

Skidaway Island Republican Club **MAGAZINE**

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2017 ISSUE NO. 1

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2017 ISSUE 1 CONTENTS

PRESIDENTS DAY DINNER - February 21

Elliott Abrams was the featured speaker at this year's SIRC Presidents' Day banquet and major fundraiser. At the sellout audience, he delivered insightful remarks on foreign policy threats and needed responses today. See article on pages 2 & 3, and photos of the SIRC dinner on page 11, and more pics on the website, skidawayrepublicanclub.com. His perspective on supporting Israel, and exposing President Obama's undermining America's support of Israel, is shown in Abrams' article on page 4.

TRUE PERSPECTIVES SEMINAR - November 1, 2016

Kim Strassel returned to SIRC to outline the insights in her new book, *The Intimidation Game: How the Left is Silencing Free Speech*. See page 5.

FUTURE TRUE PERSPECTIVES SEMINARS

Page 8 covers the topic of Skidaway Island's potential incorporation as a separate city. It is a summary of the February 27 Landings Association Town Hall meeting. Rep. Ron Stevens (possibly April 18 or 25) plans to speak on the annexation by Savannah of portions of unincorporated Chatham County, along with the possibility of Skidaway Island incorporating. Other Seminars are planned: Sen. Ben Watson and Rep. Jesse Petrea (May) after the close of Georgia Legislative session; Sheriff Wilcher on the County Jail; D.A. Meg Heap (September) on Crime; and Congressman Buddy Carter (October) on the U.S. Congress.

REPUBLICAN TOWN HALL MEETING on REPEALING THE AFFORDABLE CARE ACT

A summary of Buddy Carter's raucous Town Hall meeting dominated by Democratic protesters here in Savannah on February 21 is included on page 7.

REPLACING THE AFFORDABLE CARE ACT

A strategy to deal with all the concerns of the GOP on how to replace the failing Obama-Care appears on pages 8 thru 10.

MEMBERSHIP DUES

Notices went out in December. If you have not renewed yet, please do so soon. Family membership is \$40, Sustaining membership, \$100. Please mail (PO15165) or tube to Membership Chair Mary Ann Senkowski, 8 Mainsail Crossing. Questions? Call or email her at: 912-598-0493, or masenkowski@gmail.com.

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The SIRC Presidents Day Dinner featured speaker was Elliot Abrams who who was in the news recently. Though he was selected by Secretary of State Rex Tillerson to be the Deputy Secretary of State (and supported by Jared Kushner), Abrams was vetoed by Trump due to criticism of Trump he had written during the campaign last year.

The packed audience was treated to an insightful view of foreign policy especially in the Middle East (Abrams' specialty). He started with his view of the chief threats facing us around the world.

Radical Islamic Terrorism

This is the worst threat; not only must ISIS be thoroughly defeated, but Al Qaida is now stronger than ever. Europe is obviously more threatened than we are, and is much more vulnerable. We have been fortunate not to have had more incidents in our Homeland (thanks partly to luck and heightened vigilance by security experts).

The solution is partly a military one (to eradicate the ISIS bases), but longer term an ideological response is also needed. ISIS participants are not easily deterred. Their defeat may take a few generations.

Iran

Their quest is clearly a "Shia crescent" takeover of the Middle East. Their vast oil reserves make it clear that nuclear for energy is not their strategy. Their true goal is for nuclear weapons with a rocket delivery system..

It did not help when the Obama administration gave them \$1.5 billion, including \$500 billion in cash! (Editor's note: plus it gave them a clear path to a weapon development after the 10-year slowdown is over. The Shia have waited 1000 years; what's another decade or two?)

The Iranians respect power and likely sensed negotiating weakness on the part of Obama (especially after Syria violated the "red line" warning), Abrams relayed a story of how an unnamed local Sunni state warned of a dangerous shipment of prohibited arms sailing from Iran in the Red Sea, and Obama did nothing. Israel was also informed and sent a message to Iran: turn the boat back or it will be sunk. The Iranians complied.

Russia

Until Obama allowed Russia to cozy up to Iran and Syria, Russian had been a non-player in the Middle East for decades. Russia always wanted a naval base presence in the Mediterranean. Siding with Shia powers, however, puts Russia on the wrong side of Sunni states (Egypt, Jordan, and the Gulf states like Saudi Arabia and the UAE), Abrams thus implied Russia might not be so committed to Iran and Syria and that could provide Trump with some negotiating opportunity.

Responses to Threats

Perhaps our biggest asset is our strong relationships around the world, whereas our adversaries generally have none. Iran, Russia, and China each have no real allies, while the US has a strong alliance system. Because of the threat posed by Iran, Israel, one of our most loyal allies, has begun to develop "below

the radar" relationships with Sunni states in the Middle East.

Don't underestimate the power of the U.S. to say: You can do business with Iran or you can do business with the U.S. You must choose.

Key Decisions

Here are Abrams key areas in which America may need to take action in the near future, starting with the Iran Deal. Re-imposition of sanctions might be effective. European defectors are harder to get back on board, but don't underestimate the power of the U.S. to say: you can do business with Iran or you can do business with America. You must choose. But does Trump have the will?

America and Israel can also re-employ covert sabotage of Iranian nuclear facilities.

Syria's War is also difficult to solve. It may be Obama's worst legacy. When he failed to act after drawing a "red line" regarding the use of chemical weapons, not only did Syria notice, but also the whole world concluded he was feckless. The results were disastrous: 500,000 Syrians killed and 10 million refugees unleashed on the world, mostly in Europe which is now dealing with the mess. In comparing Obama to Ronald Reagan, Abrams reminded us of Reagan's message to the world when he *warned*, and then *fired* the air traffic controllers.

Meanwhile, Israeli/Palestinian peace talks have gone on for decades, with no results. Trump has called for an "outside/in" strategy: using Israel's new contacts with the Arab states to help bring a deal with the Palestinians.

Russia and Syria need to be dealt with, but Abrams believes Russia's alliance with Iran is not necessarily permanent, as Sunni states are vehemently opposed to it.

North Korea is another example of failed U.S. policy. (Editor's note: the U.S. got snookered when North Korea built a nuclear weapon in a site not being monitored by the Clinton Administration.)

Ultimately Abrams felt some military response needs to be on the table if and when they develop a missile capable of reaching the U.S. Maybe even before, as South Korea is in grave danger due to proximity. Perhaps an America prepared to use a military option will challenge China to act more aggressively in curbing North Korea. China holds a major trump card as they import North Korean coal which is a major economic prop along with sales of North Korean arms to other rogue countries.

(continued on page 3)

Q&A Session

1. What is your reaction to Obama meddling in the Trump presidency and remaining in D.C.?

It is inappropriate given longstanding tradition of ex-presidents remaining silent. Eight days in, Obama opined. George W. Bush said nothing publicly during the eight years of Obama's missteps.

2. What's likely to happen in France's election, with a strong nationalist running: Marine Le Pen?

Despite pundits saying she has no chance, Abrams cited the recent election in the U.S. where a strong "America firster" had similar journalist skeptics. Le Pen absolutely could win, but it remains a longer shot, as a lot of European journalists are fearful of this nationalist movement. Many view World Wars I and II as caused by overt nationalism gone bad. Despite these views, don't rule out security fears and nationalism as motivating many voters (Brexit as an example).

3. Is self-governing democracy an ultimate solution to the conflicts in the Middle East? Will the tenets of Islam allow it?

The key concept might be how the local populace views the legitimacy of the government, rather than seeking outright democracy. Many of the monarchs have support, which is why in the "Arab Spring" no kings have been overthrown. Thus Arab culture does have strong concepts of law and justice, if not Western-style democracy.

4. Will Tax Reform ultimately succeed?

Citing this as not his particular area of expertise, Abrams did however, volunteer his opinion that repatriation of 'huge' profits overseas should be a major goal and could become a powerful economic force, along with as would removing restrictive regulatory red tape.

Final Perspective

Abrams thought it was ludicrous for the mass media to draw conclusions after only 30 days into the new administration. Appointments of Cabinet secretaries and deputies were unnecessarily delayed by Democrat strategy, abetted by some of Trump's own intemperate tweets and outbursts. The latter has allowed the mass media to increase their criticism.

Let's look at the true record after six months or a year. Abrams was particularly impressed by Trump's National Security appointments:

- Tillerson at State
- Mattis at Defense
- Kelly at Homeland Security
- Pompeo at CIA
- McMaster at NSC.

Abrams also opposed allowing a political adviser to participate in National Security deliberations. He revealed George W. Bush's refused to allow Karl Rove to attend a single National Security meeting.



Dinner Photos



Obama's Disgraceful & Harmful Legacy on Israel

Friday's United Nations resolution is the administration's final swipe at the Jewish state.

The Weekly Standard, Dec. 23, 2016

For all eight years of the Obama administration, Democrats have made believe that Barack Obama is a firm and enthusiastic supporter and defender of the Jewish state. Arguments to the contrary were not only dismissed but angrily denounced as the products of nothing more than vicious partisanship. Obama's defenders repeatedly used the trope that "Israel should not be a partisan issue," as if Obama's views and actions were beyond reproach. A whole corps of Jewish leaders, some at the major organizations and many from Chicago, showed far greater loyalty to Obama than to the tradition of true nonpartisanship when it came to Middle East policy.

All of those arguments have been ground into dust by Obama's action Friday allowing a nasty and harmful anti-Israel resolution to pass the United Nations Security Council. Just weeks before leaving office, he could not resist the opportunity to take one more swipe at Israel—and to do real harm. So he will leave with his record on Israel in ruins, and he will leave Democrats even worse off.

It's pretty clear that he does not care. Obama has gotten himself elected twice, the second time by a decreased margin (the only time a president has been reelected by fewer votes than in his first term), but he has laid waste to his party. In the House, the Senate, the state governorships, and the state legislatures, the Democrats have suffered loss after loss. Today's anti-Israel action will further damage the Democratic party, by driving some Jews if not toward the Republicans then at least away from the Democrats and toward neutrality. Donald Trump's clear statement on Thursday that he favored a veto, Netanyahu's fervent pleas for one, and the Egyptian action in postponing the vote show where Obama stood: not with Israel, not even with Egypt, but with the Palestinians. Pleas for a veto from Democrats in Congress were ignored by the White House.

Does the resolution matter? It does. The text declares that "the establishment by Israel of settlements in the Palestinian territory occupied since 1967, including East Jerusalem, has no legal validity and constitutes a flagrant violation under international law." This may turn both settlers—even those in major blocs like Maale Adumim, that everyone knows Israel will keep in any peace deal—and Israeli officials into criminals in some countries, subject to prosecution there or in the International Criminal Court. The text demands "that Israel immediately and completely cease all settlement activities in the occupied Palestinian territory, including East Jerusalem." Now add this wording to the previous line and it means that even construction in the Jewish Quarter of the Old City is "a flagrant violation under international law." The resolution also "calls upon all States, to distinguish, in their relevant dealings, between

the territory of the State of Israel and the territories occupied since 1967." This is a call to boycott products of the Golan, the West Bank, and parts of Jerusalem, and support for the Boycott, Divestment, Sanctions movement.

Yet Barack Obama thought this was all fine and refused to veto. Settlements have been an obsession for Obama since the second day of his term in office, January 22, 2009. That day he appointed George Mitchell to be his special peace envoy, and adopted the view that the Israeli-Palestinian conflict was the key to peace in the entire region and that freezing construction in settlements was the key to Israeli-Palestinian peace. But even if you believe all that—and looking at the Middle East today, no sensible person can—to allow this resolution to pass goes far beyond a flat demand for a settlement freeze. It is a strike against Israel. The inclusion of the usual language calling upon "both parties" to show "calm and restraint" and avoid "provocative actions" and "incitement" is pabulum meant to attract European votes—and perhaps to attract Barack Obama. But in fact, there is no possible way that this resolution will advance the cause of peace between Palestinians and Israelis.

Obama has done us one favor, which is to settle the long argument about his attitude toward Israel. No partisan of his, no apologetic Democrat, can henceforth say with a straight face what we've been hearing for years about him. In 2012, for example, Thomas Friedman wrote in the *New York Times*: "The only question I have when it comes to President Obama and Israel is whether he is the most pro-Israel president in history or just one of the most."

Sorry, Tom, but statements like that are now simply embarrassing. Obama has done what he could for eight years to undermine Israel's elected government, prevent its action against Iran's nuclear weapons program, and create as much daylight as possible between the United States and Israel. So when the crunch came yesterday, Israelis had to turn to Egypt to postpone a U.N. vote. Think about that: there is more trust between Israel and Egypt today than between either of them and the United States. That's the product of eight years of Obama foreign policy. Israelis can only wish American presidential terms were just four weeks shorter.

Obama has cast a veto, all right: he has vetoed the kind of close relations between Israel and the United States that Bill Clinton and George W. Bush carefully built and maintained. The remaining question is whether Jewish leaders and Democratic politicians who vouched for Obama and defended him for eight years will now tell the truth.



Elliott Abrams served in foreign policy positions for Presidents Ronald Reagan and George W. Bush. He is a senior fellow for Middle Eastern studies at the Council on Foreign Relations.

The Intimidation Game:

How the Left is Silencing Free Speech

On Tuesday November 1, Kim Strassel summarized her latest bestseller before a packed audience at Plan-tation Club. She highlighted the major findings of her several year investigation into the nefarious tactics of the left to deny free speech to political opponents.

The start of this new tactic was on January 21, 2010 - the Supreme Court 5 to 4 decision on Citizens United, whereby even corporations were accorded free speech under the First Amendment. Facing now the prospect of well-funded larger entities exposing the flawed ideas of the left, America's Liberal leaders then began a wholly different strategy to thwart the exercise of free speech: *The Intimidation Game*, the title of her latest book.

The New Strategy

If you can't legally prevent ideas on competition and freedom from reaching the public, try the back door approach of amassing pressure on shareholders and board members of these freedom-loving organizations. They then will fear retaliation, boycott and scare tactics if they pursue expressing anti-progressive ideas. President Obama jumped on this new strategy by beginning to use the term "shadowy non-profits" to denigrate the resurgence of the conservative movement in America. Already he could sense the rise of a counter progressive force occasioned by the rise of the TEA Party.

His fears were vindicated by a major set of upsets in the 2010 midterm elections where Republicans re-gained control of the House (no doubt occasioned also by his first-term steamroller of ObamaCare legislation without a single Republican vote).

The Citizens United decision was a setback to the McCain Feingold legislation's attempt to stifle election contributions elections viewing them as "corrupting." SCOTUS in January 2010 instead said free speech trumps some perception that donations can corrupt elections.

The Tactics Begin

It was then pretty clear the direction the progressives would go to stifle opposition to their future legislative plans - use every means possible to intimidate the opponents into not donating to conservative causes.

An early manifestation was in the not so subtle message to the IRS to prevent the formation of tax-deductible foundations that were conservative. It is now apparent that Lois Lerner headed this whole effort to just stonewall the formation of any new ones, similar to TEA Party organizations. She succeeded in putting some 400 of these applications "on ice" for years.

Furthermore other government agencies under the President's control tried similar tactics. The FCC and the FEC would try to find the names of prominent donors to conservative efforts, with the understanding that bad things might happen to their reputations from the names given to progressive operatives. The latter were not above fabricating allegations of those donors doing things inimical to "good" public policy.

Democratic Attorneys General also jumped on Board using their intimidation capability of criminal allegations. The latest is alleging that opposition to Global Warming as a near term disaster is a conspiracy. This threat is to America's Energy companies who are accused of harming the future of the planet by calling for a slow down of draconian measures until the threat is proven.

A major success for the Intimidation Game Strategy was the near shut down of ALEC (American Legislative Exchange Council) which had previously drafted Stand Your Ground Legislation. This was termed "racist" because it led to the death of Trayvon Martin. There were threats against Board members of ALEC contributing corporations (e.g. Visa) in their hometowns. Some of the threats actually materialized in acts of violence.

progressives ... use every means possible to intimidate ...opponents into not donating to conservative causes.

How to Counter The Threats

Faced with this new very effective tactic by the Progressives, Kim Strassel then outlined what a concerned citizenry can do to counter it.

First become aware of the strategy. Second, start to speak out against this Un-American movement. Many sincere liberals would not condone this activity perpetrated by a fanatical wing of the movement.

Lastly, consider supporting legislation preventing its abuses. For example, restricting the IRS to collecting the taxes, instead of promoting liberal strategies?

Strassel finished with her interesting idea expanded in her book. Don't accept the notion, even proposed by some Republicans, that mere disclosure of donations solves all problems of undue influence of elections. Her entire book is a refutation of that thought, as disclosure was the entire means of intimidating threats used by intensive ideologues to suppress free speech.

Another parting comment was also very interesting. Why are individual donation disclosures above the \$200 level so crucial to having fair elections? That is not a level that implies politicians can be bought for one of that small size. The implication, raise the disclosure level to something more realistic, e.g. \$5000, so all these lists don't have to be published with your name on it.



Kimberley Strassel, on the *Wall Street Journal* Editorial Board, has written the *Potomac Watch* column there since 2007.

Incorporation Study for Skidaway Island

The Landings Association (TLA) presented its progress report February 27 at several Town Hall meetings at the Plantation Club before some 700+ attendees. Here is a summary of the findings thus far.

The background is that the City of Savannah is looking to merge with (read annex) the unincorporated parts of Chatham County (an extra 90,000 people on top of Savannah's 160,000).

We on Skidaway are now part of the 90,000. If we don't want to be part of that bigger city, we would have to separately incorporate (as the new City of Skidaway Island). We would, in effect merge with Modena, South Harbor, the Marshes and the Skidaway Village commercial area.

TLA has completed the first phase of a study to see what the advantages and disadvantages might be and identify the steps in an ultimate process to incorporate. (Smaller islands such as Kiawah and Sullivan's Island near Charleston have done so.)

The ultimate effects allegedly would not affect schools, Homestead exemptions, or even the gated community aspects (security, roads) of the Landings.

The ultimate motivation would be more autonomy for Skidaway and make us less subject to off island bureaucracy. Already we are paying for over 90% of the services we need in our current situation.

A separate study (for \$30,000) was commissioned by TLA with Georgia State University, which concluded it was financially feasible to separately incorporate. The potential financial savings could be \$1.6 to \$1.8 million a year. If we did incorporate, we would be the fourth largest city in Chatham County, behind Savannah, Pooler and

Next Steps in 2017

- Solicit volunteers to serve on study communities
- Cooperate with the other communities on Skidaway to further review the benefits and potential shortcomings of this potential co-venture.
- Draft a city charter outlining duties.
- Present placeholder legislation in the Georgia state legislature to keep our options open and alert the state that we are contemplating such. TLA has already contracted with Hughes Public Affairs consulting firm to advise us on how to do this.
- Vet the many assumptions on how this would work to our advantage on these services:
 - Police
 - Courts
 - Public works, like debris removal,
 - Planning/zoning
 - General administration.

Our millage rate is 33 cents now, and that could change, such that we save \$1.6 to \$1.8 million a year from the current assessments of about \$6.4 million.

- Hold public hearings to air out the proposal so the public has a chance to comment.
- Have a vote in November – both on Skidaway and in the Georgia Legislature

If voted in, the transition period could last until the end of 2020. There is a question of when or whether we get to keep the 1% sales tax now levied under LOST (local option sales tax) now collected by the County.

TLA is now looking for volunteers to serve on all the study and vetting committees. We pledged to be fully open to the other entities on Skidaway affected by this: Modena and South Harbor gated communities and the Marshes and Skidaway Village commercial venture (owned mostly by JC Lewis).

The community will be kept continuously informed via a tentative website: Skidaway City Study.

Q&A

1. What other communities in Georgia have done this already? Several near Atlanta.
2. How will Chatham County view the loss of some \$1.6 million in revenue from us? Their leadership seems to be on board as their strategic planning study said every community with the unincorporated areas needs to consider incorporating.
3. How is this affected by the potential merger of the City and the unincorporated areas of the County? The subject of future study.
4. Why did TLA pick the Andrew Young Institute of Georgia State to do the study instead of the University of Georgia which also had a capability here? The UGA study would have needed legislative approval.
5. Have Georgia State studies like this been validated with actual follow-up studies? To be investigated.
6. Have we considered the financial advantage of incorporating by potentially exempting us from having to pay off the unfunded public pension liabilities of the County, Chatham Area Transit and the City of Savannah, which could total some \$200 million? To be part of the future study.
7. Why is the Savannah city millage rate 41 cents versus the County's 33cents? More services or less efficiency? To be determined.
8. Is there a current list of all the advantages of incorporating into the City of Skidaway Island? E.g. The favorable advertising exposure by being a separate city? To be part of a future study.
9. Will there be push back from our withdrawing from County and City participation? Eg. as a New York Times article suggested in an article on Sandy Springs departure from Atlanta's tax system.



Opposition Organized But Not Very Cogent

Buddy Carter held a Town hall meeting on February 21 in Savannah (Armstrong University Center) to present his positions on how to replace the Affordable Care Act. As in other districts, there is a heavy opposition protest organized to attend and disrupt.

This may have been spurred by Moveon.org, the George Soros movement to delegitimize President Trump. Obama's attempts to do the same are funded by Organizing for Action (OFA) and supposed 250 offices being funded nationwide to organize and fund disruptions of Republican Town Hall meetings. The unruly crowds, numbering sometimes 300 to 400 shout and chant and often don't even want to hear the answers to the questions posed.

At the Feb 21 meeting, the signs were mainly about fears of ACA repeal without an adequate replacement. Yet the questions posed were much more wide ranging, and often read from a script. (Who provided the text of those questions is subject to speculation.)

This report will chronicle those questions. Some leave the impression they weren't genuinely seeking answers, but were just ranting to protest in general.

Questions Posed (Some with a scripted speech)

Q1. A woman alleged she lived on the Georgia coast and had personally seen the ravages of climate change due to the rising seas. What did Rep.Carter plan to do about it? (He refrained from saying it was likely the tide coming in and going out twice a day.)

Q2. What did Rep.Carter plan to do about Russia hacking the 2016 election; specifically will he support an independent prosecutor to get to the bottom?

Q3. What about restoring Veterans Administration adequate health care?

Q4. Will the ACA replacement plan cover needed services due to the escalation of campus date rape incidents (alleging one in four coeds will experience it)? Will prolife measures prevent the use of next day abortion drugs?

Q5. Will ACA replacement be exclusively catastrophe plans with very high deductibles?

Q6. When will Trump reveal his tax plan?

Q7. Will Trump's plans constrict the benefits of global trade?

Q8. Why doesn't Trump just propose Single Payer health care and eliminate insurance company involvement?

Q9. Will there be affordable coverage for pre-existing conditions?

Q10. Will you support keeping Social Security?

Q11. Will you oppose the termination of the EPA (House bill HR861)?

Q12. Will you support or oppose the taxing and federal regulation of the internet?

Q13. Do you believe the mainstream press is the "enemy of the people?"

Q14. Why do you oppose regulations; they just help the people?

Q15. Why do you support the new Education Secretary DeVos, when she believes Creationism should be taught in schools along side Evolution?

Q16. Why do you want to revisit the Wildlife preservation laws and regulations set up in 1973 to protect against their extinction?

Q17. Why do we need a wall for the Mexican border, when technology and more agents can likely do the job?

Q18. Why not just leave the ACA in and fix it, instead of repeal, since the Republicans don't seem to have a specific replacement plan?

Overall Response Approach by Rep. Carter

Buddy Carter generally did a masterful job is fielding these questions, many of which were posed in a hostile manner, and many times the audience just shouted criticisms.

In the process, he was actually very candid in his positions from which he refused to back down.

The general thesis of his answers was the following:

Give the legislative branch time to craft appropriate solutions. Some problems have existed for a long time.

Much of the ACA actually created worse problems:

- Much higher costs (some states saw a doubling of premiums and much higher deductibles.
- Less competition (many states have only one insurer servicing the exchange.
- The likely collapse of the whole system, as most insurers have left the market or announced they plan to.
- Many plans have limited the number of physicians you can use.
- The mandated extra coverages are not needed by many and not wanted.
- The entire law was enacted via a ruse, with no transparency (no one even read the 2,600 page bill) and no input was allowed from Republicans.

Overall Legislative Philosophy

Buddy Carter's articulated overall legislative philosophy is to give more choices to citizens. Also, get the federal government out of the way of the competitive and efficient open market called free enterprise. This produces useful products and services at affordable costs. It has generally giving Americans the highest standard of living and the most freedom in the history of the world.



GOP Concerns Re ACA Repeal

A spy in a GOP strategy retreat in Philadelphia January 26 released to the press what she secretly recorded from the discussions of concerns expressed by Republican leaders about replacing ACA. Those concerns are covered here — with suggested solutions.

Also, Speaker Paul Ryan disclosed his 3-stage plan to repeal and replace ACA. Criticisms have emerged, on the right and the left, about what is really being done, as all the details of Stage 3 have not been released.

Stage 1: Replace whatever can be done via Reconciliation (only 51 Senate votes needed).

Stage 2: HHS Secretary Tom Price to rescind and replace the ACA regulations that were the most onerous.

Stage 3: Put in the rest of the ACA Replace, e.g. more competition by selling across state lines, how to guarantee access and how to subsidize pre-existing conditions. The answers to the prior GOP concerns listed below were sent to representatives of the RNC and to Congressman Buddy Carter who is on the key House Committee. Hopefully these are being considered.

1. Will the new replacement plans be ready at the time Congress repeals ACA?

The strategy to replace can be adopted quickly, but some mechanisms may need state-by-state legislation over the next two years. The federal government's enumerated powers don't include such authority. (See WSJ Letter to Editor, January 25, 2017 on page 8.)

States could and should enact Assigned Risk plans for health insurance, guaranteeing access for all Americans and subsidized, using block grants from Congress.

2. Can the repeal and delayed full replacement avoid damaging the health insurance market?

The existing market is already in free fall. Reinsurance subsidies have expired, many insurers have already left or are planning to leave the individual insurance market in the exchanges. The reason is huge losses from mandated coverages, "free" pre-existing condition coverage, lifetime unlimited benefits, not much subsidy from young and healthy people who don't want to pay for the less healthy. (Why should the burden fall on a subset of the market? If a subsidy is needed, quantify it and pay for it broadly.)

Need for Overt Subsidies and for a Transition

Subsidies can be in block grants of 1% or 2% of a state's federal tax revenue back to a state to pay for Pre-Existing Condition (PEC) coverage and making guaranteed access to affordable individual health insurance policies.

As for a transition, a crucial need to avoid painful displacements, one option might be to allow existing ACA policies to continue for those who signed up in the past. This may include the promised ACA subsidies for as long as they keep their policies over the next three years.

But do not allow any new policies under ACA. And stop the punitive taxes and penalties under ACA.

For example, don't tax new young people who fail to sign up, or don't punish small employers for not having an

ACA specified coverage policy for all their employees. Also, keep track of the amount of premium subsidies promised, and quote the full premium to the young person, as well as the subsidy promised.

Without the ACA reinsurance and risk corridor features, insurers will likely pull out of the exchanges at the end of 2017. Further, many healthy young insureds will likely opt out, with overpricing and with no tax penalty on them, even with some subsidy from the federal government.

So by 2018, the exchange population will fall way below five million, maybe even below one or two million. Those insureds will get jobs, or find other coverage.

More certain is that exchange insurers will pull out via notices to insurance regulators and insureds. You can't force insurers to stay in business facing huge losses. Those staying will need huge rate increases causing a further decline in customer base. (The main customers remaining may be the ones with the worst claim experience.)

What is needed is an evaluation of the above market decline over the next one to two years — both the subsidies promised as well as interviewing the customers who opt out and their reasons given.

Also, quantify the true reasons for the deteriorating market experience. How much was due to "free" pre-existing condition coverage? How much was due to the extra coverages mandated by ACA, e.g. contraception and abortion coverage? How much from having no lifetime limit on total claims costs per individual?

This new data base will be useful in crafting the future insurance market need for subsidies. It's also crucial for pricing some of those coverages as *options* in the future instead of making them mandated coverages.

3. For millions dumped by the exchanges from insurers pulling out, what if they can't get a job with coverage, or otherwise find an insurer?

States should be encouraged early to step up with Assigned Risk Plans to guarantee a basic level of coverage (e.g. with a \$5,000 deductible). Competing insurers in the voluntary market should be allowed to price properly using standard actuarial principles. Premium support programs by state can help affordability, especially with PEC coverage guaranteed separately with subsidies from federal block grants. States should be encouraged to enact medical liability tort reform to reduce defensive medicine (an estimated 10% of unnecessary extra costs today).

4. How is middle class affordability affected?

Expand the use of Health Savings Accounts to get more decision-making in the hands of consumers. Let them avoid paying for defensive medicine doctors may recommend to avoid a lawsuit. Keep those funds in a tax deferred retirement account or use for future health needs. Also, have tax credits for individual health insurance policies to level the playing field with employer-based coverage. The fact that the ACA neglected this may be evidence ACA was never intended to be the real solution. Instead it was likely just viewed as a stopgap measure

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until *single payer* could be implemented after all the insurers pulled out from inadequate insurance rates and an inevitable “death spiral” of increasingly adverse selection. (Medicare is an analogous program that is *single payer*. Its underfunding has been estimated to be now at over \$40 trillion present value!)

The block grants to states could also be used for premium support if a middle class family would be severely stressed by the actuarial-based premium for their family.

5. Is there be political fallout from defunding

Planned Parenthood? Keep that a separate issue, not tied into the ACA replacement plans.

6. Any replacement plan system might inevitably be called “Trump Care”, so its inadequacies could be blamed on the Republicans.

Since the replacement plans will be much better designed than ObamaCare, there is nothing wrong with the new Administration being tied to the solution. There will be states that don't enact ideal legislation and cling to a RomneyCare-type approach as in Massachusetts (mispricing of many risks and the state trying to fix the confusion created). There's no blame of Trump for that.

The bad results states can and should be compared to better plans elsewhere. So the federal government is not blamed for failed experiments in some states. In fact, best results will accrue when the good ideas are exported and the bad ideas exposed as less successful in the marketplace and never tried again. (ObamaCare in a sense was good that it was tried, and its failures are now well known and should be shunned in the future, even by states.)

7. Can a rapid fix, with lower costs, be achieved to avoid criticism about overpromising success?

The key is a clear outline of how and when the ultimate best results can be achieved.

The old system clearly needed reform, which is why the public liked the idea of guaranteed coverage and subsidizing and guaranteeing pre-existing condition coverage.

But ObamaCare was a huge overreach: 2600+ pages of legislation and many times that of confusing and draconian regulations from an attempted federal takeover of one sixth of the American economy.

It will take several years to right that sinking ship and indeed make good on the main goals of guaranteed coverage to all Americans and subsidizing pre-existing conditions. It just needs to be done by using the efficiencies of the free and competitive market.

Plus use time-tested methods from other lines of insurance (auto and homeowners insurance) to provide the subsidies and coverage without destroying the free market ability of insurers to offer coverage at a small profit.

Auto insurance has done for decades with profit margins of 4% pre-tax! You can switch insurers easily if you don't like the price or the service, and your policy is portable if you leave your employer or are laid off temporarily.

8. Can the hidden costs of ACA be quantified, so new programs can be measured for efficiency?

Was \$500 billion over ten years a real estimate of ACA's true cost, or was it \$1 trillion or more? The guileful rules of ACA made it very hard to measure its true costs. Pre-existing condition coverage was given away for “free”, and the overpricing of low-cost insureds was not measured overtly. Young people's price quotes were net of promised subsidies in the exchanges. Did they deliberately conceal the true costs fearing public backlash?

Were the claims for the mandated extra coverages kept separately, such as for contraception and abortion coverage, and measured separately by male versus female?

What is the estimated cost of unlimited lifetime benefits versus the former basic coverage of \$1 million? Insurers ought to be able to quote that as option in the future. If someone wants to up his lifetime limit from \$1 million to unlimited, would he be willing to pay an extra 20%? If someone wants to keep a basic \$1 million coverage, he should be able to pay the much lower price.

What about making insurers keep their unemployed 24 year olds on their policy at no extra cost? How much was that hidden cost? Competing insurers in the future would be glad to quote a small extra premium for those staying at home beyond age 21, but it is not free. And those without such extra dependents should be allowed to pay the lower cost for only two empty nesters at home.

An appropriate replacement system must keep track of the overt subsidies, and have legislative bodies measure cost effectiveness. If \$50 to \$75 billion a year of block grants back to the states is not sufficient to cover all the utopian desires of universal affordable coverage, there are several options to debate.

Do we move up to \$100 billion a year? Do we ratchet down the point of means testing, so those making below \$100,000 a year start to participate more in their health coverage. It is after all a non-trivial but much desired need of most households after food, clothing and shelter.

9. Is a tax credit at the end of year too late for middle class families struggling from paycheck to paycheck?

Simply change the tax withholding rules to recognize the end of the year credit, i.e., withhold less each month.

10. Can ACA be repealed and replaced via reconciliation without Democratic participation?

The non-stressful and orderly withdrawal from ACA possibly can be done by cutting off new entrants after February 2017. Merely allow existing policies to continue with subsidies for two or three years. And eliminate the mandates and tax penalties via executive order. Even leave the extra coverages in the ACA silver and gold policies for as long as those policies stay in force.

Bigger questions are whether to leave in some of the taxes of ACA and continue ACA's expansion of Medicaid to those within 138% of the federal defined poverty level.

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11. Can ACA taxes be repealed immediately or is that extra revenue crucial?

For taxes that were counter productive, the answer is easy, eliminate them, e.g. the taxes hurting the innovative new medical device industry.

Also, give up the threatened fines on an employer not offering the over-priced ACA mandated coverage. hurt job creation. Most did not pay the fines; they just stopped hiring if it got them above 50 employees.

The higher marginal taxes for earnings over \$200,000 bring in overall revenue, but they hurt job creation for small businesses not filing under the corporate rate. These should be dealt with in the overall tax overhaul.

12. Should Medicaid be overhauled?

Is \$500 billion a year being spent wisely for some 70 million beneficiaries? At a minimum, should the 10 million from the expanded Medicaid qualification be revisited?

This is a very complex issue that needs a whole separate analysis. The non-controversial tendency is to let those 10 million continue, until new plans emerge by state. Also, with hoped for huge job creation over the next ten years (is 25 million a possibility?), many of those near-poverty-level additions may get better coverage on their own.

There are even ideas to create health savings accounts for those, with overt subsidies to allow them to start making good decisions on what procedures to use, versus wasteful spending for defensive medicine procedures.

13. Should we trim employer tax benefits, e.g. are "Cadillac" plans granting too much tax credit?

To level the tax playing field with individual policies, maybe only a basic level of health coverage should be tax exempt.

Milton Friedman recommended eliminating or substantially trimming the corporate tax exemptions and lowering the overall corporate tax rates to a simple flat tax level. He did cede that withdrawal of a tax-benefit would be perceived as a negative, and politically risky, even if logically it was restored in lower overall tax rates.

14. Can markets remain viable if there is a requirement for insurers to cover everyone?

Auto insurance is done this way in virtually every state, with financial responsibility laws or compulsory insurance laws. Every car owner is guaranteed needed coverage from those laws, and that coverage is subsidized by the other insured car owners in the state. but those that can't coverage on their own do pay a slight surcharge for getting into those Assigned Risk Plans.

States need to enact similar rules for health insurance. Yet the federal government can't mandate that they do via coercive and draconian financial rules. However, there is likely enough public pressure to offer basic coverage to every American and cover pre-existing conditions. Block grants of 1% or 2% of federal tax revenues by state back to a state should be sufficient for state legislatures to

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move quickly. States could even supplement those federal grants with their own tax revenues if they want to be more generous.

A state being laggard on these new laws may soon see new people being elected to take the place of hesitant legislators and governors.



WSJ OPINION LETTER - Jan. 24, 2017

Replacing ObamaCare Via the Constitution

Article I and the 10th Amendment of the Constitution specify the enumerated powers that bind Congress. Health insurance is not among these powers.

Kimberley Strassel's "Dumpster Diving for Dossiers" (Potomac Watch, Jan. 13) notes that many pieces of an ObamaCare reform might require 60 Senate votes. Therefore, the Republicans need bipartisan buy-in, unlike the way the Democrats passed the ACA. However, that implies that the solutions are mostly federal and not state based. It is a real question whether the federal government has the right to impose full insurance solutions from Washington, even if there were agreement.

Article I and the 10th Amendment of the U.S. Constitution specify the enumerated powers that bind Congress. Health insurance (or fire insurance, shelter or other personal needs) is not among these powers.

But a tax authorizing Congress can and should do a lot to foment better health care via personal tax options. Expand health-savings accounts and give tax credits for individual health-insurance policies to allow the individual market to compete with employer-based coverage. Congress can legislate block grants of tax revenue back to the states as incentives to provide guaranteed coverage and subsidies for pre-existing conditions.

The states do have the authority to act and prescribe insurance solutions (as they do for auto insurance). Auto insurance by state guarantees basic coverage for everyone applying. That insurance system, with some 50 individual insurers competing by state, has provided coverage with an average profit margin from this competitive market of less than 4% over the past 10 years. And the coverage is portable, so you can switch easily if you don't like your current provider's price or service.

Michael A. Walters

Fellow and Past President, Casualty Actuarial Society Savannah, GA.

The above opinions are based on an ACA Replacement Plan presented by the author at a national actuarial meeting. It's been refined at numerous actuarial conferences since then.

PICTURES AT THE SIRC DINNER - February 21, 2017





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