

The best and worst health care reform ideas

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President Obama wants to work with Republicans on health care reform. "I am going to be starting from scratch," he [says](#), "in the sense that I will be open to any ideas that help promote" controlling health care costs and making health insurance more widely available.

As it happens, many of the worst ideas are in the legislation Obama supports. Republicans have embraced some of the best ideas, but also some of the worst.

Best Ideas

- **Tax reform:** The president is right: the tax code inadvertently drives health care costs higher. But the solution is not to a new tax on health insurance that would hit union, older, female, and small-business workers hardest. The solution is to give those workers the largest effective tax *cuts* by changing the tax code so that workers control the money that employers now use to purchase health coverage – which averages \$10,000 per family per year.

Tax credits for health insurance would give workers that \$10,000, but only over the long term. That would leave many families in the lurch. Rep. Jeff Flake (R-Ariz.) has introduced legislation to create "large" health savings accounts, which would give workers that money immediately.

- **Medicare reform:** Obama advisor Peter Orszag correctly argues that consumers will eliminate wasteful health care spending if they can keep the savings.

That's why, as Rep. Paul Ryan (R-Wis.) proposes, Congress should give each senior a fixed voucher to purchase their medical care. Poorer and sicker seniors would get larger vouchers. But the key is that seniors would keep whatever money they save. Only then can Congress reduce Medicare spending, as both Republicans and Democrats propose, while protecting seniors from government rationing.

- **Medicaid reform:** President Obama should reform Medicaid the same way President Clinton reformed welfare: by providing each state with a fixed block grant, and the flexibility to target those funds to the truly needy.

- **Making regulators compete:** Each state's health insurance regulators enjoy a monopoly over providing and enforcing consumer protections. Like all monopolies, that creates high-cost, low-quality consumer protections. Indeed, state regulations increase the cost of health insurance by an estimated 15 percent.

Letting individuals and employers purchase insurance regulated by other states would give them regulatory protections they need—and let them avoid unwanted and costly regulations.

Worst Ideas

- **Expanding Government Programs:** The entitlement programs we have are bankrupting the government, crowding out private insurance, increasing costs, and reducing quality. Medicare is the main reason medical practice is dangerously uncoordinated, and why medical errors kill as many as 100,000 Americans each year.

- **Mandating Insurance Coverage:** Forcing Americans to purchase coverage would effectively turn private markets into a government program. In addition to being unconstitutional, an individual mandate would reduce health insurance choices by outlawing economical health plans, just as the Massachusetts mandate has done.

- **Price controls:** Obama advisor Larry Summers [says](#), "Price and exchange controls inevitably create harmful economic distortions. Both the distortions and the economic damage get worse with time."

Democrats nevertheless want to use price controls to cover people with pre-existing conditions, which would perversely lead insurers to avoid and mistreat those patients. Obama advisor David Cutler finds they also reduce choice by eliminating comprehensive insurance plans. The reforms above would do a better job of reducing the problem of pre-existing conditions.

Democrats also want to use price controls to curb Medicare spending. That's merely a veiled form of government rationing.

- **Federal Med Mal Reform:** Republicans want federal law to limit medical malpractice lawsuits. But the Constitution does not give Congress the power to do so.

Setting those rules is a state responsibility. Many states have enacted reforms, and other states are learning from those experiments. A one-size-fits-all federal law could harm patients, preventing them from filing legitimate claims.

If health care reform were simple, we would have done it already. Yet both Democrats and Republicans are making it unnecessarily difficult by pushing reforms that reduce choice and competition. That's not what the doctor ordered.

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[1] Healthy Competition: What's Holding Back Health Care and How to Free It:
<http://www.amazon.com/Healthy-Competition-Whats-Holding-Health/dp/1930865813>

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