

ObamaCare Isn't About Health, It's About Wealth Redistribution

By Robert A. Levy

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The Hobby Lobby case now before the Supreme Court will test whether private, for-profit corporations, acting through their owners, can claim a religious exemption from ObamaCare's mandate to cover contraception as part of employee health insurance.

Supposedly, the case is about birth control and religious freedom. That's the legal issue, but it's not the underlying policy issue. ObamaCare, at its root, is about wealth redistribution.

The economic rationale for health insurance (and other insurance as well) is to pool individual resources, thereby spreading the risk associated with unexpected events that could impose painful financial burdens on victims.

That's why we don't insure against running out of gasoline: The event is anticipated and the expense is manageable. We do, however, insure against house fires: The event is unpredictable and the cost could be onerous.

Health-related illnesses and injuries are a mixed bag. Some costs — such as medical care arising out of a major automobile accident — fall into the unpredictable-and-potentially-burdensome category. Other costs — such as contraception — are known in advance and tolerable by nearly everyone.

We decide up front if childbirth is a possible and desirable outcome, we are aware whether and when contraception might be needed, and we can afford the cost. Accordingly, rather than pay an insurance company to bear those risks, we typically pay out of pocket.

Are there instances when the need for contraception cannot be forecast? Yes; cases of rape, for example.

But inexpensive, ex post birth control is available. Moreover, those cases are infrequent, uncorrelated with one another and, therefore, insurable at trivial cost.

In a rational insurance market, with policies tailored to customer needs, medical coverage would reimburse expenditures associated with such events and the additional insurance premiums

would be inconsequential. There's no need to mandate universal contraception coverage to guard against outlays for unforeseen tragedies such as rape.

What about less-affluent persons for whom the cost of contraception can be significant? Indeed, that could be a problem. ObamaCare's solution is wealth redistribution — by forcing some people to cover the cost that others might not be able to afford.

That's the reason government-approved health insurance must cover contraception, even though coverage of ordinary expenses is a money-losing proposition for most individuals.

Unfortunately, government has long been a major player in redistributing wealth. Many Americans — myself included — don't believe that's a legitimate function of government. But at least there's been a semblance of transparency so voters could express their preferences.

Taxes are levied to fund food stamps, welfare, housing, Medicare, and numerous other redistributive programs. Similarly, if a tax had been levied to fund contraception coverage for those who needed it and couldn't pay the bills, voters could have opted to approve or not.

Instead, ObamaCare has erected a complex, opaque, costly and wasteful structure that forces businesses to cover contraception for all employees — the vast majority of whom do not require it and would not buy it. Such is the nature of government mandates.

Adding insult to injury, proponents of ObamaCare assert, without substantiation, that compulsory coverage of contraception will save money in the long run. Presumably, insurance companies won't have to pay for medical care related to pregnancies that contraception would have prevented.

In other words, executives running a multibillion-dollar industry — until they were enlightened by government bureaucrats — were too ignorant to understand that providing "free" contraception to everybody costs less than covering a few pregnancies.

In reality, however, if there were no contraception mandate in ObamaCare, insurers would have to pay incrementally only for pregnancies of those people who had policies covering childbirth, got pregnant because they didn't use contraception and would have used contraception but for their inability to afford either birth control or contraception insurance.

Of course, that hypothetical saving is wholly illusory. What's really at work is breathtaking arrogance of power by the federal government — a Washington, D.C., takeover of health care.

Americans deserve better. First, expedite competition by allowing interstate sales of health insurance. Second, encourage the states to reform their medical malpractice laws. Third, eliminate constraints on health savings accounts with high-deductible coverage.

Fourth, charge higher premiums for those who enroll with pre-existing conditions; or, alternatively, do not cover high-cost procedures until a specified number of months elapse after enrollment.

Fifth and most important, change the tax treatment of health insurance, which discriminates against individually customized policies in favor of employer-provided coverage.

In lieu of those sensible improvements, the Obama administration has given us wealth redistribution deceptively camouflaged as insurance reform.

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