individual coverage from competing private and public (traditional Medicare) health plans.[2,4] Romney also proposes to increase Medicare's eligibility age from 65 to 67 and to provide less premium support to wealthier seniors.[2] These changes would reduce future federal Medicare spending beginning in 2023 and would shift growing costs to beneficiaries.

Romney also endorses Ryan's proposal to modify the federal–state Medicaid partnership by turning the program into block grants and capping the federal contribution.[2,4] The corresponding budget resolution calls for cuts (beyond those effected by ACA repeal) of $810 billion over 10 years (2013 through 2022).[4] These cuts would mean curtailing benefits, reducing provider payments, tightening eligibility, shrinking enrollee rolls, and swelling the ranks of the uninsured by 14 million to 27 million people, according to the Kaiser Commission on Medicaid and the Uninsured.[5] Though Romney outlines countermeasures such as state-sponsored high-risk pools and insurance subsidies, both options are costly and contingent on flush state coffers.

Regarding health insurance reform, Romney declares, "Free enterprise is the way America works. We need to apply that to health care." He believes that health care goods and services should be traded in an open marketplace where competition drives choice, efficiency, quality, and price.[2] He endorses state authority for private health insurance ("health care is a states' rights issue"), de-emphasizing federal involvement so each state can "craft a health care reform plan that is best for its own citizens."[2] His proposals include revising the federal tax code to make nongroup (individual) health insurance premiums federally tax-deductible, establishing an interstate commercial health insurance market that allows policies to be sold across state lines, forming interstate purchasing pools and association health plans, relaxing rules for high-deductible health savings accounts, promoting coinsurance, and instituting federal caps on medical liability suits.[2]

Changing the tax treatment for individually purchased health insurance is an inefficient means of expanding coverage for the uninsured, because the most generous benefits accrue to people in higher tax brackets but most uninsured Americans are in low tax brackets (or tax-exempt) because of limited incomes. Also, many of Romney's reform proposals, such as interstate sales of health insurance and medical liability changes, run counter to his expressed commitment to state sovereignty.

Of fundamental consequence would be Romney's tax and budget policies. If his proposals for a balanced budget, defense spending hikes, and nondefense spending reductions are achieved, all nondefense programs except Social Security would require cuts averaging 29% in 2016 and 59% in 2022. Included would be Medicare, Medicaid, the National Institutes of Health, the Centers for Disease Control and Prevention, the Veterans Health Administration, and every other federal health program. Absent the bal-

anced-budget requirement, cuts of 40% would still be required by 2022. It is difficult to contemplate federal health spending reductions at such unprecedented levels. As Kaiser Family Foundation tracking polls show, public support for Medicare and Medicaid surpasses 80%, with strong support even among Republican and Tea Party–identified voters.

Which brings us back to Romney's record. His fundamental policy proposal is to undo the ACA, the nation's most consequential health care reform law. His replacement proposals would provide no meaningful security to people who would lose the law's coverage protections. His Medicare and Medicaid proposals would irrevocably transform these programs. His budget and tax proposals would threaten the country's basic health infrastructure as few in living memory have done. One can only hope that if elected President, Romney would surprise the United States as he did Massachusetts.

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The Shortfalls of "Obamacare"

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U.S. health care suffers from three major problems: millions of people go without insurance, health care costs are rising at unaffordable rates, and the quality of care is not what it should be. The Affordable Care Act (ACA) primarily addresses the first — and easiest — of these problems by expanding coverage to a substantial number of the uninsured. Solutions to the other two remain aspirations and promises.

The ACA's primary accomplishment is that approximately 30 million previously uninsured people may end up with coverage — about half with subsidized private coverage purchased in the mostly yet-to-be-formed state insurance exchanges and the other half through Medicaid expansions.

The law's most controversial provision remains the individual mandate, which requires people either to have insurance coverage or to pay a penalty. The objective is to "encourage" people who might have decided not to buy insurance to do so. Unfortunately, the mechanisms put in place may instead encourage people to postpone buying insurance until they're sure it will be needed. Insurers will not be able to refuse coverage to anyone and cannot charge higher rates to people who wait until they clearly need care. The penalty for not having insurance is very small, particularly for younger people with modest incomes. Given the choice, many people may put off buying insurance to save thousands of dollars in premium payments.

A mandate cannot work without a credible threat that noncompliance will be costly. It would have been smarter to mimic Medicare's policies: seniors who don't purchase the voluntary parts of Medicare covering physician services and outpatient prescription drugs during the first year in which they lack comparable coverage must pay a penalty for every month they have gone without coverage whenever they finally do purchase it. This system has produced high rates of Medicare enrollment without creating the firestorm generated by a mandate.

Moreover, although the ACA expands coverage, it ignores the structural problems in the organization and reimbursement of care — a limitation that is disappointing but not surprising: adding more people to the insurance rolls is politically and technically easier than finding a way to ensure that care is effective, high-quality, and affordable for both the recipients and taxpayers.

Despite widespread recognition that fee-for-service reimbursement rewards providers for the quantity and complexity of services