

ARKANSAS TIMES

Michael Cannon calls "private option" crony capitalism

By: David Ramsey – March 19, 2013

As we previewed last week, Michael Cannon — health-care point man for libertarian think tank the Cato Institute — was invited to testify today before the Senate Insurance committee. Cannon is a diehard opponent of the Affordable Care Act, and there were hints on American For Prosperity (AFP)'s website that Cannon might raise objections to the "private option." Instead, his testimony today was exclusively focused on the decision about whether the state should run its own exchange or opt out and let the feds run the exchange (currently, Arkansas has a state-federal partnership). However, Cannon told reporters afterward that the "private option" was even worse in his view than Medicaid expansion, labeling it "crony capitalism."

Cannon has a number of arguments against state-run exchanges. The flashiest one is that he is hoping that a legal challenge to the operation of federally run exchanges has the potential to dismantle the entire law. We've covered his lawsuit before and won't get in to the weeds here but you can read about the legal challenge here, and read Cannon's legal argument in full here.

Sen. Joyce Elliot asked Cannon, "Is your position overall that you want to stop the healthcare law or are you just giving us advice on how to proceed with exchange?"

Cannon's response: "Both."

I asked Cannon afterwards why he hadn't touched on the "private option" for expansion. "This was a hearing on exchanges, I was invited to speak about exchanges," he said. "I'll be speaking to some legislators later and I'm sure the Medicaid expansion will come up."

The "private option" issue is in fact relevant to the exchange question in various ways, the largest being the \$20-million-per-year revenue stream from a 2.5 percent state fee on insurances sold on the exchange. Cannon said that he knew of no legal restriction on states imposing the fee even if they opted out of running the exchange, though this seems politically implausible.

In any case, as policy, Cannon thinks the "private option" framework stinks. He already thinks that Medicaid expansion is too expensive and he argued that the "private option" would be even costlier. (I should say that Cannon prefers "Beebe proposal" to "private option." Pretty surprised he didn't call it BeebeCare!)

Cannon relied on the CBO numbers we've heard, which likely are not applicable to Arkansas. Cannon had not yet seen the DHS study released yesterday but expressed deep skepticism about their findings.

Okay, but who cares what someone from the Cato Institute thinks about what Arkansas should do? I would argue that Cannon's position may represent one pole of a possible split within the Arkansas GOP on the "private option" between establishment Republicans and the anti-Obamacare base. As I heard one Tea Party member in attendance at the meeting say of the new framework, "if you put lipstick on a pig, it's still a pig."

Here's Cannon:

It's odd that this is considered a compromise proposal. We'll compromise by making an unaffordable entitlement program even more unaffordable. It's also interesting because Congress considered this...amendments were offered and voted down by Democrats who said no we can't put the Medicaid expansion population in the exchanges because it would be too expensive. So you have to ask the question, if Congress rejected this idea, what on earth are Gov. Beebe and Sec. Sebelius doing talking about an idea that would increase federal and state spending that Congress expressly rejected?

I gotta hand it to Gov. Beebe and Kathleen Sebelius, they know that there's this crony capitalism streak among Republicans. If you say, we're going to increase government spending, they say 'no that's bad.' But if you say 'we're going to give the subsidies to private industry,' they say, 'hey, I like private industry, that's good.' So they're really playing to that crony capitalist streak in order to get Republicans to implement Obamacare.

They're drawn to the idea because Republicans hear private coverage and think that's better than public coverage but really what matters is who's paying the piper. If it's government money that you're spending, it's going to be government insurance even if you hang the word 'private' on it.

Though I support expansion, I think Cannon's arguments about the "private option" make sense: if you don't like Obamacare, it follows that you wouldn't like an alternative that's likely to cost at least a little more, particularly if that additional spending seems to be in defiance of Congressional intent. Will we hear more arguments along these lines from Republican lawmakers? We'll see.

Thus far outside conservative groups haven't made too much noise about the "private option" but I suspect that will change. While Cannon spoke with reporters, an AFP official was standing next to him. I asked her — as I've asked Teresa Crossland-Oelke, AFP's Arkansas state director — whether AFP has a position on the "private option." They've been cagey so far. Republican lawmakers working on the "private option" have told me that their focus is on the policy but have acknowledged that it will be politically important if AFP decides to speak out one way or the other.

In addition to his testimony today, Cannon was also AFP's guest speaker at the Conservative Caucus Luncheon at the Capitol, where he offered the same strong message against the "private option."