

Congress Has Already Started to Repeal ObamaCare

by John C. Goodman

The provision was buried deep in a 1,000-page bill that Congress passed in December by large bipartisan majorities. Most lawmakers probably didn't know it was there. Yet it is the start of an answer to the biggest question on Washington's mind: What to do about ObamaCare?

The 21st Century Cures Act, which President Obama signed Dec. 13, focuses mainly on helping patients obtain breakthrough drugs and medical devices. But it also includes provisions that will give small employers—those with fewer than 50 workers—more flexibility in the insurance marketplace. As Republicans debate how to replace ObamaCare, giving that same flexibility to all employers would be a perfect place to start.

One reason that most Americans get health insurance through work is that there are tax advantages for doing so: Employers can pay for the insurance with pretax dollars. If companies wanted to simply give

their workers cash, and let the employees choose their own insurance, that money would be taxed by Uncle Sam.

The problem is that this system ties the worker's insurance to his job. If he quits, he loses coverage. Polls have consistently shown that what employees most want in health insurance is portability. They want to own their policy and take it from job to job.

Many companies would like to accommodate this by giving employees a "defined contribution"—a fixed amount of money—and letting them choose their own health insurance. Thanks to the 21st Century Cures Act, small employers now can do this. They can put pretax dollars into accounts called Health Reimbursement Arrangements, or HRAs. Workers can then use that money to buy their own health coverage.

This represents an abrupt reversal of policy. Since 2015 the Obama administration has been threatening to punish any employer who used HRA accounts in this way with a fine as high as \$100 per employee per day.

Small companies were already exempt from ObamaCare's employer mandate, but this has taken on increased importance. They are now the only employers that can choose how health insurance will be subsidized by the federal government. They can (1) use pretax dollars to provide health insurance directly; (2) pay higher taxable wages and allow the employees to buy their own insurance, benefiting from the ObamaCare tax credits if they qualify; or (3) put pretax dollars into an HRA. Extending this freedom to all employers would be a remarkably effective solution to ObamaCare's many problems.

One reason so little progress has been made in increasing employer-based coverage is that larger companies are meeting the law's minimum requirements by offering low-wage workers bronze ObamaCare plans. But these plans might have deductibles of \$6,000 or more and premiums equal to 9.5% of the employee's wage. Workers routinely reject this kind of coverage.

What if these firms were given the same choice that small businesses have? What if they could put money into an HRA for each employee, which the worker could then use to purchase coverage on his own, with the help of tax credits?

Expanding a provision in one of the last laws Obama signed could help undo his signature initiative.

Economists like tax credits because of their incentive effects. They subsidize the first dollars of coverage (basic insurance we want everyone to have) instead of the last dollars (extensive policies with bells and whistles). Such credits also allow employees to forgo unneeded coverage and increase their take-home pay, without tax penalty.

The tax credits offered in the ObamaCare exchanges favor low-wage workers, since the subsidies start high and phase out as income rises. On the other hand, the ability to buy insurance with pretax dollars favors high-wage workers, since the value of that option depends on the employee's tax bracket. But a universal tax credit, which is what some Republicans are proposing, would offer the same amount for everyone, regardless of income.

These changes wouldn't solve every problem with ObamaCare. Lawmakers would still need to stop the race to the bottom in which insurers try to attract healthy people and scare off sick ones with narrow networks and sky-high deductibles. One method: Impose financial penalties on insurers who drive enrollees to other plans. Another issue is how to prevent people from gaming the system by remaining uninsured until they get sick. Medicare has managed to do that by charging seniors higher premiums if they don't sign up when they are eligible.

Fortunately, there is legislation to accomplish all this and more. Rep. Pete Sessions (R., Texas) and Sen. Bill Cassidy (R., La.) have offered a bill to create a universal tax credit worth \$2,500 for an adult and \$8,000 for a family of four. That's generous enough to allow everyone access to Medicaid-like coverage. The bill would remove federal impediments to portable insurance, offer large employers a choice of tax regimes (tax credits or the current system), and give every American access to a Health Savings Account.

We have already done much of this for small businesses without any partisan bickering at all. It should be a no-brainer to give big companies the same flexibility.

Mr. Goodman is president of the Goodman Institute for Public Policy Research and the author of "Priceless: Solving America's Healthcare Crisis" (Independent Institute, 2012).

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Notable & Quotable: History

Karol Markowicz writing in the New York Post, Jan. 23:

University of North Carolina professor Bruce VanSledright found that 88 percent of elementary school teachers considered teaching history a low priority. . . . He wrote there was some "holiday curriculum as history instruction," but that was it.

As the parent of a first-grader, I've . . . seen even the "holiday curriculum" in short supply. First grade might seem young, but it's my daughter's third year in the New York City public school system after pre-K and kindergarten. She goes to one of the finest public schools in the city. . . .

So far, she has encountered no mention of any historical figure except for Martin Luther King Jr. This isn't a knock on King, obviously. He's a hero in our house. But he can't be

the sum total of historical figures our kids learn about in even early elementary school.

For one thing, how do we tell King's story without telling the story of the Founding Fathers, the Constitution or of Abraham Lincoln? King's protests were effective because they were grounded in the idea that America was supposed to be something specific, that the Constitution said so—and that we weren't living up to those ideals.

The Brooklyn teacher I spoke with says instructors balk when it comes to history: They don't want to offend anyone. "The more vocal and involved the parents are, the more likely the teacher will feel uncomfortable to teach certain things or say something that might create a problem." Which leaves . . . Martin Luther King.