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Would Democrats Block a Republican Plan for Universal Coverage, Out of Spite?

“If Obamacare is overturned, and Obama is defeated, who will win the Democratic party’s next fight over health care? Probably not the folks counseling compromise,” Ezra Klein wrote on Monday. “Too many Democrats have seen how that goes.” Ezra’s frustration is shared by many on the Left. But is he right? Were Republicans to blame for the failure to achieve bipartisan health-care reform? Would Democrats really reject a proposal from a Republican President that dramatically expanded health insurance coverage? A review of the facts makes clear that the answer to the first question is “no.” As to the second, we’ll see.

Ezra says, in response to my piece describing prior liberal antagonism to the individual mandate, that yes, liberals flip-flopped on the mandate, but their reason for doing so was a noble one. “Many liberals opposed such a shift. But they lost to the factions in the party that wanted health-care reform to be a bipartisan endeavor...The Democrats changed their mind in order to secure a bipartisan compromise on health-care reform. Republicans changed their mind in order to *prevent* one.” Let’s examine those claims.

Most conservative health wonks have consistently opposed the individual mandate

I've tried my best to explain that most conservative opposition to the mandate is not driven by partisan hypocrisy. Here is Michael Tanner of the Cato Institute in 2006, well before anyone was worried about Obamacare: "An individual mandate crosses an important line...it opens the door to widespread...political interference in personal health care decisions." Grace-Marie Turner of the Galen Institute, also in 2006: "The first concern [of the Massachusetts health plan] is the requirement that every individual in the state must purchase health insurance or face financial penalties."

Ramesh Ponnuru in *National Review*, the same year: "The commonwealth's plan that is most controversial on the Right—which is to say, its most controversial feature, the plan having inspired opposition from much of the Right while mostly winning support from the Left: the mandate that all individuals purchase health insurance." Says Ilya Somin,

I was a college student intern at Heritage back in 1994, not long after the political battle over Bill Clinton's health care plan. Although I didn't work on health care policy myself, I well remember the ongoing war of words between Heritage and the libertarian Cato Institute over the Heritage individual mandate plan, which Cato opposed. So too did leading free market health care and entitlement experts such as John Goodman and Peter Ferrara.

I could go on and on and on—and have. Let me be as clear as I can be on this point: the idea that Obamacare was designed by magnanimous Democrats, as a way to be nice to Republicans, is bunk. Instead, Obamacare was designed to please both left-wing and centrist factions *within* the Democratic Party.

Democrats liked Romneycare because it didn't require entitlement reform

Liberal commentators are fantasizing when they argue that a state-based approach to universal coverage, like the one in Massachusetts, would have been palatable to conservatives at the national level. Allow me to explain.

If you're a governor, and you're trying to improve your health care system, you are severely constrained by federal programs and federal laws. You can't do much to reform Medicaid. Medicare dominates the system. The employer tax exclusion unnecessarily ties health insurance to employment, and creates the pre-existing condition problem.

Hence, a state-based approach to universal coverage must, *by necessity*, work within the federal constraints of Medicare, Medicaid, the employer tax exclusion, and myriad federal regulations. That's why few governors—Republican or Democratic—have made any headway on the issue.

Indeed, a big part of the appeal for Democrats of adapting Massachusetts' reforms to the federal level was that doing so required no structural changes to the three big federal entitlements.

But adding on new federal health-care entitlements, without fixing the existing ones, was reckless from a policy standpoint. Any serious federal approach to health-care reform must tackle runaway spending in Medicare and Medicaid, and reform federal laws—especially the employer tax exclusion—in order to make the insurance market more efficient.

There was a path to bipartisan reform, but Democrats rejected it

Hence, a bipartisan health-care agenda at the federal level will necessarily look quite different than one at the state level. If liberals had bothered to ask, they could easily have elicited bipartisan support for a proposal that did the following: (1) set up the Obamacare exchanges for those under 400% of FPL; (2) applied the Ryan reforms to Medicare and Medicaid (or, alternatively, folded in Medicare and Medicaid acute-care into the PPACA exchanges); (3) equalized the tax treatment of employer-sponsored and individually-purchased insurance; and (4) not increase taxes or the deficit.

But they didn't. The Democratically-controlled House passed its plan in 2009 with nearly zero Republican input. In the Senate, the Gang of Six—

Democratic Sens. Baucus (Mont.), Conrad (N.D.), and Bingaman (N.M.), and Republican Sens. Grassley (Iowa), Snowe (Maine), and Enzi (Wyo.)—failed to come to an agreement because the Republicans were concerned about the bill’s dramatic increase in taxes and spending.

Indeed, Democrats wouldn’t even have needed to do everything I listed above. Simply expanding coverage without raising taxes would have been enough, as contemporaneous reporting makes clear. But the Democratic leadership had no interest in a bipartisan deal.

Universal-coverage activist John McDonough, in his book *Inside National Health Reform*, recounts that Max Baucus’ original November 2008 blueprint for health reform “had made known [Baucus’] intention to use changes in the tax treatment of health insurance as his major financing source to pay for reform.” As Baucus put it in his blueprint, “It is time to explore ways in which tax incentives can be modified to distribute benefits more fairly and effectively...This could be done by limiting or capping the tax exclusion based on the value of health benefits, or as an alternative, based on a person’s income—or both.” A salutary idea.

But the President, and Senate Majority Leader Harry Reid (D., Nev.) were having none of that. As *Roll Call* reported at the time, “According to Democratic sources, Reid told Baucus that taxing health benefits and failing to include a strong government-run insurance option of some sort in his bill would cost 10 to 15 Democratic votes; Reid told Baucus it wasn’t worth securing [Republican] support.”

McDonough, who was on the inside during these discussions, notes that Democratic leaders felt that it was unnecessary to solicit Republican support because Democrats had 60 votes in the Senate. “Reid’s directive, backed by the White House and supported by the House, was motivated in part by the seating of Minnesota’s Al Franken, the Democrats’ elusive sixtieth vote, **meaning that Republicans were no longer needed to pass a bill. This directive, though, left Baucus’s plan with a gaping financial hole.**”

Democrats, unwilling to budge on broader reform, then tried to ram through a partisan expansion of coverage, with substantial tax increases and an individual mandate, and zero structural reform to Medicare, Medicaid, and the employer tax exclusion. They got what they wanted. But blaming *Republican* intransigence for this outcome is myth-making, pure and simple. The blame goes to left-wing Democrats, who refused to entertain a more balanced approach to health reform.

Put simply, liberals' principal goal was and is universal coverage, and conservatives' principal goal was and is entitlement reform. These two goals could have been simultaneously accomplished in a bipartisan bill, but liberals had no desire to reform entitlements.

If Obamacare goes down, what next?

Many liberals believe that if Obamacare goes down, we'll have to wait another 20 years for a serious attempt at health reform. That view is too pessimistic. Republican policy leaders, today, understand the critical importance of broader health reform in tackling the federal deficit.

So, here is the trillion-dollar question for Ezra and his thoughtful colleagues on the progressive side. If a President Romney were to propose a dramatic expansion of coverage along the Ryan lines—universal tax credits for the purchase of private health insurance, paid for with reform of Medicare, Medicaid, and the employer tax exclusion—would they attempt to destroy it, out of partisan spite? If so, they're not as dedicated to universal coverage as they claim to be.

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UPDATE: Randall Hoven documents [additional historical examples](#) of Republican attempts at reform that were sunk by Democrats.