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Repeal of ObamaCare Key to Ryan Budget Plan

By Michael Cannon

The federal budget is set to produce at least another $6.7 trillion of red ink over the next 10 years. President Barack Obama has abdicated leadership on the budget. First he signed a health care law that ostensibly reduces the deficit, but will actually increase it by $562 billion once you strip away the budget gimmicks. Then he proposed a budget that would increase federal deficits by $2.7 trillion and double the national debt.

Obama's budget strategy appears to be, as one Democratic wonk put it, "wait for Republicans to act and trap them." It appears Republicans will do the right thing anyway.

On Tuesday, House Budget Committee Chairman Paul
Ryan, R-Wis., released a budget blueprint that tackles the three big health care challenges facing the federal budget -- ObamaCare, Medicare and Medicaid - with a strategy of repeal, vouchers and block grants. Done properly, those steps would simultaneously improve health care and help balance the budget within a decade.

As it should, Ryan's budget would repeal ObamaCare. With a national debt roughly three-fourths the size of the entire economy, we simply cannot afford that law's two new entitlement programs or its trillion-dollar price tag.

Repeal would also relieve states of the law's staggering burdens. My colleague Jagadeesh Gokhale estimates ObamaCare's Medicaid expansion will cost New York $53 billion in its first 10 years. It will cost Florida, Illinois and Texas around $20 billion each.

Even former Sen. Evan Bayh, D-Ind., has conceded ObamaCare's supposed spending restraints were never a plausible strategy for containing Medicare spending. Even if they were, ObamaCare just spends the presumed savings elsewhere. Scrapping the law will enable Congress to replace those phony measures with spending restraints that stick.

Second, the budget should restrain Medicare spending by giving enrollees fixed vouchers they can use to purchase any private health plan of their choice. Poor and sick enrollees should get larger vouchers, but the average voucher amount should grow only at the overall rate of inflation.

Because vouchers enable seniors to keep the savings, they will do what ObamaCare won't: reduce the wasteful spending that permeates Medicare. Seniors will choose more economical health plans and put downward pressure on prices across the board. Indeed, vouchers are the only way to contain Medicare spending while protecting seniors from government rationing.

Skeptics worry that seniors will make bad decisions with their vouchers. They should keep in mind that,

according to Obama's Council of Economic Advisers, "nearly 30 percent of Medicare's costs could be saved without adverse health consequences." In other words, vouchers come with a huge built-in margin of safety: seniors could consume one-third less care without harming their health.

What's more, a voucher system would improve the quality of care for seniors. To pick a timely example, such a system would level the playing field for "accountable care organizations" such as Group Health Cooperative and Kaiser Permanente. These health systems already deliver the quality innovations that reformers crave: coordinated care, electronic medical records and comparative-effectiveness research.

Vouchers will deliver cost-savings and ACOs. ObamaCare won't.

That's why Ryan shouldn't delay a voucher system, as he has proposed doing in the past. Leaving today's seniors behind would be doubly cruel, over-taxing workers while denying high-quality health care to current enrollees.

Third, the budget should complete the successful 1996 welfare reforms by eliminating the entitlement to Medicaid benefits, converting federal Medicaid and Children's Health Insurance Program funding into fixed block grants, and freeing states to find innovative ways to provide care to the truly needy. Repealing ObamaCare's Medicaid expansion and capping federal Medicaid and CHIP outlays at nominal 2012 levels would together reduce federal deficits by $1.6 trillion over 10 years.

Block grants need not remove a single patient from the Medicaid or CHIP rolls. States could even expand enrollment. But block grants would require states to pay the full marginal cost of their programs today, rather than have Congress finance most of it through deficit spending. As in 1996, skeptics will predict horrific consequences. But they were wrong then -- poverty fell dramatically after welfare reform -- and they are wrong now.

If Republicans aim to capture this unique and crucial opportunity, they need to convey that a smaller government isn't just compatible with better health care. It's a prerequisite.

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