



Obama's public plan could compete unfairly and drive private insurers out of business.

By **michael tanner**

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In the editorial "Socialized ignorance" (June 22), the Post-Dispatch took critics of President Barack Obama's health care reform plan, including the Cato Institute, to task for calling it "socialized medicine."

It is true that President Obama, who during the campaign 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," has not proposed a system where "the government owns hospitals and clinics; employs doctors and nurses; and pays for everyone's care," in the Post-Dispatch's words. However, "socialized medicine" is not just about ownership. It also is about who ultimately controls the resources and makes the decisions.

And there can be no denying that 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.

Government would force Americans to purchase health insurance and control what benefits that insurance would have to include. Even Americans who are happy with their insurance today might have to switch to a plan that includes the benefits that the government requires. That insurance could be more expensive or include benefits that people don't want or are morally opposed to. White House spokesmen have said that President Obama's oft-repeated pledge that you can keep your current insurance is not meant to be taken literally.

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 those guidelines to private insurance plans. Private health insurance companies would exist, at least initially, but they would be reduced to little more than public utilities, operating much like the electric company, with the government regulating nearly 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 (a single-payer plan, if you will), that would compete with private insurance.

Regardless of how it was structured or administered, such a government-run plan would have an inherent advantage in the marketplace because it ultimately could be subsidized by American taxpayers. The government plan could keep its premiums artificially low or offer extra benefits since it could turn to the U.S. Treasury to cover any shortfalls. Consumers naturally would be attracted to the lower-cost, higher-benefit government program, thus undercutting the private market.

A government program also would have an advantage since its enormous market presence would allow it to impose much lower reimbursement rates on doctors and hospitals the way Medicare and Medicaid do today. Providers would shift their costs to private insurance, driving up premiums, making private insurance even less competitive with the taxpayer-subsidized public plan. True, advocates of the public option promise that it would play by the same rules as private insurance and pay reimbursement rates higher than Medicare. But, politicians made the same promise back when Medicare was created.

The actuarial firm Lewin Associates estimates that, depending on how premiums, benefits, reimbursement rates and subsidies were structured, as many as 118.5 million people, roughly two-thirds of those with insurance today, would shift from private to public coverage — or be pushed. 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. They would be stuck in a government plan, putting the government in charge of which doctors they see or which treatments they could receive.

To see how this would work, one need only look to other areas where the government has set up insurance programs "in competition" with private insurance, such as crop insurance, flood insurance or some workers' compensation plans. The government programs have squeezed out private competition.

As a candidate, President Obama talked about how "it may be that we end up transitioning to [a single-payer] system." Under the program he has proposed,

that is far more probability than possibility.

In the end, President Obama would bring us a health care system under which the government would control one-sixth of the U.S. economy and some of the most important, personal and private decisions in our lives. Socialized medicine? Government-run health care? It doesn't really matter what you call it. It's a bad idea.

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