

Purple Health Plan: Liberal Aims, Market Means

By [DAVID HOGBERG](#), INVESTOR'S BUSINESS DAILY Posted 04/07/2011 07:02 PM ET



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Red and Blue partisans have been at odds over ObamaCare, but Boston University economist Laurence Kotlikoff hopes to blend their ideas under the Purple Health Plan.

His proposal seeks to achieve the liberal goal of universal care via a market-oriented voucher. Several prominent Nobel Prize economists have endorsed the Purple Plan, including George Akerlof and Thomas Schelling.

"We need to look at it as what are we trying to achieve, what's the social consensus, and what's the most efficient way to provide it," Kotlikoff said. "Everybody should have a basic plan — I think most Democrats and Republicans can agree on that."

The plan, unveiled last week, would pool funds from the employer-based tax exclusion, Medicare, Medicaid and other federal health programs, giving every American a voucher to buy a standard health policy.

A panel of physicians would set the benefits covered. No one could be denied coverage, even those with pre-existing conditions. To limit costs, federal and state government could spend no more than 10% of GDP on the vouchers. That would come out to about \$4,800 a person, though the size would be adjusted based on individual risk.

The Purple Plan also includes medical malpractice reform.

"These are the goals of just about everyone, such as health care for all, spending less, and malpractice reform," said Dr. Daniel Fass, a radiation oncologist in Rye, N.Y., and a supporter of ObamaCare. But he also thinks parts of the plan aren't politically viable, such as the 10% GDP cap.

Others see it as both a rebuke and very similar to ObamaCare.

"That some smart economists are pushing the Purple Health Plan is evidence that ObamaCare is not real health care reform," said Michael Cannon, director of health policy studies at the libertarian Cato Institute. "Nevertheless, it is just a grab bag of taxes, mandates, subsidies, price controls and government rationing. Once the special interests torpedo the cost controls, what's left is basically ObamaCare."

Service And Lobby

Doctors groups would find the physician panel a tempting target to ensure the services they provide are covered.

"Someone like the head of National Institute of Health, who is highly respected and impartial, could put together the physicians," responded Kotlikoff.

Greg Scandlen, a conservative health care activist, thinks it's a mistake to have a standard plan.

"Different people have different preferences," he said. "There should be a choice of plan."

Unlike ObamaCare, the Purple Plan doesn't give an individual mandate. Anyone who didn't use the voucher to buy insurance would be automatically enrolled in a plan. "I don't think insurance is the universal solution," said Scandlen. "There are people who simply cannot function, cannot handle insurance, and they need some sort of safety net."

Scandlen does like giving individuals more choice of their providers and eliminating Medicare and Medicaid. But he notes the latter is politically problematic.

House Budget Committee Chairman Paul Ryan, R-Wis., released a budget plan this week that would turn Medicare into a premium-support system. Democrats have charged Republicans are "intent on ending Medicare as we know it." The Purple Plan could be attacked the same way.

"Turning Medicare and Medicaid into vouchers would be disruptive. Not everyone wants to change," Fass said. "Further, it's arguable whether private insurers do a better job than Medicare, and private insurers are not very popular politically."

Kotlikoff sees that as the hazard of putting this plan forward.

"You have to take and expect that heat, because there is a degree of anger in our discourse that is terrible," he said. "We don't trust each other."