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## The National Review: Decoding The Health Bill

by REIHAN SALAM



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Mark Wilson/Getty Images

Senate Republican Leader Mitch McConnell (R-KY) walks through the Capitol after the Senate passed a procedural vote on health care reform on December 21, 2009 in Washington, DC. The Senate passed the first of three crucial procedural votes on health care by a 60 to 40 margin.

December 22, 2009

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A few friends have written to suggest that I haven't been myself lately, and they're right. I've been spending a lot of time reading sarcastic, mean-spirited, tendentious blogs, and so I've taken on some of that very pervasive tone in my last few posts. But as my mother would point out, that's hardly an excuse.

As the debate over the Reid bill draws to a close, let me offer a straightforward case for why I would have voted against it.

I'm sure that I disagree with Michael Cannon of the Cato Institute on many things. But I think he's made a compelling case that the CBO is understating the cost of the reform proposal.

"Crafting the private-sector mandates such that they fall just a hair short of CBO's criteria for inclusion in the federal budget does not reduce their cost, nor does it make those mandates any less binding. But it dramatically reduces the apparent cost of the legislation. It is the reason we're all talking about an \$848 billion Reid bill, rather than a \$2.1 trillion Reid bill."

That strikes me as pretty important.

When journalist Jonathan Cohn and economist Jonathan Gruber prepare a chart comparing how different families will fare under the reform proposal, I'm always curious as to how the transaction will work in practice. Government initiatives don't always work out according to plan. That is a lesson conservatives should have learned from the Iraq War and, to a lesser extent, from the Bush tax cuts. And now I sense that many on the left are letting wishful thinking get the better of them.

I've often cited arguments made by Eugene Steuerle of the Urban Institute because he is a centrist technocrat who knows the workings of the federal government extremely well. He's raised a number of serious problems. Among them is the fact that the IRS is supposed to verify income claims to the exchanges, using 2014 tax data to determine eligibility for 2016. But of course income shocks often occur over a two-year period, and so we will need an appeals process. This will require expensive efforts to detect and deter fraud. Steuerle suggests that we use a fairly level credit instead, as it would be far easier to administer. We could tax away most of the credit for affluent families. This isn't an insurmountable problem. But it hasn't been taken seriously.

Steuerle has also raised the horizontal equity problem.

"Take the Senate Finance Committee efforts at health reform that have garnered so much attention. Under one version, households with \$54,000 of income would get a subsidy of almost \$10,000 toward the \$14,700 health insurance policy that Congress has decided that they can't afford. The first catch 22 is that since these subsidies are so expensive, Congress plans to exclude from getting the subsidy those households that get health insurance in lieu of higher cash wages from their employer."

The Reid bill doesn't solve this problem. If the employer-based system unravels faster than the CBO anticipates, this cost of the subsidies will explode.

Then there are concerns about the structure of the individual mandate. I'm on record as favoring some form of universal coverage. I'm a great admirer of plans proposed by Martin Feldstein and Brad DeLong. One of the best proposals I've seen is Hal Luft's call for a public reinsurance plan, though I'd propose a number of revisions to his broad model. Like the vast majority of conservatives who've raised objections to the reform architecture proposed by congressional Democrats, I recognize that the status quo is not sustainable. That said, I think that a "piecemeal" approach — actually a pretty sweeping and ambitious approach — that takes on the expensive task of federalizing Medicaid and enabling the states to experiment with expanding access and increasing affordability would represent a superior alternative.

Unfortunately, a lot of our interlocutors have presented this as a matter of the Democratic plan or death, an eerie mirror image of conservatives who decry the Democrats for creating "death panels."

Overall, I've found this experience about as dispiriting as anti-war liberals found the debate over invading Iraq. It should go without saying that warfare is a vastly more serious matter than domestic reform efforts, however flawed. Yet it's not obvious to me that the United States can afford to make many more unforced errors on this scale.

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