



Obamacare's basic flaw: More care costs more money

By: Paul Mulshine – October 31, 2013

A wise man once said the following about the proposal to mandate that every American buy health insurance:

"If mandates were the solution, we could try that to solve homelessness, by mandating that everybody buy a house. The reason they don't have a house is they don't have the money."

Shortly after the wise man made that statement, something horrible happened to him: He got elected president. Ever since, Barack Obama has said a whole lot of really unwise things, such as "If you like your health care plan, you'll be able to keep your health care plan, period."

That boast turned out to be untrue. More than a million Americans are learning to their shock that the Affordable Care Act is making their care less affordable. The reason is obvious, and Obama put his finger on it when he made that comparison to the cost of housing during his 2008 Democratic primary campaign. Just as building more houses costs more money, providing more health care costs more money.

Americans don't like to believe this. They like to believe that the medical industry has perfected the art of preventive medicine and that high-tech screening today leads to lower costs tomorrow.

"If mandates were the solution, we could try that to solve homelessness, by mandating that everybody buy a house." Barack Obama in 2008

This sounds nice. But the studies show otherwise. One such study appeared in the prestigious New England Journal of Medicine in 2008. It was authored by a number of physicians connected to top Boston teaching hospitals.

The authors wrote that there's little dispute that simple forms of prevention do in fact reduce health care costs. Curbing smoking, eating a better diet and getting adequate exercise will help you to stay healthy. But all those can be provided without health insurance.

It's when you get to the high-tech treatments that the cost-benefit ratio flattens out. Politicians of both parties were distorting that reality during that year's presidential campaign, they wrote.

"Our findings suggest that the broad generalizations made by many presidential candidates can be misleading," the authors wrote. "These statements convey the message that substantial resources can be saved through prevention. Although some preventive measures do save money, the vast majority reviewed in the health economics literature do not."

The article was accompanied by a graph showing that the cost of trying to prevent disease was roughly equal to the cost of treating it once it developed. Either way, more care costs more money.

Obama got that right the first time. In doing so, he put his finger on the flaw in what would later come to be called "Obamacare."

The guy who pointed me to that study, health policy expert Michael Cannon of the free-market Cato Institute, told me the problem was obvious from the start.

"They knew all along it was going to increase premiums," said Cannon of the plan's architects. "They knew all along it was going to keep people from keeping their current doctors."

The reason is not difficult to discern. The ACA requires health insurers to issue policies to anyone who applies, including those with pre-existing conditions. It also requires those policies to cover a broad range of services that may not have been covered before.

More cost equals higher premiums. And despite that pledge from the older-but-not-wiser Obama, the administration permitted the carriers to cancel policies that didn't cover those costs.

That in turn sent the policy-holders to that website that has failed so spectacularly. Here we come to the one wise thing Obama is saying these days. It's that line about how we shouldn't judge Obamacare by the website; that's just one small part of the program.

That's certainly true. The website problems will be worked out sooner or later. But the real problem with the program will remain: If the new policies being offered were so wonderful, people wouldn't have to be forced to buy them.

Imagine a couple with two kids trying to get by in high-cost New Jersey on \$85,000 a year. Coverage will cost them about \$8,300 a year. Don't worry, though, they'll get a tax credit — for \$215.

The younger but wiser Obama pointed out that problem in 2008 in a campaign flier directed at Hillary Clinton. In it, he charged that a President Clinton "would consider 'going after the wages' of Americans who don't purchase health insurance, whether they can afford it or not."

Clinton cried bloody murder and claimed he was distorting her plan. But that's exactly where this sort of plan has to end up. As the economists like to say, there's no such thing as a free lunch.

Or a free house.