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Intensive Obamacare

What to expect from this summer's health-care debate.

An NRO Q&A

Lately, Democratic lawmakers have been showing symptoms of an acute case of health-care-reform fever. *National Review Online's* Kathryn Lopez asked health-care expert Michael Tanner, a senior fellow at the Cato Institute and the co-author of *Healthy Competition: What's Holding Back Health Care and How to Free It*, for a prognosis of our approaching medical emergency.

KATHRYN JEAN LOPEZ: Hey, "Naysayer": Is President Obama trying to bring about government-run health care?

MICHAEL TANNER: During the 2008 presidential campaign, Barack Obama said that if he were designing a health-care system from scratch, his preference would be for a single-payer system "managed like Canada's." However, given both the infrastructure of the existing system and the political opposition to a single-payer system, he has proposed a less radical approach while hoping that "it may be that we end up transitioning to such a system." Regardless of his intent, however, the proposals being pushed by President Obama would lead slowly but inexorably to a government-run system. Government would control more and more of our health-care decisions. Government would compel Americans to purchase health insurance, controlling its content, how much we pay, and the relationships between insurers, doctors, and patients. Government bureaucrats would determine whether Americans received certain medical services.

LOPEZ: How can you fully know what he's going to push if his budget director specifically promises no details?

TANNER: It is true that the Obama administration is not putting forward a specific health-care plan. Rather, they are offering general guidance and direction, while leaving the details up to Congress. Still, it is possible to discern the outlines of what a health-care reform proposal acceptable to the White House will look like. President Obama outlined his ideas in considerable detail during the campaign. He has given numerous speeches on the subject. And he recently sent a letter to congressional leaders outlining his priorities. If one looks at these various proposals, outlines, and statements, the broad parameters of the final proposal begin to emerge. It would not initially create a government-run, single-payer system such as in Canada or Britain. Private insurance would still exist, at least for a time, but it would be reduced to little more than a public utility, operating much like, for example, the electric company, with the government regulating and controlling every aspect of its operation.

LOPEZ: Are Obamacare and the Kennedy bill one in the same? Could it get worse?

TANNER: The Kennedy bill encompasses all the major priorities that President Obama has outlined, but it is only one of several bills that will be considered this summer. Sen. Max Baucus will be shepherding a bill through the Senate Finance Committee. There will be a bill coming out of the House. And there may be other bills as well. The details vary from bill to bill. But the core concepts will be the same. Coverage would be mandated, both for employers and individuals. A government-run plan, similar to Medicare, would be set up in competition with private insurers. People could choose either private insurance or the public plan. The government would undertake comparative-effectiveness and cost-effectiveness research, and use the results of that research to impose practice guidelines on providers, initially in government programs such as Medicare and Medicaid, but possibly eventually extending such rationing to private insurance plans. Private insurance would face a host of new regulations, including a requirement to insure all applicants and a prohibition on pricing premiums on the basis of risk. Subsidies would be available to help low- and most likely middle-income people purchase insurance. And the government would subsidize and manage the development of a national system of electronic medical records.

LOPEZ: You claim, among other things, that “At a time of rising unemployment, the government would raise the cost of hiring workers by requiring employers to provide health insurance to their workers or pay a fee (tax) to subsidize government coverage.” But the president says that “Health-care reform is the single most important thing we can do for America’s long-term fiscal health.” Is someone wrong here?

TANNER: President Obama is entirely correct when he describes the rising cost of health care as a threat to our long-term fiscal health. Unfortunately, his plan contains nothing that will actually bring down the cost of health care. Ideas like more preventive care and computerized medical records are nice, and may actually make us healthier in the long run, but there is little evidence that they can have a long-term impact on health-care costs.

LOPEZ: How will Obamacare “harm taxpayers”?

TANNER: Obamacare will be expensive. The Congressional Budget Office’s initial scoring of Ted Kennedy’s health-care bill shows it would cost at least \$1 trillion over the next ten years. But that does not include either the cost of the bill’s planned expansion of Medicaid or interest costs. Inclusion of those provisions will raise the total cost to nearly \$2 trillion. To pay for this, Americans should brace for massive tax increases — and not just on the wealthy. In fact, many of the tax increases being considered to pay for health reform — taxing employer-provided health benefits; soda and beer taxes; restricting or eliminating flexible-spending accounts and health-savings accounts; eliminating the deductibility of health expenses above 7.5 percent of adjusted gross income, etc. — fall heavily on the middle class.

LOPEZ: How will Obamacare harm health-care providers?

TANNER: Government programs like Medicare and Medicaid currently under-reimburse health-care providers. Most of those costs are shifted to private insurance. But a new government-run plan would be able to impose those low reimbursement across a much larger spectrum, while also making

cost-shifting much harder. In addition, Obamacare envisions the use of government-sponsored comparative-effectiveness and cost-effectiveness research to interfere in treatment decisions.

LOPEZ: What is the most damaging aspect of Obamacare?

TANNER: It is not any particular provision (there are so many bad provisions that it is hard to pick just one), but rather the philosophical proposition that government, not consumers, should be in charge of health-care decisions.

LOPEZ: President Obama said today: “If you like your doctor, you can keep your doctor.” Is that a lie?

TANNER: The Congressional Budget Office has just released its analysis of the health-care bill drafted by Sen. Edward Kennedy (D., Mass.) and the Senate Committee on Health, Education, Labor, and Pensions (HELP), concluding that it would result in roughly 23 million people losing the insurance they currently have. And that does not include the so-called public option. Regardless of how it was structured or administered, such a government-run plan would have an inherent advantage in the marketplace because it would ultimately be subsidized by American taxpayers. The government plan could, for instance, keep its premiums artificially low or offer extra benefits since it could turn to the U.S. Treasury to cover any shortfalls. Consumers would naturally be attracted to the lower-cost, higher-benefit government program, undercutting the private market. A government program would also have an advantage since its enormous market presence would allow it to impose much lower reimbursement rates on doctors and hospitals. Such cost-shifting would force insurers to raise their premiums, making them even less competitive with the taxpayer-subsidized public plan. The result would be a death spiral for private insurance. The actuarial firm Lewin Associates estimates that, depending on how premiums, benefits, reimbursement rates, and subsidies were structured, as many as 118.5 million would shift from private to public coverage. That would mean a nearly 60 percent reduction in the number of Americans with private insurance.

LOPEZ: What would you like to hear Republican politicians say in response to legislative moves toward Obamacare?

TANNER: Not every difference can be compromised. The debate about health-care reform is not like splitting the difference on an appropriations bill. Rather, this is a fundamental difference in philosophical worldviews. On one side are those who believe that the government should control one-sixth of the U.S. economy and some of the most important, personal, and private decisions that people can make. On the others are those who believe that empowered consumers in a free market can bring down costs and expand access. It’s time to choose one vision or the other.

LOPEZ: What’s the one thing you’d like every American to know as this health-care debate gets hot this summer?

TANNER: There is no doubt that health care needs reform. But if people believe that nothing could be worse than what we have today, they are mistaken. If we let the government take over the U.S. health-care system, it will become unimaginably worse.

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