



Bill Clinton was crazy like a fox

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It certainly took him a while, but I'm glad to see Bill Clinton has come around to my way of thinking on Obamacare. Here's what I wrote back in 2009 (see below), when the first part of the package was passed:

"The Democrats' biggest accomplishment of this decade was getting a package through both houses of Congress mandating that every American have health insurance. Their biggest accomplishment of the next decade will be watching it fail."

That's happening right on schedule and last week Clinton weighed in with this opinion:

"You've got this crazy system where all of the sudden 25 million more people have health care and then the people are out there busting it, sometimes 60 hours a week, wind up with their premiums doubled and their coverage cut in half. It's the craziest thing in the world."

The definition of a gaffe is when a politician inadvertently tells the truth. So this sure looks like a gaffe. Clinton later backed away from it.

But Clinton put his finger on a key flaw that doomed Obamacare from the start. It's called "adverse selection."

Chris Christie was one of the many governors who refused to create a state health-care exchange; as a result the state could escape the law's many mandates

The people most likely to need health care will join the risk pools set up under Obamacare. But those who are healthy may not sign up even despite the individual mandate. Some may pay a penalty, but if premiums exceed 8 percent of income they are exempt.

Adverse selection is what's causing the demise of those Obamacare exchanges such as the one in New Jersey, where insurance companies (Oxford, Oscar, Health Republic) are pulling out with alarming regularity.

Here's where it gets interesting: The health care plan that then-President Clinton set up with the aid of First Lady Hillary didn't suffer from that flaw. That plan would have forced every American to automatically enroll in the program, like it or not.

So perhaps there was a bit of an I-told-you-so air to that remark.

I decided to discuss Clinton's remarks with a leading economist with whom I've been chatting for as long as Obamacare has been in the news, Laurence Kotlikoff of Boston University.

"It's good he's speaking the truth," said Kotlikoff. "When Bill Clinton is saying things are crazy, he's waking up. But he should have been fixing this 20 years ago."

Recently I wrote about a poll showing that the vast majority of tea party enthusiasts oppose any cuts in Medicare. Then the other day the Rasmussen Poll asked tea partiers whether they'd like to repeal Obamacare: You bet, said 92 percent of them. Somebody's confused. And somebody's taking advantage of that confusion. The somebodies in question are the many...

Instead Clinton pitched a plan that would have pinched the middle class every bit as much as Obamacare, said Kotlikoff. Like Obamacare, Hillarycare relied on a system of subsidies that disappear as you move up the income scale.

With Obamacare, that effect can be dramatic. Imagine a family living on one spouse's \$40,000 income. If the other spouse gets a \$30,000 job, then the family has to pay an additional \$5,000 a year in health insurance.

Republicans can't complain about this aspect of Obamacare, he said. That's because the plan pioneered in Massachusetts by their 2012 nominee, Mitt Romney, has the same flaw.

That's the problem. But what's the solution?

Simple. Let's elect an economist president. Kotlikoff used to be a mere observer of politics. But now he's throwing his hat in the ring. He's put together a national write-in campaign for president.

Some might consider that a bit crazy. But the campaign gives him a platform to air some criticisms of health-care reform that you won't hear from the politicians of either party.

The Democrats are backing Obamacare but the Republicans are hiding behind the motto "repeal and replace."

Donald Trump has promised that if elected he will replace Obamacare with "something terrific." No, he won't, said Kotlikoff.

"He would just re-label Obamacare," Kotlikoff said. "They're going to change words but not fix anything with Obamacare."

That's because the Republicans are just as frightened of real reform as the Democrats, he said.

"You don't want to repeal only Obamacare," he said. "The whole thing needs to be fixed from the bottom up. You want to repeal Medicare, Medicaid and the employer subsidy for health insurance."

Once those programs were ended, the funding could be used to create a program that gives every citizen a voucher to buy insurance from a private provider.

Germany has such a system and gets better results at lower cost than the United States, he said. There are plenty of countries that get better results for less money – and with less government control, he said.

So when Bill Clinton calls the current system "crazy" he's got a point, Kotlikoff said. But there's a method to his madness. The rest of Clinton's remarks, which went largely unreported, were to the effect that anyone who wants to should be able to buy into Medicaid or Medicare.

"They'll all be covered," Clinton said. "It will not hurt the program. We will not lose a lot of money, and we ought to do it."

We probably will if Hillary Clinton is elected. If she loses, it might take a bit longer.

Unless of course President Kotlikoff gets to have his say.

Here's That Earlier Column - as you can see, these predictions from Michael Cannon of the Cato Institute in 2009 came through right on schedule:

The Democrats' biggest accomplishment of this decade was getting a package through both houses of Congress mandating that every American have health insurance. Their biggest accomplishment of the next decade will be watching it fail. Then they can get what they really want, a government takeover of health care.

That's my prediction. It's based on what I call the Frito-Lay theory of health reform: Mandates are like potato chips; you can't have just one.

Just for fun, I ran that theory by someone who has been watching the health care debate up close, Michael Cannon of the Cato Institute, a free-market think tank in Washington. Cannon agreed with my premise: Each mandate will lead to another mandate, which will lead to another, until everything is mandated.

Democrats in Congress are crying crocodile tears at the moment over their failure to get a public option through the Senate. But they'll eventually compromise on a bill that President Obama will sign early next year, Cannon predicts. "That's how the leadership is going to sell it to the lefties," he said. "They'll say, "We'll get single-payer in a couple of years."

If they do, the Republicans will be partly at fault. It was a Republican, Mitt Romney, who first introduced the idea of an individual mandate in his role as governor of Massachusetts. And many of Romney's fellow Republicans in Congress accepted the concept of the mandate while saving their objections for the public option and for minor cutbacks in Medicare that are needed anyway. That was a key tactical error.

Obamacare architect Jonathan Gruber's ties to Mitt Romney and Romneycare should be enough to convince the former Massachusetts governor not to run again for the office he failed to win in 2012

Economically, the central problem with the mandate is that it's not really a mandate. Congress doesn't have the nerve to impose a big enough penalty to force every American to buy health insurance. The Senate bill calls for a mere \$750 penalty per adult and \$375 per child. The House bill calls for a 2.5 percent tax on adjusted gross income. In either case, the penalty for failing to have insurance would be under \$2,000 for most families. Meanwhile, the cost of insurance could be well in excess of \$10,000 annually for a family of four.

This will lead directly to what economists call "adverse selection." Those with chronic conditions that might cost perhaps \$50,000 a year to treat will be glad to buy a policy that costs a mere \$10,000. But those in good health will just pay the penalty and go without insurance.

But what if they get sick? Then they'll take advantage of another mandate expected to be in the final bill, a "must-carry" provision that requires insurers to enroll patients with pre-existing conditions.

Of course, no insurer will want to cover just the high-cost patients without low-cost patients to offset them. That's why the final bill is likely to include another mandate, one that requires insurers to participate in exchanges that will spread the high-risk customers out among the companies.

Here in Jersey, we've already seen how that sort of thing works. Back in the 1970s, the New Jersey Legislature adopted a car insurance mandate. Then as now, advocates promised rates would plummet once everyone was insured. Instead, rates skyrocketed. The only way to maintain the mandate was to set up that infamous "assigned-risk" pool of insurers that were forced to take customers they didn't want.

The mandatory car insurance debacle was bad, but the mandatory health insurance debacle promises to be worse. As rates rise, more and more healthy people will drop their insurance. Congress will then have to impose even more mandates, Cannon predicts.

"It just becomes a never-ending game of cat-and-mouse," said Cannon. "When you force people to behave in these ways, some do what they're told, but enough of them do what they can to avoid the mandates so that you end up doing more harm than good."

Of course, that depends what you mean by "harm." Liberal Democrats will look over the wreckage and say, "See? We told you this would happen if you left it up to private insurers." Then we'll get the public option after all. And eventually it will grow to become something close to a single-payer system.

The only way to halt this is to halt the individual mandate. Many conservative legal scholars are now working on ways to challenge it in the courts. Their central argument is that the federal government lacks the authority under the U.S. Constitution to order a citizen to enter into a contract with a private commercial entity.

Whether the Supreme Court will accept that argument remains to be seen. But if the individual mandate survives, the government takeover of the health care system will arrive as surely as death and taxes - just in the opposite order.