



JUNE 19, 2012

Disagreeing with a Critic of Obamacare

By Daniel J. Mitchell

6/19/2012

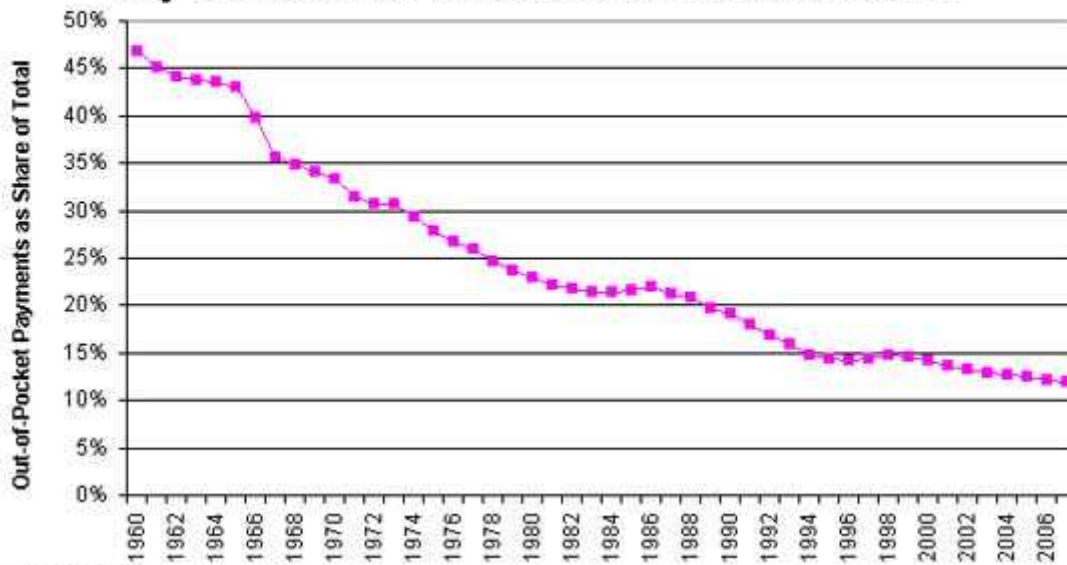
Writing for the Washington Post, Robert Samuelson has a column on "[The Folly of Obamacare](#)." This piece criticizes the President's signature achievement for many good reasons, including increased uncertainty, the negative impact on job creation, [rising levels of red ink](#), and generational unfairness.

I agree with all those complaints, but then Samuelson makes another point that rubbed me the wrong way because he's complaining about a symptom and overlooking the underlying problem. Here's what he wrote.

Uncontrolled health spending is the U.S. system's main problem — and the ACA makes it worse. Spiraling health costs crowd out other government programs and squeeze wage increases by diverting compensation dollars into employer-paid insurance. Because insured people use more health services than the uninsured, the ACA (covering an estimated 30 million more) raises spending. As for the ACA's cost-control provisions, even the government's own actuaries don't believe they will do much. By their latest projection, total health spending — government and private — rises from 17.9 percent of the economy (gross domestic product) in 2010 to 19.6 percent in 2021. In 1980, health care was 9 percent of GDP.

I assume all his facts are correct, but Samuelson is missing the point. The reason we have "spiraling health costs" is because of [something called third-party payer](#). As the chart shows, nearly 90 percent of health care costs in America are financed by someone other than the consumer. And when folks get to consume with other people's money, [they have very little reason to care about costs](#).

The Rise of Third-Party Payer: Consumers Directly Pay for Less than 12 Percent of Healthcare Costs



Source: CMMS

In my speeches, I frequently cite myself as an example. When my kids were small and it seemed like there was an earache or sore throat every other week, I was always at the pediatrician. But I never cared about the bill because I knew my employer-provided coverage limited the out-of-pocket amount I would pay.

The same is true for the tens of millions of other Americans with health plans provided by their employers, and it's also true for the tens of millions of Americans who use [Medicare](#), [Medicaid](#), or some other government program.

By the way, this is why undoing Obamacare – either legislatively or through a Supreme Court decision – doesn't solve the problem. [Third-party payer was a huge problem](#) even before the President made the problem a bit worse with his misguided scheme.

[This video explains](#) why free-market reform is necessary to solve the problem of third-party payer.

One final point is that there are parts of our health care system where consumers still pay out-of-pocket, and you shouldn't be surprised to learn that those are areas – such as cosmetic surgery (or [even abortion](#)) – where [costs are restrained and quality keeps rising](#).

<http://www.youtube.com/watch?v=DLYbfQyrkdc>

Daniel J. Mitchell

Daniel J. Mitchell is a top expert on tax reform and supply-side tax policy at the [Cato Institute](#).