

Accountancy

Obama-care Negatively Affects American Families

Sponsoring Faculty Member: Professor Cindi Bearden

Caelin Campbell

Although Obama-care was intended to provide more Americans with health insurance, the average American household cannot afford it. It negatively affects individuals, businesses, and families. Obama-care could cause more problems for individuals such as, doctor shortages, longer waiting times for surgeries, elimination of employees' health insurance benefits, and an increase in unemployment. Businesses have to raise their prices and reduce health insurance benefits because of Obama-care. Obama-care is also raising health insurance costs for the average American family.

President Obama signed the Affordable Care Act in 2010, as a health reform (U.S. Department of Health and Human Services [HHS], 2013). The Affordable Care Act is also referred to as Obama-care. Obama-care began enrollment in early October and will take effect in January of 2014 (HHS, 2013). The Affordable Care Act works as a supplement to Medicare and Medicaid. Its main goals are to reform the health care industry, reduce health care spending in the United States, and provide more Americans with health insurance (HHS, 2013).

A Lackluster Beginning

President Obama promised that Obama-care would allow people to keep their current health insurance plan. Recently, the president apologized to Americans who have had their insurance cancelled (CNN Staff, 2013). Insurers were forced to send cancellation notices to 12 million Americans because their individual policies do not fulfill the Obama-care requirements (CNN Staff, 2013). One month into the rollout, only 106,185 Americans have enrolled in private health insurance using Obama-care. The rollout falls short of the targeted 500,000 Americans expected to enroll by the end of October (Young, 2013). The plan only reached 20% of its enrollment target for the month of October.

Affects on Individuals

Obama-care increases health care spending for individuals. The Manhattan Institute compared the cheapest insurance premiums before Obama-care with the cheapest insurance premiums with Obama-care. It found that young men

would have an average increase in insurance premiums of 97-99% (Roy, 2013). Some Americans think it is unethical not to provide all Americans with health insurance, but I feel it is unethical to make young men pay more than double for their insurance. As well, young women would have an average insurance premium increase of between 55- 62% (Roy, 2013). On average, 13 states will have an average insurance premium increase of 24% (Roy, 2013).

Affects on Families

Obama-care is also increasing health insurance costs for families. Chris Conover, research scholar for Health Policy and Inequalities Research at Duke University, found that on average Obama-care would increase families' health spending by more than \$7,000 between the years of 2014 and 2020 (Conover, 2013). Obama-care was intended to make health insurance more affordable to families, but it is making it more expensive. When Obama-care takes effect in 2014, families will see a health insurance premium increase of \$591 from health care costs in 2013 (Conover, 2013).

Doctor Shortages

America is anticipating a doctor shortage because 48 million Americans will have access to health insurance for the first time (Christensen, 2013). Doctor shortages are expected because the same number of doctors will have to treat an additional 48 million potential patients. The Association of Medical Colleges estimates that America is currently facing a shortage of 20,000 doctors (Christensen, 2013). By 2020, the Association of American Medical Colleges estimates a shortage of more than 90,000 doctors (Weigley, Hess, & Sauter, 2012).

Mississippi already has only 160 patient care doctors for every 100,000 residents (Weigley, Hess, & Sauter, 2012). A major concern for states like Mississippi, with a low doctor per capita ratio, is that there is a strong correlation between having a high doctor to patient ratio and having healthier citizens (Weigley, Hess, & Sauter, 2012). The majority of states with the higher doctor to patient ratio also had longer life expectancies (Weigley, Hess, & Sauter, 2012).

Longer Wait Times

With 48 million Americans now qualifying for health insurance for the first time, there is a concern that this will cause longer wait times for surgeries (Christensen, 2013). I researched Canada, which currently offers universal health care. Canada has experienced long wait times for surgeries because more people have access to health insurance (Kliff, 2012). Commonwealth Fund did a survey in 2010 to compare wait times for elective surgeries and to get an appointment with a specialist. The results showed that 59% of Canadian participants said they waited more than four weeks to see a specialist (Kliff, 2012). To put that in perspective, Canadian participants waited more than twice as long to get a specialist appointment than American participants (Kliff, 2012).

Large Businesses

Large businesses are negatively impacted by Obama-care. In response to Obama-care, many large businesses have cut employee hours to avoid paying health insurance benefits. Papa John's, Olive Garden, Red Lobster, Long Horn, and Applebee's have cut employees' hours because of Obama-care (Bradford, 2012). Papa John's and Darden restaurant employees will have reduced earnings because Obama-care mandates employers who work employees more than 30 hours a week to offer health insurance benefits to those employees. Obama-care is forcing businesses to cut employee hours, which is cutting employee earnings. This affects the average American household because these restaurants are just a small example of how large companies are reducing employee hours, which reduces employee income.

Saint Petersburg College has had to cut 250 part-time employee hours because of the anticipated cost increase (Myers & Mears, 2013). Tracey Sullivan, part-time math professor, "will lose half her income because of the cuts" (Myers & Mears, 2013).

United Parcel Service has taken measures to cut costs by dropping insurance coverage for spouses (Markiewicz, 2013). An estimated 15,000 spouses will lose insurance coverage because of Obama-care (Markiewicz, 2013). Securitas, the nation's largest provider of security guards, is going to drop health insurance coverage for employees (Thurm, 2013). This affects 55,000 employees who will turn to state exchanges for their health insurance (Thurm, 2013). As well, Obama-care's cost increases forced Home Depot and Trader Joe's to discontinue health insurance for part-time employees (Thurm, 2013).

Small Businesses

According to the Small Business Administration, small businesses represent 99.7% of employer firms. Small businesses also account for 64 % of new net jobs between the years of 1993 and 2011 (SBA, 2013). The Affordable Care Act is affecting small businesses. North Georgia Staffing helps employers find staff and employees find jobs (Roberts, 2013). Before Obama-care, it provided health insurance for 18 full-time employees. Because of Obama-care, it will have to insure 200 employees (Roberts, 2013). Obama-care looks at the number of hours the 400 temporary employees worked and is now requiring the company to insure 200 employees (Roberts, 2013). The small business cannot afford to insure 200 employees (Roberts, 2013). North Georgia Staffing would have an estimated added expense of \$2 million dollars a year to insure 200 additional employees (Roberts, 2013).

North Georgia Staffing will choose to pay the \$2,000 fine per employee instead of insuring its 400 temporary employees (Roberts, 2013). This is going to cost the business \$400,000 in penalties a year (Roberts, 2013). The business will choose an added expense of \$400,000 rather than the two million dollars health insurance coverage would cost (Roberts, 2013). Obama-care did not fulfill its pur-

pose for the company or its workers.

Other Issues

Many companies are looking to cut costs by replacing employees with machines in advance of the added health insurance expense. Wal-Mart has added self-check lines to avoid paying for employees (O'Donnell, 2012). IHL Group, a research and advisory firm, suggests self-checkout lines will increase by 10% in North America in the next few years (O'Donnell, 2012). Major cities like New York and Washington D.C. have experienced an increase in food trucks to avoid paying for restaurant servers (Furchtgott-Roth, 2012).

In response to Obama-care, businesses are going to increase their prices to remain profitable. John Schnatter, Papa John's CEO, said, "That's what you do, is you pass on costs. Unfortunately, I don't think people know what they're going to pay for this." John Schnatter reports that Papa John's will be adding an estimated 11-14 cents per pizza (Bradford, 2012). John Metz, owner of 40 Denny's locations and five Hurricane Grill and Wings franchises, is going to pass on the health insurance costs to customers (Chun, 2012). When Obama-care takes effect in January 2014, he will be adding a 5% surcharge to customers' bills (Chun, 2012). Peter Saleh, restaurant analyst for Telsey Advisory Group, expects Darden Restaurants, the world's largest full-service restaurant company, to charge customers at least 2% more to eat there (James, 2012). This will affect every American who eats out.

Obama-care will also increase unemployment and part-time workers. Currently, the unemployment rate is 7.3%, but that percentage is distorted because many employees are under-employed (U.S. Department of Labor, 2013). Obama-care forces companies with more than 50 full-time employees to offer health insurance to each employee (Furchtgott-Roth, 2012). If the company does not follow the law, then it will pay a \$2,000 fine per full-time employee (Furchtgott-Roth, 2012). This will discourage companies from adding that 50th employee, because the added employee will cost the company an increase of \$40,000 in health insurance expenses (Furchtgott-Roth, 2012). Companies will have more incentive to have part-time workers because they would avoid paying for their health insurance.

Conclusion

Ideally, Obama-care would provide every American with health insurance, but for the average American family Obama-care is not affordable. The average American family will experience an increase in health insurance premiums of over \$7,000 between the years of 2014 and 2022. For the individual, it is even worse. Part-time employees will have their hours cut because an employer who has an employee work more than 30 hours would be required to pay for their insurance or pay a hefty penalty. Young men will have an increase in insurance premiums that more than doubles in cost. Obama-care has also forced businesses to increase their prices. Darden restaurants, could add more than 2% to bills. Obama-care

presents other concerns. By 2020, there is going to be an estimated doctor shortage of 90,000. Obama-care is likely to increase wait times for elective surgeries to four weeks or more. For these reasons, Obama-care negatively affects American families.

References

- Bradford, H. (2012, November 15). Papa John's CEO John Schnatter Says Company Will Reduce Workers' Hours In Response To Obamacare. *The Huffington Post*. Retrieved from http://www.huffingtonpost.com/2012/11/09/papa-johns-obamacare-john-schnatter_n_2104202.html
- Christensen, J. (2013, October 2). Doctor shortage, increased demand could crash health care system. *CNN Health*. Retrieved from <http://www.cnn.com/2013/10/02/health/obamacare-doctor-shortage/>
- Chun, J. (2012, November 14). John Metz, Denny's Franchisee And Hurricane Grill and Wings Owner, Imposes Surcharge For Obamacare. *Huffington Post*. Retrieved from http://www.huffingtonpost.com/2012/11/13/john-metz-hurricane-grill-wings-dennys_n_2122412.html
- CNN Staff. (2013, November 8). After the big Obamacare apology: where things stand. *CNN*. Retrieved from <http://www.cnn.com/2013/11/08/politics/obama-obamacare-apology/>
- Conover, C. (2013, September 23). Obamacare Will Increase Health Spending By \$7,450 For A Typical Family of Four. *Forbes.com*. Retrieved from <http://www.forbes.com/sites/theapothecary/2013/09/23/its-official-obamacare-will-increase-health-spending-by-7450-for-a-typical-family-of-four/>
- Furchtgott-Roth, D. (2012, March 2012). How Obamacare Increases Unemployment. *Manhattan Institute*. Retrieved from http://www.manhattan-institute.org/html/ir_6.htm
- James. (2012, July 29). Will Obamacare Raise the Price of a McDonald's Big Mac? *Wall Street Journal*. Retrieved from <http://stocksonwallstreet.net/2012/07/will-obamacare-raise-the-price-of-a-mcdonalds-big-mac/>
- Kliff, S. (2012, July 1). Everything you ever wanted to know about Canadian health care in one post. Retrieved from <http://www.washingtonpost.com/blogs/wonkblog/wp/2012/07/01/everything-you-ever-wanted-to-know-about-canadian-health-care-in-one-post/>
- Markiewicz, D. (2013, August 25). Companies Cutting health insurance cost may mean dropping coverage for spouses. *The Denver Post*. Retrieved from http://www.denverpost.com/business/ci_23930637/companies-dropping-spouses-health-insurance-coverage
- Myers, L. & Mears, C. (2013, August 13). Businesses Claim Obamacare has forced them to cut employees hours. *NBC News*. Retrieved from http://investigations.nbcnews.com/_news/2013/08/13/20010062-businesses-claim-obamacare-has-forced-them-to-cut-employee-hours
- O'Donnell & Meehan. (2012, April 9). Self-checkout lanes boost convenience, theft risk. *USA Today*. Retrieved from <http://usatoday30.usatoday.com/money/industries/retail/story/2012-04-06/self-scanning-checkout/54117384/1>
- Roberts, J. (2013, October 14). Georgia Business Weighs paying ObamaCare fine, instead of coverage. *Fox News*. Retrieved from <http://www.foxnews.com/politics/2013/10/14/georgia-small-business-weighs-paying-obamacare-fine/>
- Roy, A. (2013, September 25). Obamacare Will Increase Avg. Premiums By 99% For Men, 62% For Women. *Manhattan Institute*. Retrieved from http://www.manhattan-institute.org/html/miarticle.htm?id=9639#Ulc_w9JJOSp
- Small Business Administration. (September, 2012). Advocacy: the voice of small business in government. Retrieved from http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

- Thurm, S. (2013, September 25). Firms Drop, Rather Than Upgrade, Cheapest Health Plans. *Wall Street Journal*. Retrieved from <http://online.wsj.com/news/articles/SB10001424052702304795804579097422592424860>
- U.S. Department of Health and Human Services. (2013). Affordable Care Act. Retrieved from <http://www.hhs.gov/secretary/about/goal1.html>
- U.S. Department of Labor. (2013). Bureau of Labor Statistics. Retrieved from <http://www.bls.gov/home.htm>
- Weigley, Hess, & Sauter. (2012, October 20). Doctor shortage could take a turn for the worse. *USA Today*. Retrieved from <http://www.usatoday.com/story/money/business/2012/10/20/doctors-shortage-least-most/1644837/>
- Young, J. (2013, November 13). Obamacare Enrollment Numbers Fall Short of Target. *Huffington Post*. Retrieved from http://www.huffingtonpost.com/2013/11/13/obamacare-enrollment_n_4266865.html