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How industry kidnapped Obama's health 'reform'

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A liberal Democratic president with a supermajority in the U.S. Senate and a massive majority in the U.S. House is on the road to passing a health care "reform" bill shaped by health maintenance organizations, drugmakers and the U.S. Chamber of Commerce, funded in part by a middle-class tax hike.

President Barack Obama, because he has invested so much political capital in passing "reform," is in no position to back away. The health care industry, on the other hand, may like this package of subsidies, but it is also ready to walk away from the table if Congress passes a bill it doesn't like.

Three health care bills exist today: a House bill, a Senate Health Committee bill and now a Senate Finance Committee bill crafted by finance Chairman Max Baucus, D-Mont. Baucus' is the most industry-friendly legislation, but all three help Big Health and tax regular Americans.

Subsidy for the HMOs: All of these bills would force every American to carry health insurance or face a fine. All three bills also provide a subsidy for lower-income folks to buy private insurance.

Subsidy for big employers: Baucus' crew has dropped the mandate that employers offer health insurance, bringing the Chamber of Commerce on board. Employers also benefit from insurance subsidies and Medicaid expansions in these three bills, which shift employer health costs onto taxpayers.

Subsidy for drugmakers: Former congressman Billy Tauzin, the drug industry's top lobbyist, said these insurance subsidies and a proposed expansion of Medicare amounted to "\$650 billion spent to better insure Americans for the products we make."

Yes, all the bills impose new regulations on the insurers, but one effect of these regulations — as with nearly all regulations — is to keep out new competitors.

Most importantly for the HMOs and the drug companies, the Baucus bill includes no government-run insurer (or "public plan") to compete with the private insurers and drive down payments. The House bill includes a limited plan that is open only to a few customers.

So, a party whose activist base called for a single-payer government takeover of the health insurance industry is now considering alternatives ranging from a token government plan to no government plan at all. The worst

part about it: Nobody can blame the Republicans, who have only as much influence in this process as the Democrats allow them to have.

How did this happen? It's tempting to argue that Democrats are in the pocket of Big Health. Democrats so far this cycle have received \$7.3 million in contributions from the health sector, according to the Center for Responsive Politics, which is 72 percent more than the GOP's haul. The top two recipients of cash from health sector political action committees are Senate Majority Leader Harry Reid and Speaker of the House Nancy Pelosi. The top recipient of PAC money from HMOs is Rep. Henry Waxman, D-Calif., lead architect of the House plan. And then there's Baucus, whose coziness with industry lobbyists is legendary. Last election, Obama far outpaced John McCain in contributions from the health sector, HMOs and drugmakers.


But more important than the HMO cash in Democratic coffers may be the underlying dynamic of "must-pass" big-government legislation. Anybody surprised that the industry kidnapped this reform effort needs to learn two rules of lawmaking: First, increasing government always benefits the guy with the best lobbyists. The single largest lobbying entity in Washington is the U.S. Chamber. The most prolific lobbying industry is the drug industry. The HMOs have expert lobbyist Karen Ignagni, an old AFL-CIO operative, as their go-to gal.

Second, as Cato Institute fellow Will Wilkinson put it, "the path to corporate welfare is paved with essential legislation." Politically, Obama simply must pass a bill, lest he look like an ineffective president. The HMOs, drugmakers and the Chamber, on the other hand, can walk away from the table — sure, the "reforms" may offer billions in subsidies, but if nothing passes, they'll do fine.

Obama's got less leverage than industry, and the drugmakers have made it clear they have at least \$100 million to spend on ads about this bill — whether they are for the bill or against it depends on its final shape. If Obama wins this "battle of Waterloo," the Left's earnest reformers may find it a Pyrrhic victory.

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