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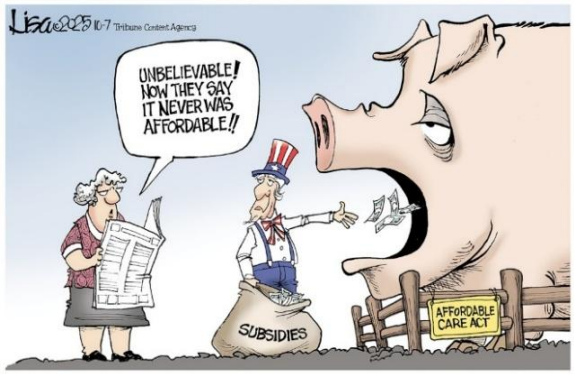
Reducing costs of the Affordable Care Act

Steve Bakke ***November 17, 2025***

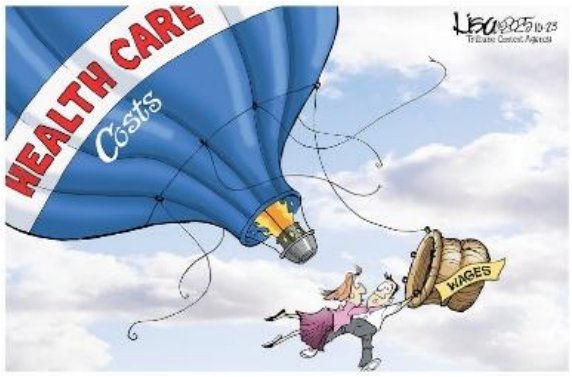


Cost of living is a popular political issue, and our healthcare system is a big part of that discussion. We recently had a long government shutdown resulting from a political disagreement about extending temporary Covid era healthcare subsidies. Following are questions and suggestions that I have developed over several years.

Here are some underlying assumptions for this project:

- Our goal is to repair and improve the existing system, the Affordable Care Act (ACA). Adversarial phrases like "repeal and replace" are unhelpful.
- Insurability should be guaranteed.
- A single payer system won't be the goal. Competitive marketplaces promote cost control.
- When identifying healthcare costs, we must include total societal costs including subsidies.
- Subsidies based on income are present in any solution, but simply piling on subsidies make things worse – cost controls must be aggressively pursued.

Cost savings are available. For example, the administration is actively pursuing "most favored nation" status for prescription drug pricing. That would set U.S. prices no higher than other nations. This could be a turning point, and would make a significant contribution to reducing healthcare costs.



Each state regulates health insurance activities. We should evaluate potential efficiencies of relocating regulatory activities to the federal government. Doing so seems to be a logical extension of having a federal Food and Drug Administration, a national Health and Human Services Department, and we now have a tradition of federal healthcare legislation such as the ACA.

Healthcare insurance companies often don't compete across state lines. We should evaluate whether encouraging cross-border competition would lower the cost curve.

It makes sense to investigate the possibility of lifetime cost savings if individuals covered by corporate health plans owned their insurance policy directly. Also consider the advantage of making these policies portable from employer to employer, and even to private

life for those leaving corporate life for self-employment or early retirement. This could be complicated but is worth pursuing.

We should consider the cost benefits of making available, and aggressively encouraging broader use of Health Savings Accounts (HSA) in conjunction with high annual deductible (out of pocket costs) health plans. This would return insurance companies to their ideal purpose of spreading the financial risk of chronic and significant medical events. Consumers would own and pay directly for their insurance policies and HSAs.

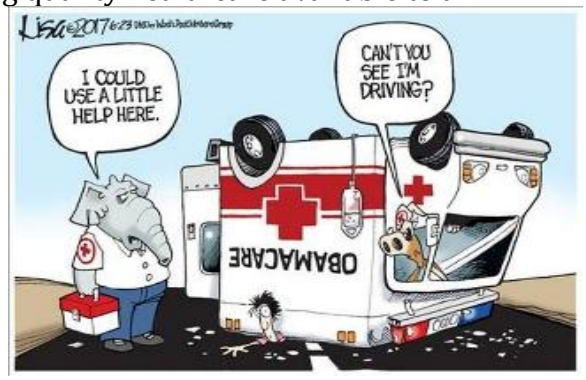
Ideally, an individual or family would shop for higher deductible medical coverage that fits their needs, not the more expensive "one-size-fits-all" comprehensive coverage. Many experts believe this would have cost benefits and effective results.

HSA accounts can be set up to accumulate the funds needed to cover the "first dollar" expenditures each year. These costs are now mostly paid by insurance plans and cover the more common and routine recurring costs. When insurance companies cover those costs, plan administration adds significantly to the overall costs. There's money to be saved here.

Also, with more spending decisions being made by the consumer for purchase of high-deductible insurance and HSA spending, there's reason to expect cost savings from this exercise in transparency.

Nevertheless, it seems inevitable that the federal government would at least initially have to assist lower income policy holders with funding their premiums and contributions to the Health Savings Accounts – "prime-the-pump" to get it started, so to speak. This is a small price to pay for reducing costs while making quality healthcare available to all.

Just as insurance payments are tax deductible, so would payments into HSAs. These funds would be deductible when funds are set aside, just like insurance premiums. Under the current system, adjustments to insurance costs based on income comes through subsidies paid directly to insurance companies. That doesn't promote cost control.



Alternatively, under these proposed changes, subsidies based on income would be paid directly to the consumer via tax return filings. There would be generous deductibility of insurance premiums and HSA contributions, tax credits and refundable tax credits could be employed for low-income individuals and families.

These revisions to the ASA are about: increasing personal control of healthcare decisions and payment methods, tailored to their needs; guaranteeing insurability; strengthening the marketplace and enabling competition; embracing a system with subsidies flowing directly to consumers, but this must occur hand-in-hand with diligently searching for cost controls; and so much more.