

July 28, 2009

## ALABAMA VOICES: Choice will be casualty

By Michael Ciamarra  
and Michael Tanner

The current proposals for health care reform include the option of a "public plan" rather than a single-payer system like those in Canada or Great Britain that President Obama would prefer if he were designing a health-care system from scratch.

But "socialized medicine" is not just about ownership; it is about who ultimately controls the resources and makes the decisions. Under the plans currently being considered by Congress and supported by President Obama, the government would control more and more of those resources and make more and more of those decisions. And that is "socialized medicine."

Coverage would be mandated for both employers and individuals. Government would determine what benefits insurance would have to include, and force Americans to purchase health insurance that satisfies government mandates. This might require Americans who are currently satisfied with their insurance to switch to a plan that includes the benefits that the government requires, even if that is more expensive or includes benefits they don't want or are morally opposed to (such as abortion coverage).

The government would undertake comparative-effectiveness and cost-effectiveness research, and use the results of that research to impose practice guidelines on providers. Initially these guidelines would be within government programs such as Medicare and Medicaid, but could possibly eventually extend such rationing to private insurance plans.

Private health insurance companies would still exist, at least initially, but it would be reduced to little more than public utilities, operating much like, for example, the electric company, with the government regulating every aspect of its operation.

That by itself would "socialize" much of the health care system. But it wouldn't stop there. President Obama also wants to set up a government-run health plan that will compete with private insurance.

Such a government-run plan would have an inherent advantage in the marketplace because it would have access to funds from the U.S. Treasury. The government plan could, for instance, keep its premiums artificially low or offer extra benefits since it could rely on federal tax revenues to cover any shortfalls. Consumers would naturally be attracted to the lower-cost, higher-benefit government program, undercutting the private market -- and increasing the burden on taxpayers.

A government program, with its enormous market presence, could use its power to impose much lower reimbursement rates on doctors and hospitals just as Medicare and Medicaid do now.

It is estimated that privately insured patients pay \$89 billion annually in additional insurance costs because of cost-shifting from government programs. If one assumes that the new public option would have similar reimbursement policies, it would result in additional cost-shifting of as much as \$36.4 billion annually.

Businesses would have every incentive to dump their workers into the public plan. The result would be a death spiral for private insurance. In the end, the vast majority of Americans would have no choice.

The current system is broken. But taken individually, most of the ideas currently being considered by Congress would make the problems we face even worse.

*Michael Ciamarra is vice president of the Alabama Policy Institute. Send e-mail to [michaelc@alabamapolicy.org](mailto:michaelc@alabamapolicy.org). Michael Tanner is a senior fellow at the Washington-based Cato Institute.*

---