

Example of critical thinking on the advantages and disadvantages of obama healthc...

[Business](#), [Employee](#)



1. Introduction

The Patient Protection and Affordable Care Act popularly known as Obama Care refers to the Obama administration healthcare reforms. These reforms were enacted in the year 2010 though it is projected that full implementation of Obama care would be achieved in the year 2014. Unlike portrayal by some American leaders, Obama care was a collaborative effort between Republicans and Democrats as they had done so many times in healthcare reforms. Obama care has been the source of a heated public debate in the past two years and especially in run up to the just concluded elections. Proponents of the bill assert that this was the right healthcare reforms given that it guarantees universal healthcare at every manageable cost and that it will not hurt small and medium enterprises economically. Opponents of the law however assert that the piece of legislation will hurt small businesses and taxpayers' hard earned money should not be used to provide universal healthcare for the poor Americans. The scope of this thesis shall explore both arguments raised by either of the two warring factions and finally take a side. This basically implies that the Obama engineered health reforms have their merits and demerits and therefore we shall explore each of them independently then determine what this means for the business environment in the United States of America (USA). This is because Obama care has socioeconomic implications on the American economy. Some of the advantages of the healthcare reforms engineered by the Obama administration are the fact that all American must have access to premium healthcare cover, low income earners are entitled to support from the state to meet their healthcare cost, insurance companies can't drop an individual

they cover because they are sick, and in improvement in the women's healthcare services to mention but a few. The demerits of Obama care includes but is not limited to the fact that it will impose more a financial burden in employers who might end up spending more to cover the employees.

2. Advantages of Obama Care

According to Obama, Obama care offers the middle class families in the US tax breaks. This is because Obama care shall increase taxes for the 2% of wealthy Americans who earn disposable incomes of over \$200, 000 for individuals and \$250, 000 for families and businesses. It must be mentioned that the increase in taxes for the wealthy 2% Americans is always blown out of proportion by opponents of the Obama care. In fact, the tax increases basically implies that the Obama administration shall let the tax cuts currently enjoyed by the well off Americans that were introduced during the Bush administration. So basically, the Obama care healthcare reforms propose a roll back to the Clinton taxing system rather than extending the Bush taxation system that favours the wealthy Americans at the expense of the middle class and the poor individuals within the American society.

In an article by Wilper, Woolhandler and Lasser, one of advantages of Obama care is the reduction of taxable income from \$370, 000 to \$250, 000 while increasing the income tax from 35% to 39. 6% and capital gain tax from 15% to 29%. The overall idea is to reduce the health insurance costs of 98% of the bottom-line in the American society while at the same time improving the quality of healthcare they have access to. In addition to this, American individuals and households will get tax breaks for purchasing insurance from

the online Insurance Market Place that is commonly referred to as the Obama Care Exchange. The fundamental principle behind these tax cuts is to ensure that everyone has access to affordable, quality and universal healthcare. As for employers and small and medium business owners are concerned, only businesses that earn more than \$250, 000 in taxable profits must insure their employees as prescribed by the Obama care. The same does hold for employers who have more than 50employees under their workforce. However, it must be mentioned that businesses that earn more than \$250, 000 of taxable profits and have a workforce that is under 50employees can choose either to pay a special tax to the federal government or to insure their employees.

According to an analysis done by the Congressional Budget Office, 97% of employers in America do not fall under the above prescribed category so are exempt from procuring health cover for their employees under the Obama care. However, should these employers decide to insure their employees under the Obama care; they will receive tax credits for complying with the stipulations of the healthcare reforms even though they are not mandated to do so. Generally, the idea behind these tax cuts under Obama care is not only to encourage a favourable environment for business but also to enable small business employees and employers access quality healthcare by offering better health cover plans and bigger tax breaks in the healthcare sector. Finally, Obama care introduces other forms of taxes than do not affect Americans either directly or indirectly but serve to increase the revenue base for the federal government thereby more funds to invest in healthcare programs. For instance, the piece of legislation introduces a 2.

3% excise duty tax on medical devices that shall earn projected revenues of \$2billion per year. In addition, Obama care also enables Americans to claim deductions for medical expenses not covered by their insurance when they reach 10% of their gross adjusted incomes a figure which has risen from the previous 7.5%.

In an article by Barack Obama, he points out the fact that Obama care also protects the American consumers from the excesses of healthcare providers and insurance cover providers. The legislative framework achieves this mandate in the following key ways among others. To begin with, the Obama care was effected in the first place to provide healthcare cover for the presently uninsured Americans who are projected to be 32million in number. This is because of the current existing inequalities in the healthcare billing system whereby insured patients are subject to up to 50% discounts while their insured counterparts are overcharged and on average pay 2.5 times the actual medicals costs for the same procedures. As a result these uninsured Americans frequent the emergency room and access medical care when it is urgently required thereby increasing the cost of healthcare for everyone else ultimately. This basically implies that one of the key mandates of these healthcare reforms is to increase healthcare coverage within the American society thereby not only promote principles of equality within the system but also lower the healthcare costs in the long run.

An article by Jeffery Zajac further points out that the Obama care introduces Insurance Exchange Pools which are basically online market exchanges for ideal healthcare cover providers. This exchange pools give the average American an opportunity to shop for health cover by comparing the various

providers and finally settling on the ones that best suit their family or employees based on affordability, scope of coverage and quality of health care guaranteed. The fact that the exchange pools will be competitive, inevitably the cost of healthcare cover in the country shall go down. Finally, members of the American society who shall purchase their healthcare insurance through these exchange pools may qualify for discounts in form of tax credits that can be used to offset premiums or even out of pocket medical expenses. Third, insurance companies can no longer engage in unscrupulous behaviour especially when Americans need the health cover the most. Health cover providers can no longer engage in rescission practises. Basically rescission refers to a practise favoured by insurance companies of cancelling one's cover once they get sick. In addition to this, insurance companies are also barred from cancelling the cover based on honest errors in the application process. Consumers are empowered by Obama care to appeal decision made by their health cover provider to an independent board and receive a response within 72 hours for urgent medical situations. This legislative also ban the lifetime limits that health cover providers normally set in terms of the amount of medical bills they are liable to paying the consumer. This implies that Americans with terminal disorders do not necessarily have to get into debt as a result of medical bills. If the insurance provider must set limits on how much a consumer is owed in terms of medical expense, this limit must be \$2million at the very least. However, it must be mentioned that insurance companies are still allowed to set limits on doctor appointments, prescription and in-patient day's limits. Zajac further elaborates the advantages of Obama in stating that the law

also mandates insurance companies to spend at least 80% of the premium paid by consumers on medical care and quality healthcare improvement. Should the cover providers spend more on overhead costs such as salaries, bonuses, and administrative costs to mention but a few, they must pay premium rebates to consumers every summer. Obama care also mandates that all health plans must use standardised forms that must summarize benefits and scope of coverage. This includes but is not limited information on co-payments, deductibles, and out-of-pocket limits. In addition, insurers must compute and disclose out-of-pocket costs for two medical scenarios at the very least; having a baby and treating type 2 diabetes. In addition, insurers must also extent coverage for young adults to stay on their parents' health policies as dependants till they clock the age of 26years regardless of whether they are married, stay at home or even in school. Finally, by the year 2014 insurers will be banned from denying patients with pre-existing conditions medical cover. This also includes children under the age of 19 years with pre-existing conditions.

3. Disadvantages of Obama Care

In an article by Centre for Health Policy Studies highlighting the downsides of Obamacare, it is clear that under section 1501 of the Patient Protection Affordable Care Act individuals will be penalized should they fail to purchase a health insurance cover that meets “ the minimum essential requirements” of the federal state. The penalty that will be imposed on the individuals will be a certain percentage of the individual's income that ranges between 1% and 2. 5% or flat dollar amount. This provision is one of the most controversial provisions of the Obama Health Care plan given that even

Obama himself was against this penalty initially and then endorses. In imposing this penalty, the Congress would be interfering with the constitutional freedom of the states to govern and regulate insurance within their own borders. It is therefore a violation of the Personal Liberty and Strikes which is at the Heart of American Federalism.

The article by the Centre for Health Policy Studies further states that the implementation of the Obamahealthcare plan will result in an increase in the cost of healthcare, increase the number of people who are insured and ultimately destabilize the market further. There are several incentives for Americans to do without insurance after the implementation of Obama healthcare given that issuance of insurance is guaranteed and the current restrictions and the lifting of the numerous restrictions that previously existed. Given that it will be easier to pay the light penalty for not having insurance than paying higher premiums, it is possible that most individuals will only opt to sign up for insurance whenever they fall sick and opt out once they get well. This will trigger unfair selection given that pools with older and sicker individuals will bear the brunt of the deficits hence resulting in higher costs of healthcare.

According to Foster who examines the financial effects of Obamacare, the current law requires hospitals that are federally funded to treat individuals who are uninsured whenever they show up at emergency rooms. The treatment accorded to such persons should be sufficient to “ stabilize” them. This system therefore encourages “ free riders” to access expensive medical services from emergency rooms yet they cannot pay for it. In order to meet these costs, the uncompensated medical costs are shifted to the taxpayers

who have to pay higher taxes and private insurance premiums. The Patient Protection Affordable Care Act aggravates this situation further given that it proposes the massive expansion of Medicaid which is one of the major contributors to the overcrowding of emergency rooms. The existing health insurance pools will become unstable as a result of an influx of the aging and ailing.

An analysis by the Congressional Budget Office reveals that there are more than 18 separate tax increases that are contained in the Patient Protection Affordable Care Act which are set to be implemented between the year 2010 and 2014. The tax increases will cost the tax payer a total of \$503 billion. About half the revenue that will be raised by the implementation of the Patient Protection Affordable Care Act will be the result of three major tax hikes. According to Section 14011 of the act, 40% excise tax will be imposed on Cadillac health insurance plans. These are plans valued in excess of \$ 10, 200 for individuals and \$ 27, 500 for families. The Cadillac tax will be effected in the year 2018 and is expected to raise \$32 billion by the year 2019. The Medicare Hospital Insurance tax portion of the payroll tax is also set to increase according to section 1411 of the act. The employees' portion will be increased to 2. 35% up from 1. 45% for families whose income is above \$250, 000 and for individuals whose income is above \$ 200, 000. The total tax percentage for every dollar of income above \$ 250, 000 will be 3. 8% if combined with the employer's portion. Section 1411 also proposed the imposition of tax on investment: dividends, rents, capital gains, and royalties. The new tax is set to be effected in the year 2013 and is expected to raise \$210 billion between 2013 and 2019. These taxes are bound to

impede the recovery of the economy which is already staggering since they will result in a reduction in employment, suppression of the wages and by extension slower economic growth.

Moffit in his analysis of Obamacare points out that the implementation of the Patient Protection Affordable Care Act is set to become a highly expensive affair. This has resulted in the quick cover up in telling Americans that the act will result in the reduction of the federal deficits and also cover those who are uninsured. It is projected that the sustenance of the act over the next two years is set to become an improbable task given the increase in Medicare spending per individual while bearing in mind the inflation rates. The Patient Protection Affordable Care Act threatens the access of care by the seniors since it makes \$575 billion in cuts to Medicare. Under the sustainable growth rate formula, the payments made to the physicians will be drastically reduced. In order to offset this imbalance, the Congress has been quick to propose that the “ doc fix” be part of a separate legislation instead of being part of the Patient Protection Affordable Care Act. The total cost which what the taxpayer will ultimately have to fund ends up being higher in this case therefore negating the promise of deficit reduction. There is a general assumption being made by the Congressional Budgeting Office that all the revenue that will be generated by the Patient Protection Affordable Care Act and the cuts to the existent programs will automatically be directed to new expenditure. The implementation of the Patient Protection Affordable Care Act results in an increase of Medicare taxes and imposes taxes on Medicare which are set to offset new programs and are set to extend the solvency of Medicare. However, it is not feasible for both goals

to be attained.

In the analysis of the financial implications of Obamacare by Foster, the Class Act is also another source of savings that are double counted. The act results in the creation of a long term health care insurance program under which the beneficiaries are required to start paying the premiums in 2011 but can only start receiving the dividends after a period of five years. This creates an illusion of the availability of \$70 billion to pay for the new programs under the Patient Protection Affordable Care Act while in reality this money will be used to pay out the beneficiaries at the expiry of the five year period. Savings that have been made from the Class act and Medicare can only be utilised once. If they are used for keeping Medicare solvent, they cannot be used for running new programs under Patient Protection Affordable Care Act. Therefore there will be deficits in the running of the Patient Protection Affordable Care Act. The resultant effect is that the federal deficit will be increased. The historical deficit has often been about 2.9%; a figure that is expected to jump to 20% by the year 2050. This is a trend that is expected to go on as the baby boomer generation goes to retirement hence significantly increasing the cost of Medicare, Medicaid and Social Security.

The Centre for Health Policy Studies further points out that in order to encourage more employers to provide cover for their employees, the Patient Protection Affordable Care Act impose tax penalty on employers who have more than 50 employees who fail to adequately provide cover for the employees. Given that the employers would want to continue to run viable businesses, they will pass down the cost to the workers in form of lower

wages and fewer jobs; the consumers in form of higher prices and the shareholders in form of lower returns on their investments. The congressional budget office estimates that the employer mandate will cost the employers about \$52 billion paid out as tax penalties in the period between 2014 and 2019. While those who fail to comply with the act will be paying penalties, those who comply with the act will be paying for compliance. Ultimately, most businesses will be making less profits hence resulting in lower wages being paid out to the employees and lower dividends being issued to the shareholders.

The report by the Centre for Health Policy Studies further points out that, the cost of doing business will be significantly raised as result of the employer mandate. Those who comply will be forced to raise the price of their goods and services in order to stay afloat while many potential investors and entrepreneurs will be driven away by the compliance costs. Ultimately, the consumers will bear the brunt and given that staggering economy, they may opt for cheaper alternatives. The workers will also lose their privacy since the employer is required to find out if the employee has any additional sources of income lest he is fined. The employer mandate has provisions for suing an employer in the event that the employer does not issues notification on the change of personal circumstances of the employee which could entitle the employee to a subsidy such as divorce or death of a spouse.

In conclusion, the Obama care health care plan allows millions of individuals who were uninsured to have access to medical care and also protect citizens from exploitation by insurance firms. On the downside, it significantly

increases the cost of doing business due to the employer mandate in addition to raising the cost of healthcare.

Works Cited

Centre for Health Policy Studies. The Case against Obamacare . report . New York : Heritage Foundation, 2012.

Congressional Budget Office . An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act. Analytical report. Washington : Congressional Budget Office , 2009.

Foster, Richard S. Estimated Financial Effects of the Patient Protection Affordable Care Act. 22 April 2010. 07 November 2012 .

Moffit, Robert E. Obamacare and Medicare Provider Cuts: Jeopardizing Seniors' Access,". 19 January 2011. 07 November 2012 .

Obama, Senator Barack. " Affordable Health Care for All Americans." Journal of American Medical Association 300(16) (2008): 1927-28.

Wilensky, Gail R. " Health Care Reform and the Presidential Candidates." New England Journal of Medicine (2012): 1377-9.

Wilper, Andrew P., et al. " Health Insurance and Mortality in the US adults." American Journal of Public Health vol. 99(12) (2009): 2289-96.

Zajac, Jeffrey D. " President Obama's health care plan." Medical Journal of Australia 191(2) (2009): 54.