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Who advises Florida Gov. Rick Scott on health policy?

by Stacey Singer



Gov. Rick Scott's health advisor,
Michael Cannon /Cato Inst.

His name is Michael F. Cannon, and he's an economist and attorney who works for the Cato Institute, a libertarian think tank that was co-founded by Koch Industries' scion Charles Koch in 1977.

It's Cato's Cannon who is advising state governors to refuse to follow the Affordable Care Act based on Judge Vinson's controversial ruling finding it unconstitutional.

Cannon [wrote this week](#) that Alaska's governor had joined Florida in adopting the position that the federal health law should be ignored in his state.

In so uncertain a legal context, it is simply reckless for financially strapped federal and state governments to pour resources into changing our health care system when those changes may not ultimately pass constitutional muster.

Cannon, like many economists, views Medicare reform as "the nation's highest health-policy priority."

However, he parts company from most economists by advocating a "repeal and replace" philosophy for Medicare itself

Cannon's solution for Medicare is to transform it into a voucher program. The Medicare tax would go away. And in place of Medicare, all qualifying seniors would receive vouchers based on income. They would use these vouchers to buy private insurance.

Critical to Cato's proposal is that the value of the insurance voucher should increase no more than the rate of inflation. Not medical inflation. General inflation. What would this mean? Last year, the U.S. inflation rate was 1.6 percent. The medical inflation rate? Price Waterhouse Cooper put it at 9.5 percent.

So if health costs rise \$9.50 for every \$1.60 the government adds to an individual's health voucher each year, well, Medicare's deficit problem would be over,

shifted to individual households.

([Paul Ryan's Roadmap](#), broadly drawn on Cato principles, suggests this voucher be worth an average of \$11,000 per beneficiary, initially, tiered so that larger vouchers went to lower income seniors. He would give Medicaid beneficiaries a similar allotment, with larger benefits for pregnant women and families with children. Ryan is a speaker at Cato events.)

As for workers? Instead of paying a Medicare 2.9 percent payroll tax, they'd set aside their payments in a personal health account.

These personal health accounts, Cannon says, would give workers the "freedom" to invest their health account portfolio. It would have the added benefit of creating "new opportunities for financial institutions," Cannon writes, and would expand the "investing class."

Cannon has faith that insurance companies will innovate new ways to lower medical costs. How? They may substitute nurses for many duties doctors now perform, he suggests. How else? "Avoiding unnecessary services." Which is different than rationing.

Take a look:

"Entrepreneurs in the United States are developing new ways of making medical care and health insurance less costly, such as substituting lower-cost nurses for physicians and lower-cost general practitioners for specialists where appropriate. These innovations also include health insurance plans that keep premiums low by avoiding unnecessary services." - Michael F. Cannon "Personal Medical Accounts: An Alternative to Compulsory Health Insurance."

Cannon blames Medicare's price setting for leading doctors to want to become specialists rather than general practitioners. And as for the poor? Some who make bad decisions may find themselves in a bad way. This is regrettable, he acknowledges, but part and parcel of personal accountability. And, he adds, the sheers numbers of those in dire straits are likely to be much smaller if market forces are set free.

Cannon's ideas are catching on.

Wyoming last spring voted to start a Medicaid pilot project in which 500 people will have access to a pool of \$750,000 meant to fund personal health accounts. People could decide for themselves whether to save their allotment and spend it on cash care when they get sick, or to use it to buy health insurance.

The goal is to get people to think for themselves about how to keep their health costs down, as a way to preserve the amount in their health account, that state's governor said. Cannon's not thrilled with the way it's being implemented there, warning that it could create a new type of government dependency.

"The only free-market Medicaid reforms are Medicaid cuts," he said.

(States aren't the only ones attracted to this risk shift. Employer plans are increasingly taking a similar route.)



Florida Gov. Rick Scott announcing his budget at a Tea Party rally. /AP

So how far will Florida's governor take Cannon's advice? He has issued budget recommendations that envision mandatory enrollment of most Medicaid beneficiaries in private health plans, he has announced his refusal to implement the Affordable Care Act.

On Feb. 9, after holding office for 36 days, Gov. Scott addressed 600 attendees of the Cato Institute Policy Perspectives Seminar at the Ritz Carlton Beach Resort in Naples.

There, according to a Cato-produced [podcast](#) of the speech, Scott said,

“The real benefit of the Florida ruling is Judge Vinson said not only is the individual mandate unconstitutional but the entire act is unconstitutional... In the state of Florida we are not going to put any effort into implementing that and I don't think any other state should, either...”
He went on to embrace Cato's libertarian, minimal government philosophy.

“I really believe in accountability. If you think I am straying for that, call me — I don't have email because in Florida we have sunshine laws and things could end up on the front page of the New York Times.

If you think I am straying from that, call me...because let me tell you, the special interests are showing up every day in Tallahassee. But I am going to stay the course. And if we do the right thing, this is the model for what America stands for.”

This entry was posted on Friday, February 25th, 2011 at 5:33 pm and is filed under [Article](#), [Health reform](#). You can follow any responses to this entry through the [RSS 2.0](#) feed. You can [leave a response](#), or [trackback](#) from your own site.

5 Responses to “Who advises Florida Gov. Rick Scott on health policy?”

1.  *OBIWAN* Says:

[February 25th, 2011 at 7:34 pm](#)

The Unfunded Liability of Medicare and SS is over \$110 Trillion.

Medicaid has no trust fund, we may now be in a larger Unfunded Liability for it than Medicare.

How can you think this is not a reasonable alternative to the “no change” mentality in Washington that faces bankruptcy!

America has great HealthCare because we have a great private market insurance industry...it should be used to broaden the private chose of consumers!

2.  *farmer* Says:

[February 25th, 2011 at 8:10 pm](#)

OBIWAN “The Unfunded Liability of Medicare and SS is over \$110 Trillion”

That's because of people like Scott who have raped the system. He is just making sure his companies and friends continue to rape and plunder the medical system.

Great Insurance my a\$\$, the only ones benefiting are the stockholders and CEO's.

3.  *ruthrichard123* Says:

[February 26th, 2011 at 12:51 am](#)

There can be a difference between what you and a health insurance company consider healthy. Some insurers will say that you have a health condition if you smoke, are overweight, are taking prescriptions, or had a medical condition in the past. If this describes you, you may want to search and read “Wise Health Insurance” on the web.

4.  *Loris Hemlof* Says:

[February 26th, 2011 at 3:30 am](#)

Health and welfare voucher should be assets tested for to pay to working poor to create incentive to work not low income and disability tested which paid welfare to asset rich loafers.

5.  *S* Says:

[February 27th, 2011 at 9:23 am](#)

I can't believe the Libertarian Party still calls itself an “independent third-party”.

Y'all run one of the most influential think tanks in America. The owner of the largest private company in America is a libertarian. And y'all pretend like your ideas aren't represented...

You people are done. Spend the rest of your life serving your own selfish needs.

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Stacey Singer has been writing about health, science, biotech, consumer issues and government for nearly two decades. A graduate of the University of Wisconsin, Madison, her education has focused on both science writing and American industrial history.

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