

A

LETTER TO PRESIDENT OBAMA ON OBAMACARE

by Alan Friedman

Dear President Obama,

Hi. It's your buddy here, Alan Friedman. You may not remember me (mostly because we've never met), but I voted for you in the last two elections. I liked what you stood for and the changes you promised to make during the eight years I helped put and keep you in the office of President of the United States.

The reason why I'm writing you is because (1) I write business articles for a progressive music retailing magazine called *Music Inc.* and they asked me if I would write an article on the still relatively new legislation called the Affordable Care Act a.k.a. ObamaCare, which on March 31, just closed its first open enrollment period; (2) I turned 58 earlier this year and am getting to the age where I no longer worry about what people think of me ... plus no one listens to me anyway; and (3) I wanted to challenge myself to write you a provocative but "even-handed" letter on this highly debated topic that's extremely important to all Americans.

I thought I'd start off with the ACA's undisputable facts and beautiful benefits, which I'm totally giving you props for. The ACA was signed into law by you on March 23, 2010 and upheld by the U.S. Supreme Court on June 28, 2012. Its goal is to reform the health care industry by giving more Americans access to affordable, quality health insurance, and to reduce the growth in health-care spending in the United States. The ACA expands the affordability, quality and availability of private and public health insurance through consumer protections, regulations, subsidies, taxes, insurance exchanges and other reforms. It does not replace private insurance, Medicare or Medicaid, nor does it regulate our health care system. Instead, it regulates health insurance and some of the worst practices found in the health care industry.

The ACA offers a number of new benefits, rights and protections. As I understand it, here are some details on five major benefits of the ACA:

1.) Access to Affordable, Quality Health Insurance. The ACA has the potential to provide coverage to more than 40 million uninsured Americans. Many

of the uninsured will gain affordable, quality insurance via the online health insurance exchange or "marketplace." In its first open enrollment period from Oct. 1, 2013–March 31, 2014, 7.1 million Americans enrolled using this marketplace. These previously uninsured Americans have often used the hospital emergency room as their primary care physician which increases healthcare costs for everyone.

2.) New Health Care Benefits. The ACA gives Americans access to hundreds of new health care benefits, as well as 47 million women access to women's health services. New health plans include preventive and wellness services, which lower health care costs by treating diseases before they reach an expensive crisis. Other benefits are: no out-of-pocket costs for preventative healthcare services, no denial of coverage for pre-existing conditions, no annual or lifetime limits on coverage, children can stay on their parent's plans up to age 26, and the FDA can approve more generic drugs.

3.) Benefits to Low Income Americans and Senior Citizens. Most low income Americans, especially those without insurance, will see nothing but benefits from the ACA. For people who can't afford health insurance, the federal government will pay the states to add them to Medicaid, which could expand eligibility to 15 million previously uninsured low-income individuals and families. The ACA also includes unprecedented reforms to Medicare, including expanding benefits and coverage options.

4.) Consumer Protection for Insured Americans. The ACA regulates the insurance industry with "rate reviews," enacts the "80/20" rule that makes health insurance providers spend at least 80 percent of their income on health and marketing expenses or

be subject to premium rebates, and eliminates the ability for insurance companies to deny coverage for being sick or having a pre-existing condition.

5.) Improved Health Care Quality. The ACA incorporates a system where doctors and hospitals will be rewarded for providing quality care, instead of being rewarded for the quantity of healthcare services. Though sometimes regarded as a “detriment” of the ACA, having federal oversight on a reform of this size is mandatory to ensure the program works. It’s important to note that the ACA doesn’t ration healthcare, rather it regulates the health insurance industry which has been rationing our health care for years.

Mr. President, while I’m an accountant by trade, I am also a musician, which is an art-form filled with emotion and driven by those who usually possess a deep sense of caring and sensitivity towards one another. So it should come as no surprise to you that most musicians and like-minded caring Americans embrace the humanitarian side of the ACA. But as I just mentioned, I am also an accountant. I operate in a world that unfortunately places an ultra-high value on money and wealth, and has an insatiable hatred of taxes and the IRS. Frankly, I am appalled by the uncharitable behavior of many wealthy citizens, and the short-sighted “my money is more important than helping those in need” mantra of many Americans.

But I also empathize with those law-abiding Americans who oppose tax hikes and have been subject to unwarranted intrusive IRS audits. When many American taxpayers refuse to pay their fair share of tax by lying on their tax returns, coupled with the government’s outrageous spending habits, it’s hard to argue with those tax-law-abiding Americans who oppose tax hikes.

So, Mr. President, if you’re going to have us partially pay for the ACA through increases in tax revenue, then I feel justified in asking for: (a) fairer tax laws and greater simplicity in our tax code, (b) more vigorous and targeted IRS audit efforts to go after those not paying taxes instead of those who are, and (c) an intelligent, transparent and accountable policy of government spending on the things that matter most instead of frivolous spending. While you’re at it, enact some tort reform to make losers of lawsuits pay the entire cost of those lawsuits, and please do something to force the state governments to get their act together by making all retailers collect their home state’s sales tax on

all taxable transactions and let the state governments figure out how to split up the billions in new sales tax revenue. With all that new tax revenue and savings in litigation costs, businesses will have more net taxable revenue to pay more federal tax. With that new tax revenue, maybe you can either reduce tax rates or stop borrowing money. Trust me when I tell you this — no business, and certainly not even the U.S. government, can borrow its way out of the kind of fiscal mess we’re in. By doing some or all of the above, you’ll have a plenty of money to fix these problems. The only downside is you’ll have to create a few more jobs for all of the unemployed lawyers. Oh well.

Like Rome, the ACA wasn’t built in a day. I understand it’s wrought with complicated rules and policies buried in 11,000-plus pages of regulations. Even though the ACA will ultimately do a lot of very good things, it’s created some unintended hurtful consequences for some Americans. The ACA has financially hurt some small businesses, has had a significant negative effect on insurance premiums, and has made reforms that hurt some medical industries and



their workers. And did I mention the faulty launch of the ACA’s enrollment website? Really, Mr. President, I could have had my high school computer nerd neighbor build a functioning ACA enrollment website in less time and for far less dollars than the government spent. I just wish someone had put a little more thought into avoiding or minimizing the following five problems and unintended disappointments of the ACA:

1.) Unexpected Cancellation of Existing Health Insurance Plans. There are more than 15 million people who currently buy their own private health insurance. Many had their plans cancelled by their insurance companies because it didn’t meet the 10 essential health benefits dictated by the ACA. The outrage that ensued prompted your administration to switch its stance in early March, letting people keep their plans that don’t comply for another two years. However, the cost of replacement insurance may be higher because the new insurance plans provide a wider range of benefits. On a personal note, my cousin sought and obtained quality healthcare services for breast cancer

from Johns Hopkins Hospital a few years ago. She just found out her insurance plan no longer exists (for reasons mentioned above), and her new plan does not cover what is now considered “out of network” care from Johns Hopkins Hospital. Not good.

2.) A Bad Reaction to a New Business Cost.

Starting in 2015, any U.S. company who has more than 50 full-time employees will now have to choose to either insure full-time workers or pay a penalty. To avoid this, some businesses will cut employee hours or will stop hiring. While the penalty isn't paid for your first 30 workers and many businesses will pass the extra cost onto their customers, cutting the workforce hurts our economy and reduces tax revenue. Many businesses will find it more cost-effective to pay the penalty and let their employees purchase their own insurance plans on the exchanges.

3.) Rising Insurance Premiums. The ACA itself doesn't raise premiums. In fact, it reforms the insurance industry by finding ways to drive down costs, make the quality of insurance better, and prevent insurance company abuse. Unfortunately, many provisions of the ACA that offer protections to consumers don't go into law until this year. In the meantime, premium rates have risen at alarming rates and the ACA doesn't offer a protection beyond letting states enact provisions against price gouging. While many states are enforcing this, other states aren't. Frankly, we've seen an ACA causing upward “adjustment” to health insurance premiums for many of our clients, ranging from a 20-percent to more than 60-percent increase over the prior year's premiums.

4.) The Federal Cost of the ACA. The Congressional Budget Office projects the ACA to cost \$1.1 trillion through 2021. In order for the program to work as intended this is going to include funding from both the taxpayers and the states. While the CBO also projected the ACA to generate an approximate \$143 billion dollar reduction in the federal deficit over the next decade, overall health care costs may rise in the short-term because of the increase in preventative care. These additional tests will lead to higher medical spending. Of course, health insurance companies stand to make billions of dollars (despite a loss of profit per plan) because they will be insuring millions of new Americans.

5.) Penalties With Unintended Outcomes. To make an individual insurance market work, a significant percentage of young, healthy people (age 18-34) need to pay into the system to effectively subsidize the older enrollees (age 50-64) who, on average, are less healthy than the younger group. Those who didn't purchase insurance by March 31, 2014, and don't

qualify for Medicaid, will be assessed a penalty tax of \$95 (or 1 percent of income, whichever is higher) in 2014, \$325 (or 2 percent of income) in 2015, and \$695 (or 2.5 percent of income) in 2016. The worst-case scenario for the ACA would be if not enough healthy people sign up, leaving insurance companies with mostly high-cost customers on their plans resulting in higher premiums threatening the long-term viability of the ACA. I suspect future increases in penalty amounts may be implemented to reverse any trend of non-enrollment.

Mr. President, let's get real. The ACA was highly controversial right from the start. That's partly because the act is so complex that most people don't fully understand it and anyone can easily pick out whichever facts support their points of view. Furthermore, the advantages will mostly benefit those who currently don't have health insurance, whether because of cost, employment status or pre-existing health conditions. The disadvantages will affect those individuals who pay more tax and those businesses willing to incur higher operating costs. The truthful answer to the million-dollar question “Is ObamaCare a good thing?” is “It depends on who you are, how old you are, who you work for, and how much money you earn.”

We all know fixing ACA problems isn't as simple as just “repealing” the ACA. Doing away with the ACA is an action that would cost taxpayers billions of dollars, given the investment of time and money we've already made as a country to understand and abide by the ACA. Plus, dealing with the upsides and downsides of this new law is already built into the bill via oversight committees and other forward-thinking provisions.

With that said, I urge you to stay on top of this important legislation and address all known problems without delay to achieve the ACA's intended goals. I believe your heart was in the right place when you pushed through this ground-breaking bill. Don't be swayed off your path by the naysayers in getting this right.

BTW, when you're out of office in a couple of years, ring me up and we'll hire you to help prepare tax returns during tax season. That work experience, coupled with the federal minimum wage (a whole other issue) we'll pay you, will give you some new insight into the woes of our country that need fixing.

Respectfully yours,
Alan M. Friedman, taxpayer

Alan Friedman, CPA, provides accounting and financial services to music industry clients. Visit his website at fkco.com.