

Jonathan Gruber: Health care reform in Wisconsin: The facts

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Last year, the Democratic administration of Governor Jim Doyle contracted with me (as well as the actuarial firm of Gorman Actuarial) to help them understand the implications of the Affordable Care Act (ACA) for the state of Wisconsin. The goal of this study was to lay the baseline for understanding how the ACA would impact health insurance coverage and costs in Wisconsin, in order to better understand how to implement a state-based exchange.

Our report focused on three main areas. The first was the impact of the ACA on insurance coverage in Wisconsin. We found that the ACA will lead to a two-thirds reduction in the number of uninsured in Wisconsin, resulting in coverage for 350,000 more Wisconsin residents. The number of individuals with employer-sponsored insurance in the state will remain essentially unchanged. And the non-group insurance market, primarily in the new state exchange, will grow from 180,000 to 320,000 individuals.

The second was the impact of the ACA on premiums in the non-group insurance market. The existing non-group market in Wisconsin is very lightly regulated, resulting in very favorable rates for young and healthy individuals and much higher rates for those who are older and sick. The community rating regulations in the ACA, which mandate non-discriminatory pricing in the non-group market, will therefore lead to increases in rates for the former and decreases in rates for the latter. Moreover, the state has a large high-risk pool that will be folded into its reformed non-group market as well, raising costs by bringing in some of the sickest state residents. Offsetting this is the tax credits that the ACA makes available to individuals to purchase insurance coverage. On net, somewhat more individuals will see increases in their nongroup costs (59 percent) than will see decreases (41 percent). On the other hand, the average increase (30 percent) is much smaller

than the average decrease (56 percent).

The third was the impact of the ACA on the small group insurance market. Pricing in the small group market in Wisconsin is somewhat less discriminatory than in the non-group market, so that the impacts of community rating are less extreme. We find that there are essentially neutral impacts on the small group market, with 53 percent of small firms receiving a premium increase and 47 percent receiving a premium decrease.

Given these findings, it was disappointing to see [a recent editorial by Wisconsin Department of Health Services Secretary Dennis Smith](#) that chose to emphasize only certain aspects of our report that seem to serve his political purposes.

Smith does not mention the enormous benefits for the uninsured in the state. Instead of focusing on the 340,000 individuals who will have security for their medical expenditures, he focuses on the roughly 100,000 individuals in the non-group market who will see premium increases. And he doesn't mention that about 80,000 individuals in the non-group market will see a decline in premium costs that is almost twice as large, on average, as the premium increases. He also claims that the non-group market will be "wiped out" whereas in reality non-group insurance in the state will almost double!

Moreover, Mr. Smith's editorial does not mention the key exclusions of our report which serve to overstate the premium increases in the non-group market. First, about half of the overall rise in non-group premiums is due to folding in the existing high risk pool into the reformed non-group market. But this high risk pool is today financed by sizable provider subsidies and insurer assessments. If those same assessments were rededicated to offset these higher risks in the reformed market, then non-group premiums would be about 10 percent lower. Second, our report does not include the effects of any risk sharing mechanisms which would smooth the rate changes due to health care reform.

The bottom line is that health care reform in the state of Wisconsin will dramatically reduce the number of uninsured in the state, while creating both winners and losers among the existing non-group insurance holders. The losers are those young and healthy individuals who benefitted from discriminatory pricing in a lightly regulated insurance market. An important question for states like Wisconsin, who have such lightly regulated insurance markets, is how to help smooth the transition to this new

regime for those young and healthy individuals. Reports such as the one I co-authored for the state of Wisconsin should be used to help states make those hard decisions – and not as a source of selective fact selection in support of one’s political views.

— Gruber is professor of economics at MIT. He was a founding member of the Commonwealth Health Connector Board in Massachusetts and was a paid advisor to the Obama Administration during the development of the Affordable Care Act. The views expressed in this editorial are his alone and do not reflect the opinions of his co-authors on the Wisconsin report.