The Congressional Health Care Deal: Reactions from the Libertarian World

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Cato already has their response to the leaked details about the senate health care bargain. Unsurprisingly, they're not a fan.

> A few reasons to believe this is yet another truly bad idea:
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> - In choosing the FEHBP for a model, Democrats have actually chosen an insurance plan whose **costs are rising faster than average**. **FEHBP premiums are expected to rise 7.9 percent this year and 8.8 percent in 2010**. By comparison, the Congressional Budget Office predicts that on average, premiums will increase by 5.5 to 6.2 percent annually over the next few years. In fact, FEHBP premiums are rising so fast that nearly 100,000 federal employees have opted out of the program.
> - FEHBP members are also finding their choices cut back. **Next year, 32 insurance plans will either drop out of the program or reduce their participation**. Some 61,000 workers will lose their current coverage.
> - But former OPM director Linda Springer doubts that the agency has the "capacity, the staff, or the mission," to be able to manage the new program. Taking on management of the new program could overburden OPM. "Ultimate, it would break the system."
> - **Medicare is currently $50-100 trillion in debt**, depending on which accounting measure you use. Allowing younger workers to join the program is the equivalent of crowding a few more passengers onto the Titanic.
> - At the same time, Medicare under reimburses physicians, especially in rural areas. **Expanding Medicare enrollment will both threaten the continued viability of rural hospitals and other providers**, and also result in increased cost-shifting, driving up premiums for private insurance.
> - **Medicaid is equally a budget-buster.** The program now costs more than $330 billion per year, a cost that grew at a rate of roughly 10.7 percent annually. The program spends money by the bushel, yet under-reimburses providers even worse than Medicare.
> - Ultimately this so-called compromise would expand government health care programs and further squeeze private insurance, **resulting in increased costs, result in higher insurance premiums, and provide a lower-quality of care.**
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> No wonder Senator Reid wants to keep it a secret.

Points 1-4 seem like the big problems to me. (I'll cover #5 in a separate post) Medicare and OPM both enjoy a degree of control over most of their beneficiaries that insurance companies do not usually have over the purchasers of individual policies. OPM also has a demographic that is significantly more attractive in many ways, though it skews much older than the pool of the uninsured. Demographic shift may be why its costs are increasing faster than the general population, but it's hard to tell.

Tyler Cowen is rather more equivocal:

> Francis studies one of these programs, namely FEHBP, in detail. He portrays FEHBP as "premium support" in contrast to the "defined benefit" approach of Medicare. On top of it all are competing private insurance plans and the details of the plan you end up with are decided by competition, combined with some regulation. I now think of FEHBP as a somewhat indirect voucher scheme, albeit with complications. Francis argues that FEHBP is a better model for health care reform than is Medicare and that FEHBP is better for both offering diverse programs and inducing cost control. The employee pays about a quarter of the price and FEHBP also covers many retirees, apparently with reasonable success. Here is Wikipedia on FEHBP . Here is the program's own home page and it does I should add touch the Cowen family.
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> One question I have is what FEHBP would look like when scaled up to an entire country, including to people who have never had enough human capital to work for the U.S. government. (Here is one critique of a scaled-up FEHBP but I don't find it so convincing, at least not compared to the problems with other approaches.) Still, this book is essential reading for anyone interested in health care policy. I can't call it exciting, but it is a model of clarity and substance throughout.

My views are best summed up by one of Cowen's commenters:

> I believe we have arrived at the point where the administration and its allies in Congress are throwing anything to hand against the wall to see what will stick.

This is not usually the best way to get good policy. But at this point, many people in Congress simply want to pass something called "health care reform"--indeed, they are desperate to do so. As far as I can tell, for most of the left, there is literally no health care expansion so bad that it is worse than doing nothing, which cannot possibly be empirically true. But this is by no means obviously the worst of the proposals.