NEW YORK POST
Updated: Thu., Sep. 17, 2009, 9:03 AM

Pay more, get less

By MICHAEL TANNER
Last Updated: 9:03 AM, September 17, 2009
Posted: 2:03 AM, September 17, 2009

THAT'S *it?*

For the past six months, six members of the Senate Finance Committee, led by Chairman Max Baucus, have been laboring mightily to design a health-care bill. Yesterday they finally brought forth their product -- and it leaves us with more questions than answers.

Despite months of work, Baucus hasn't really produced a bill yet, only a 223-page summary of what he *hopes* a bill will contain.

Here is some of what we know and don't know:

First, he claims the bill would cost *only* $856 billion. (Remember when that sounded like a lot of money?) In fact, that likely understates the true cost. The Congressional Budget Office only looks at a 10-year budget window, that is, 2010 to 2019. But most of the bill wouldn't even start until 2014. Thus, the "10-year cost" covers only five years of actual spending. Future costs are expected to increase dramatically.

The proposal isn't *all* bad. Most significantly, it drops the idea of a government-run "public option" in favor of co-ops. Government involvement with these co-ops would essentially be limited to providing start-up grants. The co-ops are unlikely to have much, if any, impact on the cost or availability of health insurance, but are far preferable to a government-run plan.

Baucus would also take the first tentative steps toward letting people buy health insurance across state lines. He'd allow states to establish interstate compacts for insurance purchases starting in 2015, and also let insurers develop national products that could be sold in any state. National plans would be exempt from state-mandated benefits.

This doesn't go far enough, and risks simply transferring regulation and mandates from the state to the regional or national level. Still, it looks like a tiny step in the right direction.

But in the end, this is still a plan that will make Americans pay more and get less.

Its centerpiece is a heavily punitive individual mandate -- a requirement that every American buy a government-designed minimum-insurance package. Failure to comply would result in a fine that could run as high as $3,800 for a family of four.

Moreover, the mandate may not apply just to those without insurance today. While Baucus' summary says that those with "grandfathered" plans wouldn't have to change their current policies to satisfy the mandate, it's vague about what qualifies as "grandfathered."

Plus, employer-provided plans -- that is, the policies of the vast majority of us -- would have just five years to comply with the new insurance regulations, and "grandfathered" plans wouldn't be eligible for any subsidies. There's thus an excellent chance that most people wouldn't actually be *able* to keep their current plans.

Some seniors would also be forced out of their current arrangements. Baucus would cut payments to Medicare Advantage -- which is likely to push many insurers out of the program, while others would raise the premiums they charge seniors. Millions would likely be forced back into traditional Medicare.

(The plan also targets two other GOP health-care reforms of recent years: It would impose new restrictions on Health Savings Accounts and limit the ability of workers to take advantage of tax-free Flexible Spending Accounts.)

Baucus also wants a mandate for employers to provide insurance to workers, though it's less severe than the mandate in the House bills. He has no specific requirement for employers to provide insurance -- but any employer who failed to do so would have to pay the cost of all subsidies that the government provides his or her workers to help them pay for insurance on their own, up to $400 a worker.

But it's not really employers who'll pay in the end: They'll respond by making offsetting cuts to their payrolls, by reducing compensation and/or staff. In other words, the government will be giving the worker a subsidy with one hand, and taking it back with the other.

Baucus also wants insurance regulations similar to the guaranteed-issue and community-rating provisions that failed so spectacularly in New York in the 1970s. Those provisions would drive up premiums for younger and healthier workers in order to subsidize premiums for those who are older and sicker.

Finally, the Baucus plan imposes heavy new taxes, mainly on the middle class. Chief among these is a 35 percent excise tax on health-insurance plans that offer benefits in excess of $8,000 for an individual plan and $21,000 for a family plan. Insurers would almost certainly pass this tax on to consumers via higher premiums. And there are a host of taxes, fees and assessments on health-care providers that will almost certainly result in higher health-care costs.

And it's not just federal taxes that would go up. The plan would force states to raise Medicaid eligibility to 133 percent of the poverty level, and to enroll single, childless adults. The federal government would pick up only part of the higher cost -- obliging states to come up with more cash. Indeed, wealthier states such as New York and Connecticut could have to foot as much as 20 percent of the bill. Given the budget strains already facing states like New York, state tax hikes are likely.

Somehow, "it could be worse," isn't really the answer to health-care reform.

Michael Tanner, a Cato Institute senior fellow, is author of "Healthy Competition: What's Holding Back Health Care and How to Free It."