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The Essential Elements of Health Reform

By [Andrew Samwick](#)|Aug 31, 2009, 5:32 PM|[Author's Website](#)

I am not the only one having entitlement reform [deja vu](#). In response to my earlier [post](#) questioning the Republican strategy on health care reform, Brad DeLong [drew](#) a parallel with their unwillingness to do more in 2005 on Social Security. Glenn Hubbard gives a similar characterization in his *New York Times* [op-ed](#) yesterday:

Many Democrats saw personal accounts as the thin end of a wedge to dismantle traditional Social Security. Mr. Bush should have just jettisoned the term “personal accounts” and offered add-on expanded saving incentives — like letting individuals contribute more pretax dollars to I.R.A.’s and other pre-existing savings vehicles.

He also could have focused on low-income workers, as Social Security’s central role is to be a safety net for seniors. He could have done this by supporting a higher benefit for low-income workers than their record of contributions might offer, or by matching their contributions to private savings incentives with refundable tax credits. To pay for these changes and restore Social Security’s long-run financial stability, Congress could have slowed the growth rate of benefits for middle- and upper-income workers. Such a compromise would have achieved the goals of increasing private

saving for retirement and shoring up Social Security's ability to meet the retirement needs of millions of Americans. Yet Mr. Bush's emphasis on both personal accounts and the future viability of Social Security allowed opponents to exploit inconsistencies in his reform agenda.

The biggest inconsistency is that he wanted to "strengthen" the system but was unwilling to commit public funds to do so. That's not a reasonable starting point. I think Hubbard is correct and clear in the parallel he draws to the way President Obama is pursuing his health reform strategy. The whole op-ed is worth a read, but this passage gets to the main point very well:

In the case of health care reform, we also need two debates. The first is over how to reform insurance arrangements to reduce cost growth and provide better value for the money spent. The second should be about access to health care. To achieve these goals, the president could embrace a compromise of tax and regulatory reform for cost containment, and progressive intervention to offer assistance to low-income individuals. But President Obama, like his predecessor, has been unwilling to let go of his campaign goals even as his words fuel intense partisan debate and obstruct his ultimate objective of improving health care value.

In this respect, I found this [statement](#) (h/t Jim Glass in the [comments](#)) by Michael Tanner of the Cato Institute very interesting:

Specifically the president says he wants to protect people with "pre-existing conditions." He would require insurance companies to accept anyone who applies for coverage, regardless of their current health (a rule known as "guaranteed issue") and prohibit them from charging higher premiums to people who are sick (called "community rating").

But if that's what the president wants, he could already have a bill through Congress, with significant Republican support. In fact, even the insurance companies have agreed to it.

But the 1,017-page bill making its way through the House devotes all of six pages to insurance reform — 30 pages, if you count all the definitions and supporting provisions, still less than 3 percent of the bill.

As I have said [before](#), community rating plus guaranteed issue plus ex post risk adjustment are the essential part of health insurance reform. With some further reading and thinking about it, I think a fourth element is a policy on whether coverage is mandated (so that people don't simply opt out until they get really sick). If we could get those four elements passed, we could give the Congress and the President high marks for their policy work.

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