To what extent does the implementation of the Affordable Care Act's healthcare regulations impact Texan insurance policyholders?

Candidate Code: hxj968

Word count:
Abstract: 293
Essay: 4000

 [1]

1 Estepa, Jessica. "Throwback Thursday: Obama Signs the Affordable Care Act on March 23, 2010." USA Today. Gannett Satellite Information Network, March 23, 2017. https://www.usatoday.com/story/news/politics/onpolitics/2017/03/23/throwback-thursday-obama-signs-affordable-care-act/99536186/.

Abstract

This essay is pertaining to the exploration of American healthcare from 2008 to present, covering the implementation and execution of the Affordable Care Act. It will delve into the contextual reasonings behind why it was created and the issues it was said to help fix. Specifically, it will be concentrating on the economic and real-world impacts the policy had on Texan residents.

With this being a macroeconomic topic, primary data is difficult to cultivate, as a sole researcher, due to administrative barriers and a lack of reputability. Therefore, I am basing my exploration of the topic of off the primary data – strictly original and unmanipulated values – and secondary data – extrapolations and analyzed values - collected by established sources, such as the Kaiser Foundation, US Census Bureau, and the National Conference of State Legislature.

My research question then goes as follows: **to what extent does the implementation of the Affordable Care Act's healthcare regulations impact Texan insurance policyholders?**

I chose this topic because I had always taken an interest in the nuances and complexities of the American healthcare system when I moved here, as it seemed to differ greatly from the systems I was used to where I grew up in Canada. It was also always an important talking point for politicians, that I watched debate over growing up, making it a topic I wanted to understand more about.

The conclusions drawn through my exploration were that while the ACA's implementation did lower the amount of uninsured nationally, it did not succeed as well in Texas because the state adopted the rebates (as insurance companies work nationally) and the mandate, but did not expand Medicaid to help offset the rising premiums. This was detrimental to policyholders as they received the regulations without the aid.

Table of Contents

Introduction

Throughout history, politics and economics have been consistently woven together to shape American policies. For decades, the economic success of a country has become synonymous with its global status. Numerous politicians have consistently campaigned on fixing substantial economic issues ranging from unemployment rates to taxation, yet one issue has historically persisted in its need for reparation: healthcare.

Therefore, this essay is discussing the complex issue of American Healthcare, specifically the impacts of the implementation and effectiveness of the Affordable Care Act (ACA), under the Obama administration, on Texan insurance policyholders and those left without insurance. While Healthcare can be viewed as a political or social issue, this essay will be from an economic viewpoint.

The Rationale

When Obama ran for presidency in 2008, his administration presented four key social issues they aimed to change: renewing America's economic prosperity, strengthening the public education system, fixing foreign relations in the middle east and reshaping the healthcare system to be more accessible and affordable.

The latter was of high social significance at the time because of popularised stories such as that of Monique White[2], who suffered from Lupus, yet could not afford her regular check-ups seeing that she did not have insurance.

One night, her condition worsened to the point where it was unbearable, and many would go to the emergency room. However, her mother Gail Deal, reported that her daughter, who was in a considerable amount of pain, refused to go to seek help because she could not afford it.

It wasn't until she was rushed to the hospital later on, after suffering a seizure, that she received the costly treatment. Unfortunately, she succumbed to the illness a few months later, to which many politicians have attributed to the lack of regular care.

Stories similar to Monique's, led to the discovery of a widespread lack of treatment of the uninsured, seeing that they delayed seeking help for minor issues or regular check-ups which resulted in a higher level of deaths in preventable areas.

This was of importance to Texans seeing that in 2008 the percentage of uninsured in the state was 23.4%, 8% higher than the national average of 15.4%. This meant that if the ACA's regulations were to be adopted in Texas it would hopefully have a large impact on the state's

2 "The New York Times, 2008, Healthcare Horror Stories (Website) Available at: https://www.nytimes.com/2008/04/11/opinion/11krugman.html

general health by increasing the amount of insured residents.[3] This is because, the ACA or Obamacare's national goal was to increase the number of Americans that had health insurance, even at a basic level of coverage.

This would be done through increasing the number of policy holders in each health insurance 'risk pool' in other terms 'covering more people'. It was viewed that as the pools became larger, premiums would become lower for everyone, due there being enough healthy people paying the insurance premiums without medical costs creating a larger surplus of funds to cover more sick people in the US, increasing the nations general health and productivity. [4]

Unfortunately, the health insurance market is susceptible to **asymmetric information[8]:** A situation where buyers and sellers have an unequal access to information, resulting in the under allocation or misallocation of resources, commonly found with buyers of health insurance, because they know more about their medical history and are unlikely to tell the complete truth to the insurance sellers which can lead to **high insurance premiums for all insurance buyers.**

This can be a factor in the high level of uninsured Texans, seeing that higher premiums disincentivizes people from purchasing the good and is an adept explanation as to why 'covering more people' is not as simple as it sounds.

The Groundwork

The ACA passed and became law in 2010 and utilized multiple government regulations to help lower the number of uninsured Americans. At the time the rate of uninsured Texans was at roughly 23.7%.[5] still well above the national average.

In this essay, three of these methods will be fully explored as to their impacts on Texans:

1. The **individual mandate**, which meant that those found without coverage would be faced with a taxation penalty of either 2.5% of the household's income or $695 per adult, whichever was higher.[6]
2. Insurance firms were met with **medical loss ratios** meaning that premium prices were likely to be kept at lower levels, to avoid firms paying large rebates back to policyholders.

[3] The Texas Tribune, 2019, Texas has the most people without health insurance - again (Website) Available at: https://www.texastribune.org/2019/09/10/texas-has-most-people-without-health-insurance-nation-again/

[4] Turbo Tax, 2019, What Is The Individual Mandate for Health Care Reform? (Website) Available at:https://turbotax.intuit.com/tax-tips/health-care/what-is-the-individual-mandate-for-health-care-reform/L51gBOz8v

[5] The Texas Tribune, 2019, Texas has the most people without health insurance - again (Website) Available at: https://www.texastribune.org/2019/09/10/texas-has-most-people-without-health-insurance-nation-again/

[6] Turbo Tax, 2019, What Is The Individual Mandate for Health Care Reform? (Website) Available at:https://turbotax.intuit.com/tax-tips/health-care/what-is-the-individual-mandate-for-health-care-reform/L51gBOz8v

3. The **expansion** of **government subsidised health insurance**, including Medicare and Medicaid, to assist those who cannot afford healthcare insurance due to their income levels.

The rationale behind lowering the number of Americans without healthcare insurance was due to the excessively high prices of uncovered healthcare procedures.

To begin we must understand the concept of **health insurance**[7] known as a type of insurance where **premiums** - an amount of money an individual or business pays for an insurance policy[8] - are paid, to cover the partial or full cost of medical expenses, ranging from life threatening illnesses to routine check-ups depending on the healthcare plan purchased.

Health insurance creates **risk pools**[9] or groups of policy holders. In a risk pool, everyone pays insurance premiums however only a select few will file an insurance claim for healthcare treatment that the insurance would have to pay for, allowing the firm to still make a profit while paying for the treatments of ill policy holders.

Obama ran in 2008 on the idea of making health insurance more affordable for those who were employed and unemployed.

This requires an explanation of how health insurance is paid[10]:

- **Employment (Group) Insurance:** a firm purchases a health insurance policy and pays for the cost of either a portion or the entirety of all of its employees' healthcare premiums. The cost of coverage is often split between the employer and employees. While group insurance can be given to multi-member families, this essay will be utilising the term in reference to a group of business employers and employees.

- **Individual Insurance:** A single insurance policy purchased by an individual who pays the premiums without employer contribution. If not paid out of pocket, programs such as Medicare and Medicaid are government subsidised programs used to decrease the number of uninsured individuals who cannot afford healthcare coverage on their own.

7 Investopedia, 2018, Health Insurance Defined (Website) Available at: https://www.investopedia.com/terms/h/healthinsurance.asp

8 Tragakes, Ellie. *Economics for the IB Diploma*. United Kingdom at the University Press, Cambridge: Cambridge University Press 2009, 2012.

9 Investopedia, 2018, Health Insurance Defined (Website) Available at: https://www.investopedia.com/terms/h/healthinsurance.asp

10 Small, 2019, Group Coverage Basics (Website) Available at: https://healthcoverageguide.org/part-one/group-coverage-basics/

The difference in whether or not a person can be covered is vastly different between the two methods. For **employment based** insurance the broad generalization is that if an employer offers healthcare coverage to a single full-time employee, they must cover all of their full-time labourers, regardless of their past health problems/pre-existing conditions.

Contrastingly, **individual insurance** firms can evaluate the risk of each consumer. This means that if a client is predisposed to certain diseases or has a pre-existing condition that makes them more susceptible to requiring frequent or expensive medical treatments, firms are allowed to raise the price of insurance for that consumer or simply not offer it at all.

While some may argue this is a form of **price discrimination**[11], when a firm changes the price of a good or service, for healthcare insurance this is not the case because the requirements for price discrimination are that:

- There is a high degree of **monopoly power**, which isn't present in insurance because it is a rivalrous market and a single firm has the potential to lose consumers if their prices are too high.

- There is no **cost difference** to the firm and the product is **identical**, meaning that the coverage given by the firm costs and is the exact same for each consumer. This isn't present in health insurance because one consumer can require more/different medical treatment than another. Therefore, there is a cost difference.

The Implementation

Medical Loss Ratios and Insurance Rebates

The ACA implemented nationwide [12]Medical Loss Ratios, which are the percentage amount of revenue from premiums insurance firms can spend on claims, coverage, and improvement of healthcare quality versus administrative expenses, profit, and marketing.

For small firms the proportions were 80% to healthcare coverage/care improvement and 20% to administrative needs, factor payments, and marketing

For large firms the proportions were 85% to coverage/care improvement and 15% to administrative needs.

This ratio was designed to ensure that a minimum percent of health insurance premiums (the firms' revenue) was used to increase the quantity and quality of the care, so that firms did not simply overcharge consumers to boost their factor payments.

[11] Tragakes, Ellie. *Economics for the IB Diploma*. United Kingdom at the University Press, Cambridge: Cambridge University Press 2009, 2012.

[12] KFF, 2019, Data Note: 2019 Medical Loss Ratio Rebates (Website) Available at: https://www.kff.org/private-insurance/issue-brief/data-note-2019-medical-loss-ratio-rebates/

This led to firms having to give out **rebates**[13] which are payments paid from insurance companies back to policy holders if they fail to meet these MLR's. Rebates issued in 2019 will go to 2018 subscribers who paid 2018 healthcare premiums.

These are calculated by:

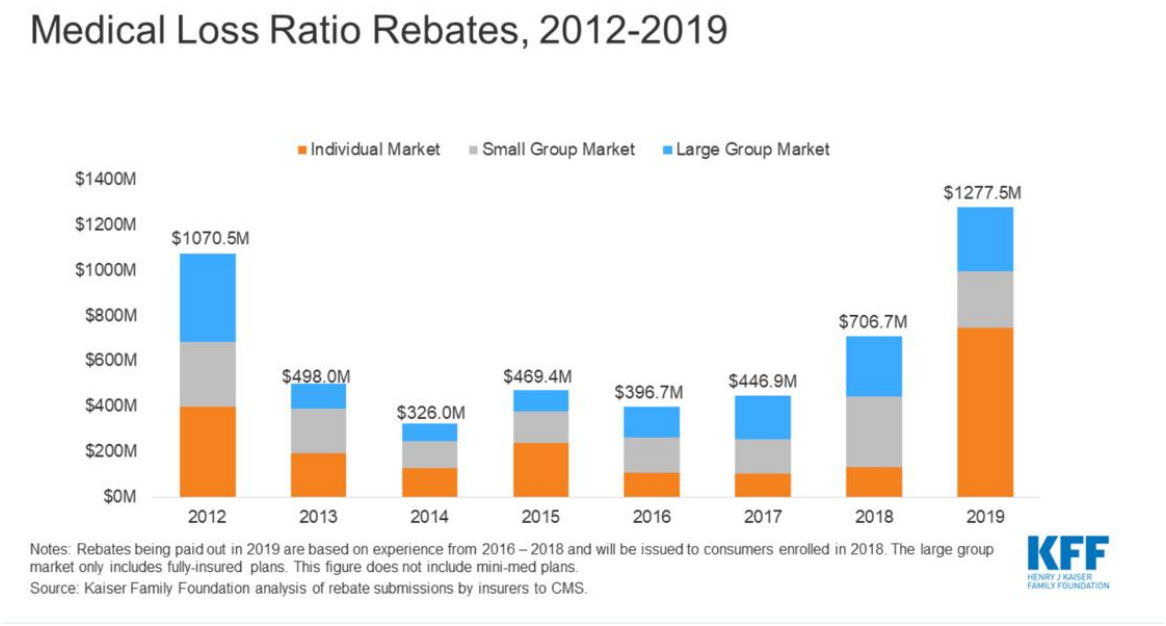
- Medical Loss Ratio Rebates = $\frac{\text{Claims + Expenses that Improve Healthcare Quality}}{\text{Healthcare Premiums}}$

Whether or not rebates are given to policy holders is determined through[14]:

- If the **coverage** for policy A is **higher** than the MLR percentage (95% of funds are dedicated to covering claims) policy A holder will **not** receive a rebate.

- If the **coverage** for size policy B is **lower** than the MLR percentage (60% of funds are dedicated to covering claims) policy B holders will receive a rebate.

MLR Trend



[13] KFF, 2019, Data Note: 2019 Medical Loss Ratio Rebates (Website) Available at: https://www.kff.org/private-insurance/issue-brief/data-note-2019-medical-loss-ratio-rebates/

[14] Cigna Insurance, 2018, Medical Loss Ratio FAQ's (Website) Available at: https://www.cigna.com/health-care-reform/mlr-rebate-faqs

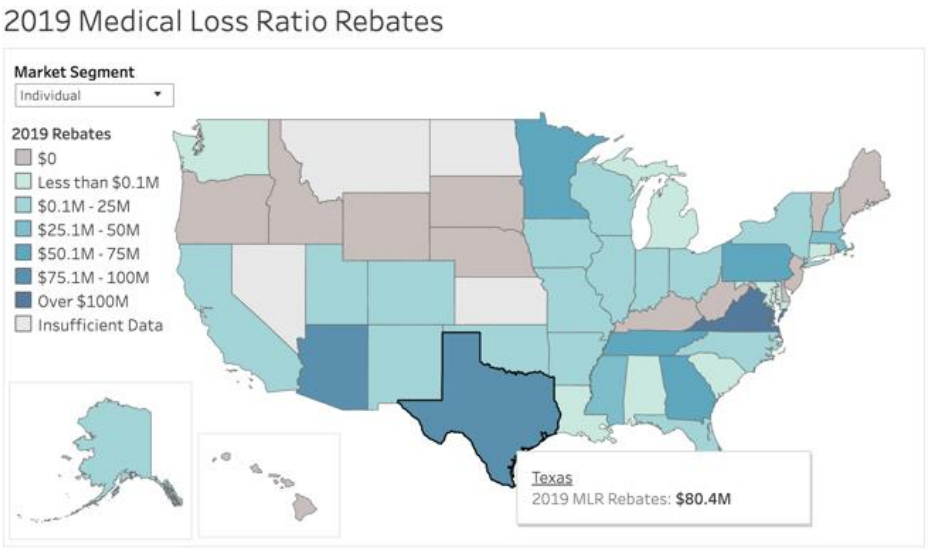
This figure[15] shows that the level of rebates drastically decreased with the implementation of the ACA, which could only yield results in 2013/2014 with it being passed in 2010, and then rose again with their repeals in 2018/2019 with Trumps election.

This means that firms were allocating their resources to increase the benefit of nationwide consumers – especially individual policy holders - when the ACA took hold of the market, which was measured by the level of rebates paid back to policy holders.

The effects of this is that those who purchased health insurance under the implementation of the ACA received a **higher quantity** of coverage in terms of treatment and **a better quality** of the coverage, because to avoid paying rebates, firms were more likely to dedicate their resources to that 80-85% portion for the MLR.

Texas, MLR Rebate Rates, and The Coverage Gap[16]

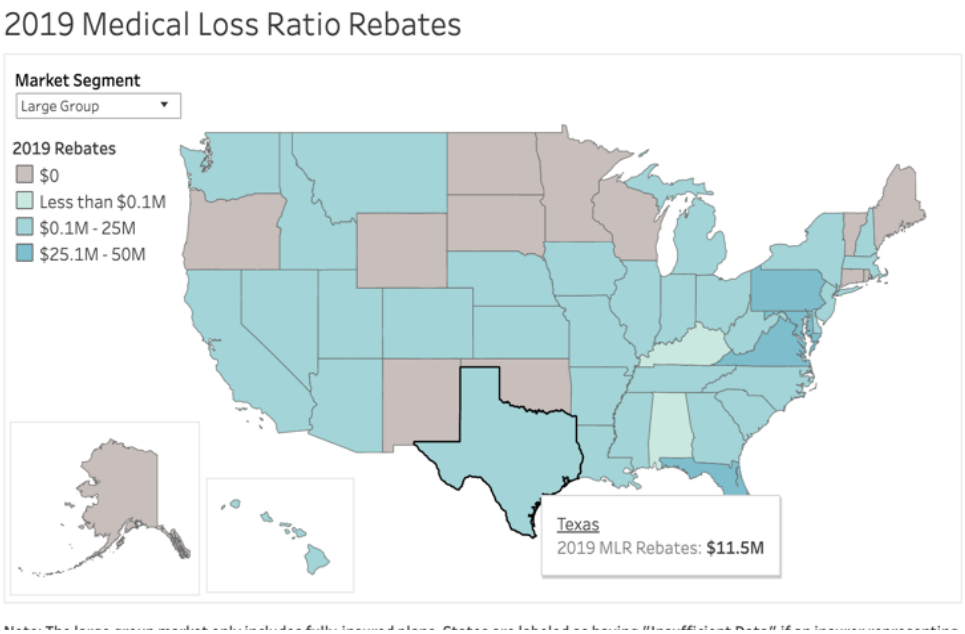
Figure 2: Total MLR Rebates paid in 2019 by State



Note: The large group market only includes fully-insured plans. States are labeled as having "Insufficient Data" if an insurer representing more than 10% of state enrollment has not filed MLR rebate data.
Source: Kaiser Family Foundation analysis of rebate submissions by insurers to CMS.

15 KFF, 2019, Data Note: 2019 Medical Loss Ratio Rebates (Website) Available at: https://www.kff.org/private-insurance/issue-brief/data-note-2019-medical-loss-ratio-rebates/

16 KFF, 2019, Data Note: 2019 Medical Loss Ratio Rebates (Website) Available at: https://www.kff.org/private-insurance/issue-brief/data-note-2019-medical-loss-ratio-rebates/



Texas has a high level of MLR rebates paid back to consumers. This shows that insurance firms are overcharging their premiums which is detrimental to Texan consumers seeing that they are paying high health insurance premiums for little reward.

This then aids in the development of a **coverage gap**, which is when healthy people who had insurance and paid out of pocket, are **crowded out** of the market. In Texas this coverage gap is defined as those with an income of 43% to 100% above the Federal Poverty Line.[17]

Other states have adopted subsidised health insurance (Medicaid or Medicare), which is allowing for more 'sick' consumers to be added to the nations risk pools causing those in the coverage gap to pay higher premiums as they are not subsidised and insurance firms will over charge them in compensation for the increase in sick policyholders, as seen by the high level of rebates paid.

While large Texan businesses can run at a deficit with a likely potential rebate on the horizon, individuals and small business policy holders cannot, causing them to stop purchasing the merit good crowding them out. This causes a welfare loss to consumers, due to the subsidies granted to those who wouldn't be able to 'naturally' afford health insurance adding to the consistent increase in premium prices under the ACA[18] because more sick consumers were getting coverage with firms who had to pay more medical claims requiring more capitol from their consumers and charging more per person.

[17] Garfield, Rachel, Kendal Orgera, and Anthony Damico. "The Coverage Gap: Uninsured Poor Adults in States That Do Not Expand Medicaid." The Henry J. Kaiser Family Foundation, January 14, 2020. https://www.kff.org/medicaid/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/.

[18] National Conference of State Legislatures, 2018, Health Insurance Premium Increase (Website) Available at: http://www.ncsl.org/research/health/health-insurance-premiums.aspx

This continuous rise in premium prices effects Texan policy holders because small and individual policy holders are now competitors with large corporations and the American government. This led to more uninsured individual policy holders as they could not compete.

MLR & Adverse Selection

The implementation of medical loss ratios was a way of avoiding **adverse selection** in the healthcare market, because even if there is a decrease in supply, and firms get higher revenues but they are only allowed to spend a certain amount on themselves.

[19]**Adverse Selection:** A situation where insurance companies reduce the supply of insurance to create higher premiums and revenues, so that an influx of high-risk consumers isn't devastating to their profit, due to the higher costs of coverage.

In a unregulated market, this would result in the under allocation of resources in health insurance services, as insurance firms will likely reduce their supply of insurance as protection from providing insurance to very high risk consumers who would not disclose their medical problems in the hope of achieving a lower premium, and are more likely to become ill raising overall costs.

With the MLR's, firms are more likely to gather large risk pools, because if the firms only take from small low risk pools of healthy consumers, rebates are likely to be higher because there are less claims to cover and to avoid rebates premiums would have to be unsustainably low.

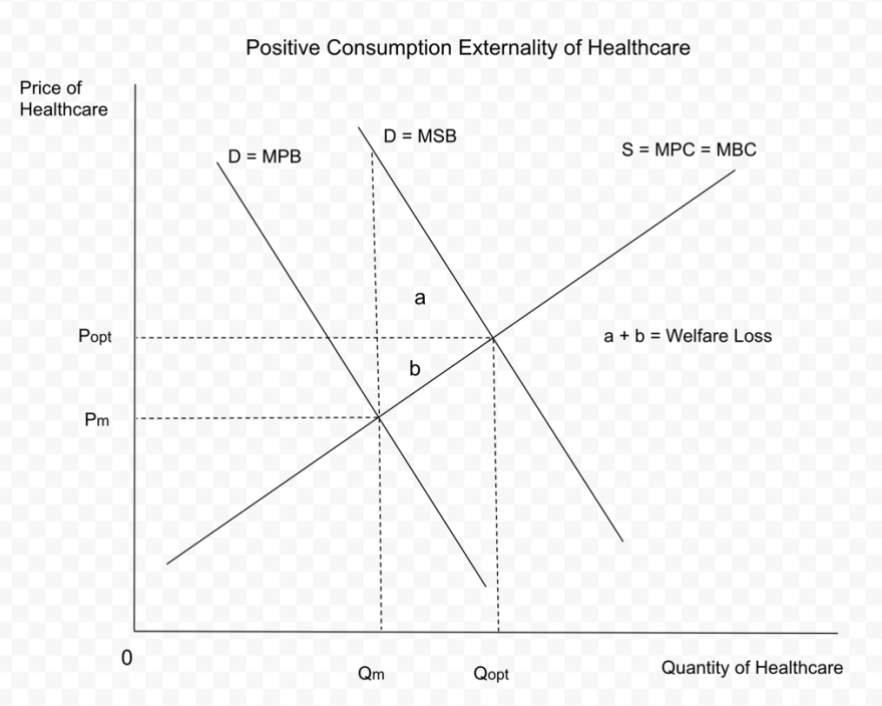
Repealing this regulation causes more adverse selection and less regulation of premium prices which is detrimental for consumers.

Medicaid Expansion and Subsidisation of Insurance

Health insurance is a [20]**merit good**, or a goods that is desirable and beneficial to consumers but is underprovided by the market. This is likely due to low income levels, which can cause consumers to not be able to afford the good regardless of how beneficial it is for them. Meaning that while they may have a desire to purchase it, they cannot afford to.

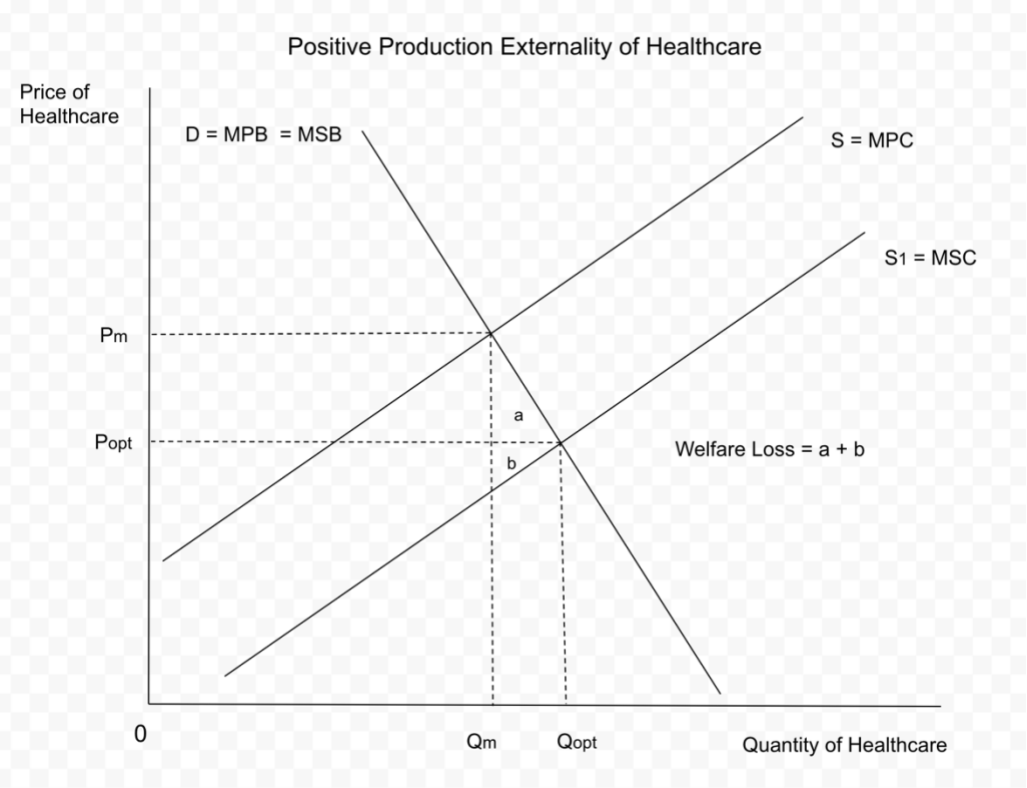
Healthcare, exemplifies a trait of merit goods which is providing positive externalities, for example, vaccinations, which are a positive externality of consumption because marginal personal benefit is lower than marginal social benefit, meaning that immunisations not only benefit the recipient, but also the larger population by aiding to wipe out disease due to herd immunity.

[19] Tragakes, Ellie. *Economics for the IB Diploma*. United Kingdom at the University Press, Cambridge: Cambridge University Press 2009, 2012.
[20] Tragakes, Ellie. *Economics for the IB Diploma*. United Kingdom at the University Press, Cambridge: Cambridge University Press 2009, 2012.



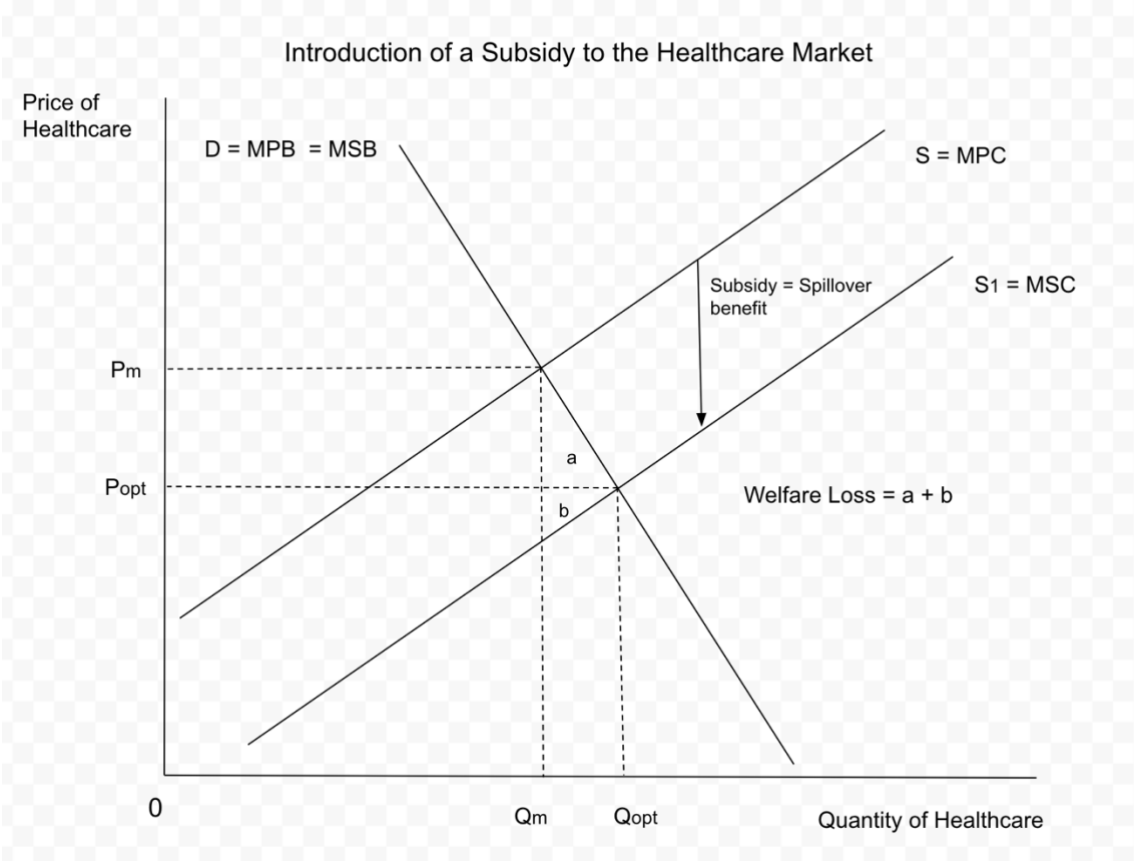
This is outlined in two demand curves present on the graph where MSB>MPB and the difference between the them gives the external benefits to society. The socially optimum quantity, Q_{opt}, is given by the point where MSB = MSC, and the quantity produced by the market is given by the point where MPB = MPC. The demand curve is steep as health insurance can be considered a necessity, making demand relatively price inelastic.

Since $Q_{opt} > Q_{m}$, the market under-allocates resources to the production of healthcare insurance, and too little of it is produced creating a welfare loss to consumers seeing that they are not consuming the merit good.



The positive production externalities of healthcare are shown by the marginal personal cost being greater than the marginal social cost, seen by the intersection on the graphs demand curve (marginal benefit) which intersects with MPC giving equilibrium quantity Q_m and price P_m, with the social optimum being given by Q_{opt} and P_{opt}, determined by the intersection of the MSB with MSC curves.

Since $Q_m < Q_{opt}$, the market under-allocates resources to the production of the good meaning that there is a welfare loss to consumers as they are not receiving the socially optimum level of the good as it goes underprovided which the ACA planned to reduce with the expansion of subsidised insurance.



To show the effect of a subsidy (such as Medicaid/Medicare), take a positive externality of production in healthcare such as the creation of a new drug that allows for decrease in the MSC of a society which in turn creates a welfare loss seeing that not all consumers can afford the good.

This would cause governments to subsidies this good to lower the MPC to match the MSC and eliminate the welfare loss to consumers, increasing the amount of people who can afford health insurance as firms have entered the market to increase the supply of the service.

In the terms of healthcare insurance, to eliminate this welfare loss, the ACA provides two main programs to help offset the cost of the merit good: Medicare and **Medicaid**.

[21]Medicaid: Healthcare insurance coverage paid by the government that applies to consumers who cannot afford medical insurance.

[21] HHS.gov, 2014, Who is eligible for Medicare? (Website) Available at: https://www.hhs.gov/answers/medicare-and-medicaid/who-is-elibible-for-medicare/index.html

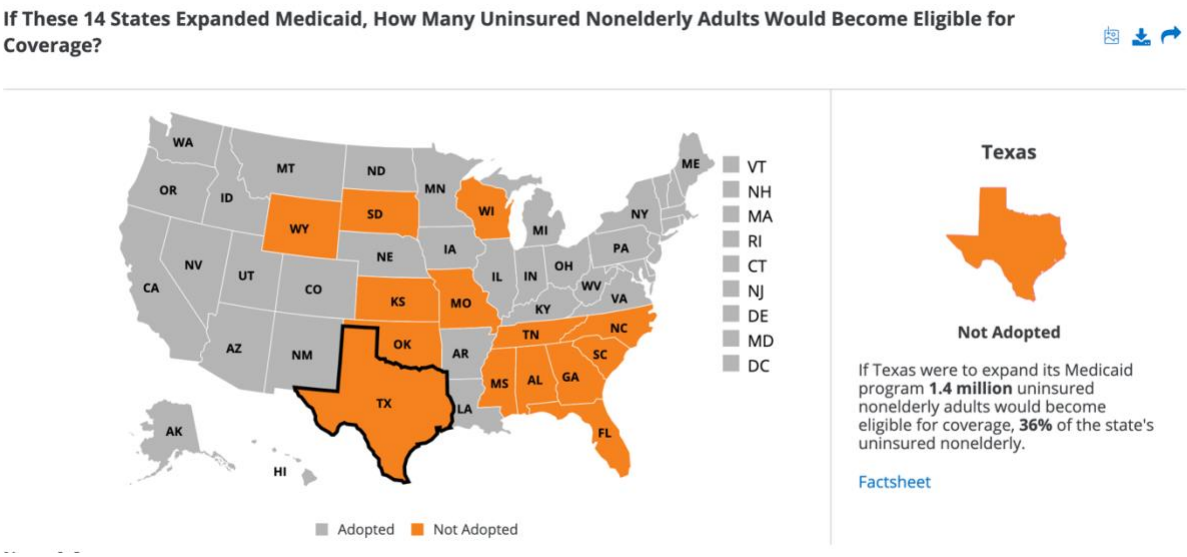
[22]Eligibility:

- The number of consumers eligible for Medicaid expanded under the ACA to nearly all adults with incomes at or below 138% of the federal poverty line ($17,236 for an individual in 2019) in states that have adopted the expansion, regardless of their medical history.
- Tax credits became available for people with incomes up to 400% of the FDL who purchase coverage through a health insurance marketplace
- Prevented insurers from denying people coverage or charging them more due to health status. As enacted, it also required most people to have health insurance coverage or be subject to a tax penalty.

While this increase in eligibility has allowed millions of Americans to receive healthcare insurance Texas, whom adhered to the other ACA regulations, did not adopt the expansion of these subsidised programs.

Uninsured Adults in States that Did Not Expand Who Would Become Eligible for Medicaid under Expansion

[23]



[22] HHS.gov, 2014, Who is eligible for Medicare? (Website) Available at: https://www.hhs.gov/answers/medicare-and-medicaid/who-is-elibible-for-medicare/index.html

[23] Updated: Jan 23, 2020. "Who Could Get Covered Under Medicaid Expansion? State Fact Sheets." The Henry J. Kaiser Family Foundation, Accessed: October 20th, 2019. https://www.kff.org/medicaid/fact-sheet/uninsured-adults-in-states-that-did-not-expand-who-would-become-eligible-for-medicaid-under-expansion/.

24

Table 1: Uninsured Adults in Non-Expansion States Who Would Be Eligible for Medicaid if Their States Expanded by Current Eligibility for Coverage, 2017				
State	**Total**	**Currently Eligible for Medicaid**	**Currently in the Coverage Gap (<100% FPL)**	**Currently May Be Eligible for Marketplace Coverage (100%-138% FPL**)**
All States Not Expanding Medicaid	4,861,000	409,000	2,479,000	1,973,000
Alabama	235,000	12,000	140,000	83,000
Florida	884,000	48,000	445,000	392,000
Georgia	503,000	46,000	267,000	190,000
Kansas	86,000	6,000	46,000	34,000
Mississippi	176,000	13,000	103,000	61,000
Missouri	232,000	13,000	124,000	95,000
North Carolina	412,000	33,000	215,000	164,000
Oklahoma	216,000	19,000	111,000	85,000
South Carolina	240,000	30,000	124,000	86,000
South Dakota	32,000	3,000	20,000	9,000
Tennessee	244,000	37,000	113,000	94,000
Texas	1,498,000	89,000	759,000	649,000

The effects of this are that compared to other states that adopted the expansion, which allowed for more citizens to be recipients of the subsidy, Texan insurance policyholders continue to have a welfare loss to consumers due to the lack of positive externalities of the good and high premiums.

Meaning that while those externalities are being correct for others out of state, and health insurance is becoming more affordable, Texan consumers will feel the fallout of the nationwide rise in premiums more severely, especially individual and small group policy holders as they are less and less able to afford the good and can lose the ability to buy it all together.

This was shown that the level of uninsured residence of states that **did** adopt the expansion largely decreased, for example California decreased by 10% from 2008 to 2017, New Mexico decreased by 11.6%, and Arkansas decreased by 9.2%, whereas Texas only decreased by 6.1%[25].

[24] Updated: Jan 23, 2020. "Who Could Get Covered Under Medicaid Expansion? State Fact Sheets." The Henry J. Kaiser Family Foundation, Accessed: October 20th, 2019. https://www.kff.org/medicaid/fact-sheet/uninsured-adults-in-states-that-did-not-expand-who-would-become-eligible-for-medicaid-under-expansion/.

[25] Updated: Jan 23, 2020. "Who Could Get Covered Under Medicaid Expansion? State Fact Sheets." The Henry J. Kaiser Family Foundation, Accessed: October 20th, 2019. https://www.kff.org/medicaid/fact-sheet/uninsured-adults-in-states-that-did-not-expand-who-would-become-eligible-for-medicaid-under-expansion/.

Personal Mandate for Insurance

This mandate required more American employers to provide health insurance coverage for all of their employees otherwise it is likely that their employees would transfer to other jobs of the same, lower or potentially higher level, where the firm offered health insurance.

- [26]According to figures given by the Bureau of Labour Statistics, close to 90% of employees in large and mid-size private businesses are offered a healthcare plan and see higher levels of enrollment in these plans, compared to their smaller counterparts. This is mainly due to the increased likelihood that the coverage is more inclusive in large firms because there is a larger budget for policy payment.

- However, their findings show that most employees of all businesses are more likely to enroll in employment-based insurance when offered instead of purchasing an individual plan. This is most likely due to employment-based coverage including those with pre-existing conditions.

Seeing that this mandate directly increased the number of consumers who have insurance, it also increased a phenomenon known as **Moral Hazard**[27]: When one party takes risks but does not face the full costs of the risks taken.

This arises when a buyer of health insurance changes their behaviour after obtaining the insurance, working against the interest of the seller of insurance because the consumer takes more risks knowing that they are 'covered' and do not have to monetarily pay the full price for the consequences of their negative health actions.

The effects of this are that while increasing the number of Texan insurers is viewed as a good thing due to it being a merit good, it does have its adverse effects, including that Texans may take more risks with their health which could be potentially detrimental to many citizens wellbeing.

[26] Health Payer Intelligence, 2018, Mid-size Industries offering Medical Benefits (Website) Available at: https://healthpayerintelligence.com/news/about-90-of-large-mid-size-employers-offer-medical-benefits

[27] Tragakes, Ellie. *Economics for the IB Diploma*. United Kingdom at the University Press, Cambridge: Cambridge University Press 2009, 2012.

The Uninsured

The generalized view to nationwide Americans is that with the implementation of the ACA in 2010, the level of uninsured citizens has gone down by 19.1% to 2017[28], which has slightly increased due to Trumps election.

This is contradicted by 2019 figures from the Texas Medical Association putting the percentage of uninsured Texans at 1.75 times the national average after the repeal[29].

Therefore, it is important to discuss the effects of being uninsured, and why the Obama administrations sought to decrease the amount of people who were.

Financially, when uninsured Americans inevitably do get sick, they face simply unaffordable medical bills, due to the competitors being large corporation and the United States government, that they must pay by themselves. Seeing that the majority of the uninsured have lower income levels these bills can quickly become medical debt that can weight over a person for a lifetime.

Negatives of being Uninsured

The US National Library of Medicine gave a study by Doctorates Taber, Leyva and Persoskie, that found that[30] "People often avoid seeking medical care even when they suspect it may be necessary, nearly one-third of respondents in a recent national United States survey reported avoiding the doctor. Even individuals with major health problems or who are experiencing symptoms avoid seeking medical care."

This shows consumers are generally averse to receiving medical treatments, therefore, seeing that the cost of healthcare without insurance is very high, the inferable trend in the question to seek medical treatment, is that it's better not to. Going without coverage can have serious health consequences for the uninsured because they receive less preventive care, and delay care often resulting in serious illness or other health problems.

Evaluation & Conclusion

The limitations to the data collected was that it was from other reputable foundations and not my own primary sources, giving room to researcher bias or limitations I am not aware of. However, across the sources there has been a definite increase in the number of Americans who have

[28] United States Census Bureau, 2018, Uninsured Rate by State 2008-2017 (Website) Available at: https://www.census.gov/library/visualizations/interactive/uninsured-rate.html

[29] Texas Medical Association, 2016, The Uninsured in Texas (Website) Available at: https://www.texmed.org/uninsured/

[30] US National Library of Medicine, 2015, Why do people avoid Healthcare? (Website) Available at: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4351276/

received coverage through the implementation of the ACA, and it has allowed for an increase in accessibility to the merit good. Overall, Texan consumers were affected quite differently.

The implementation caused a national increase in premium prices - and moral hazard - therefore seeing that Texas is a 'no expansion state' concerning Medicaid, with 1.4 million nonelderly adults left uninsured directly due to the lack of expansion[31], there is no offset to this rise. This has caused Texan healthcare to become increasingly unaffordable for consumers, giving way to the coverage gap leaving more people without insurance and as mentioned before without treatment which has many negative effects to citizen health and productivity in the long-term.

The only benefit to the higher premiums is that it does incentivise health insurance firms to continue to produce because most larger insurance firms operate at a national level.

The federal government is content with seeing that with the full adoption of Obamacare, uninsured rates nationally have decreased whereas, Texan government will not, as they now have an increase in uninsured consumers due to the lack of expanded subsidised programs.

The uninsured will be consisted of those who either had health insurance before the premium inflation, those who would be eligible for Medicaid under the ACA but do not qualify in state, and those who are unemployed and would rather pay the mandate than pay for insurance.

However, seeing that Texas has adopted Medical Loss Ratios to their insurance firms, the quality and quantity of Texan healthcare has increased, which raises the positive externalities of the good for Texan policyholders. This is therefore a positive to consumers and a negative to firms due to the added level of bureaucracy that inhibits them from utilizing their revenue to for factor payments instead of reinvestment.

In summary, the lack of Texan subsidised insurance did not add more 'sick' people to the risk pools but left healthy people, who could afford insurance before, without insurance due to firms matching the nations rising premiums.

However, it has been shown that the number of uninsured Texans did decreased by roughly 6.5%[32], meaning that the personal mandate – most likely more than the MLR's – caused employers to cover more Texans. The effects were largely negative for Texan non employment-based policy holders, but employment-based policyholders could afford the higher price and got a better quality of care than before the ACA.

31 Updated: Jan 23, 2020. "Who Could Get Covered Under Medicaid Expansion? State Fact Sheets." The Henry J. Kaiser Family Foundation, Accessed: October 20th, 2019. https://www.kff.org/medicaid/fact-sheet/uninsured-adults-in-states-that-did-not-expand-who-would-become-eligible-for-medicaid-under-expansion/.

32 United States Census Bureau, 2018, Uninsured Rate by State 2008-2017 (Website) Available at: https://www.census.gov/library/visualizations/interactive/uninsured-rate.html

Bibliography

HealthCare.Gov, 2019, How the Affordable Care Act affects small businesses (Website) Available at: https://www.healthcare.gov/small-businesses/learn-more/how-aca-affects-businesses/ [Last Accessed 4 October 2019]

Garfield, Rachel, Kendal Orgera, and Anthony Damico. "The Coverage Gap: Uninsured Poor Adults in States That Do Not Expand Medicaid." The Henry J. Kaiser Family Foundation, January 14, 2020. https://www.kff.org/medicaid/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/.

Investopedia, 2018, Health Insurance Defined (Website) Available at: https://www.investopedia.com/terms/h/healthinsurance.asp [Last Accessed 13 September 2019]

Turbo Tax, 2019, What Is The Individual Mandate for Health Care Reform? (Website) Available at:https://turbotax.intuit.com/tax-tips/health-care/what-is-the-individual-mandate-for-health-care-reform/L51gBOz8v [Last Accessed 19 October 2019]

Investopedia, 2019, Insurance Premium Definition (Website) Available at: https://www.investopedia.com/terms/i/insurance-premium.asp [Last Accessed 19 October 2019]

Wikipedia, Individual Mandate (Website) Available at: https://en.wikipedia.org/wiki/Individual_mandate [Last Accessed 5 August 2019]

Tragakes, Ellie. *Economics for the IB Diploma*. United Kingdom at the University Press, Cambridge: Cambridge University Press 2009, 2012. [Last Accessed March 2 2020]

KFF, 2019, Data Note: 2019 Medical Loss Ratio Rebates (Website) Available at: https://www.kff.org/private-insurance/issue-brief/data-note-2019-medical-loss-ratio-rebates/ [Last Accessed 18 September 2019]

Small, 2019, Group Coverage Basics (Website) Available at: https://healthcoverageguide.org/part-one/group-coverage-basics/ [Last Accessed 10 October 2019]

Forbes, 2010, America's Coming Health Care Oligopoly (Website) Available at: https://www.forbes.com/2010/07/07/healthcare-reform-insurance-hospitals-contributors-merrill-matthews-obamacare.html#749109c67336 [Last Accessed 1 August 2019]

HHS.gov, 2014, Who is eligible for Medicare? (Website) Available at: https://www.hhs.gov/answers/medicare-and-medicaid/who-is-elibible-for-medicare/index.html [Last Accessed 10 September 2019]

Health Payer Intelligence, 2018, Mid-size Industries offering Medical Benefits (Website) Available at: https://healthpayerintelligence.com/news/about-90-of-large-mid-size-employers-offer-medical-benefits [Last Accessed 8 October 2019]

Cigna Insurance, 2018, Medical Loss Ratio FAQ's (Website) Available at: https://www.cigna.com/health-care-reform/mlr-rebate-faqs [Last Accessed 19 September 2019]

National Conference of State Legislatures, 2018, Health Insurance Premium Increase (Website) Available at: http://www.ncsl.org/research/health/health-insurance-premiums.aspx [Last Accessed 19 October 2019]

US National Library of Medicine, 2015, Why do people avoid Healthcare? (Website) Available at: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4351276/ [Last Accessed 19 October 2019]

World population review, 2019, Texas Population 2019 (Website) Available at: http://worldpopulationreview.com/states/texas-population/[Last Accessed 19 October 2019]

Texas Medical Association, 2016, The Uninsured in Texas (Website) Available at: https://www.texmed.org/uninsured/ [Last Accessed 19 October 2019]

The New York Times, 2008, Healthcare Horror Stories (Website) Available at: https://www.nytimes.com/2008/04/11/opinion/11krugman.html[Last Accessed 19 October 2019]

Wikipedia, Political Positions of Barack Obama (Website) Available at: https://en.m.wikipedia.org/wiki/Political_positions_of_Barack_Obama [Last Accessed 19 October 2019]

United States Census Bureau, 2018, Uninsured Rate by State 2008-2017 (Website) Available at: https://www.census.gov/library/visualizations/interactive/uninsured-rate.html [Last Accessed 19 October 2019]

Kaiser Health News, 2019, Uninsured Rate Soars (Website) Available at: https://khn.org/news/census-uninsured-rate-soars/ [Last Accessed 19 October 2019]

The Texas Tribune, 2019, Texas has the most people without health insurance - again (Website) Available at: https://www.texastribune.org/2019/09/10/texas-has-most-people-without-health-insurance-nation-again/ [Last Accessed 19 October 2019]

Estepa, Jessica. "Throwback Thursday: Obama Signs the Affordable Care Act on March 23, 2010." USA Today. Gannett Satellite Information Network, March 23, 2017. https://www.usatoday.com/story/news/politics/onpolitics/2017/03/23/throwback-thursday-obama-signs-affordable-care-act/99536186/.