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## VOICE OF ESSENTIAL LIBERTY

## Replace Obamacare, Stat

By John C. Goodman  
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The American people realize that Obamacare is a very bad policy. But more and more conservatives agree that we need to offer a solid alternative before voters reject Obamacare root and branch. Recently, three prominent Republican senators – Richard Burr (N.C.), Tom Coburn (Okla.), and Orrin Hatch (Utah) – unveiled an alternative proposal. In this article, I would like to outline my own.

The proposal I suggest would achieve four remarkable things: It would be more progressive than Obamacare, because it would involve more distribution from higher- to lower-income households. It would provide genuine protection for people who have a preexisting condition, as opposed to the bait-and-switch promises of Obamacare. It would provide genuine access to care for everyone, as opposed to leaving 30 million uninsured, as Obamacare does. And it would work in practice, primarily because it would confine the role of government to setting a few simple rules of the game, leaving individual choice and the marketplace to do the heavy lifting.

I call this reform a “consensus reform” because it draws not just on such right-of-center think tanks as the Heritage Foundation, the Cato Institute, and the American Enterprise Institute but also on such left-of-center think tanks as the Brookings Institution and the Urban Institute, and various scholars including President Obama's former and current economic advisers, Peter Orszag and Jason Furman. It takes the best ideas these folks have offered and combines them with an important principle: No plan designed by those at the top can ever work unless people at the bottom have an economic incentive to make it work.

Further, the ideas presented here are consistent with the health-care plan John McCain endorsed when he ran for president and with health-care-reform legislation introduced by Senator Tom Coburn, Representative Paul Ryan (Wis.), and other Republican members of Congress. So it could easily be adopted as the Republican alternative to Obamacare.

Here are the essential elements.

Choice. People should be able to choose a health-care plan that fits their individual and family needs, rather than a plan designed by bureaucrats in Washington. This means no mandate. Men

shouldn't have to buy maternity coverage; women shouldn't have to buy coverage for prostate-cancer tests; teetotalers shouldn't have to buy substance-abuse insurance; etc. And no one should have to buy coverage for preventive procedures that health researchers have known for years are not cost-effective.

It is commonly believed that, without a mandate, people will game the system – waiting until they get sick to enroll. But we have found a way to handle this problem in Medicare Part B, Medicare Part C, and Medigap insurance without any mandate. In all three cases, the insurance is guaranteed-issue (no one can be turned down) and community-rated (no one can be charged a higher premium because of a health condition). But people are not permitted to game the system. If you don't enroll when you are first eligible, you will be charged a penalty, and, in the Medigap market, you may be charged a premium that does reflect your health status.

Had we accepted the principle of choice in designing a health-care reform, we would not face the prospect of up to 10 million individual policyholders' losing insurance they were promised they could keep. We would also not face the prospect of millions of additional people's fearing the loss of their employer plans.

Fairness. Everyone at the same income level should get the same help from government when obtaining private insurance. Obamacare flagrantly violates this principle. For example, a family at 138 percent of the poverty line is able to enroll in Medicaid in about half the states and obtain insurance worth about \$8,000. Since the coverage is completely free, that's an \$8,000 gift. If they earn one dollar more, they will be entitled to enter a health-insurance exchange and obtain a private plan that costs, say, 50 percent more in return for an out-of-pocket premium of about \$900. That's a gift of more than \$11,000. But because the subsidies in the exchanges are not available in the workplace, the employees of a hotel earning pretty much the same wage will be forced to buy an expensive family plan, and they and their employer will get no new help from the government. After calculating the value of employers' ability to pay premiums with pre-tax dollars, let's call that a newly created \$10,000 burden. This is only one of scores of ways in which Obamacare's treatment of people is arbitrary and unfair.

Fairness means that if government subsidizes health insurance through refundable tax credits, the credit should be the same for everyone at the same income level. Should those credits vary by income, age, geography, or other factors? There are good arguments for a variable credit. But there is a counterargument I find persuasive: simplicity. Suppose we offer every adult an annual tax credit worth \$2,500 and every child a credit worth \$1,500. People would get this subsidy so long as they obtained credible private health insurance, no matter where they obtained it – at work, in the marketplace, or in an exchange.

Think of how many problems we are currently having that would vanish.

Since a person's income would no longer be relevant, the exchanges would not have to link to the IRS, the Social Security Administration, and other federal agencies (which is the main technical reason the exchanges aren't working). It wouldn't matter whether you were offered “affordable coverage” at work. It wouldn't matter whether you were eligible for Medicaid. If you show up at the exchange and buy private insurance, you get the credit. Period.