

What's the Confusion about Health Reform?



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Confusion about what's in the proposed health care reform legislation, and what isn't, stems primarily from the fact that the legislation structures a new system that forces outcomes that are not specifically mentioned in the legislation, but would be inevitable.

The over-all plan is one in which, "We will effectively be delivered to a single-payer system, explained Michael Tanner, Senior Fellow at the CATO Institute. Tanner was one of many speakers at the recent "Forum on Healthcare/Health Insurance Reform from a Free market Perspective," sponsored by the Montana Policy Institute (MPI).

What "the bill is at the moment is a 'moving target,'" said Tanner. There are four and maybe five bills. The most complete bill is a 1,050 page bill in the House of Representatives, said Tanner. (HB 3200)

It's gone through three committees. "Strangely" the last committee, the Energy and Commerce Committee, made 60 amendments to the bill, which were not voted upon, but the committee still approved the bill with the stipulation that when they return after the break they will vote on the amendments, reported Tanner. Another bill has gone through Committee in the Senate, but it lacks any measure on paying for the program.

In the Senate Finance Committee, Sen. Max Baucus is working on "something." "No one knows what that is," said Tanner.

The basic tenants of the legislation, so far, is that everyone will have to have insurance and employers must offer insurance. Anyone – individuals or employers – not meeting the requirements will be fined on their taxes.

"Despite what the President says," said Tanner, "You will not be able to keep your insurance." The rules are such that private insurance companies will have great difficulty meeting the mandates and still remain profitable.

Higher premiums that private insurance companies will have to charge, will mean that employers will find it less expensive to opt out, and their employees will have to go to the public plan.

"We can expect millions of people to be dumped from private plans," said Tanner, that includes a mass exodus in Montana, where 62 percent of people insured with their employers will be forced onto the public plan. Nationally, it is estimated that 92 million will be dumped onto the public plan.

Health insurance savings accounts will go away; so will high deductible policies.

Will you pay more?

"Yes," said Tanner, both in higher premiums and in higher taxes.

The House bill projects \$1.3 trillion in costs. The Senate bill \$1.2 trillion. The Senate Finance Committee "hopes" to keep it at \$900 billion.

And, while those are big numbers, said Tanner, "they are wrong numbers."

“They are playing a game,” said Tanner. All those who are calculating costs know that it’s going to be much more expensive than what they have estimated. The game is in knowing that the Congressional Budget Office, by law, can only project costs out for ten years. But since the plan wouldn’t go into effect for the first four years, the estimates are actually for only six years, instead of ten years as most people are assuming.

Charts show the costs going “straight up” the last four of the ten years that they are allowed to calculate. “Beyond 2019 the cost grows and grows but it can’t be looked at,” said Tanner. A full ten years would increase the budget deficit \$1.7 trillion, according to Tanner. A 75-year actuary says the plan will coast \$9.6 trillion in current dollars.

“So you are going to pay a lot,” he said. With sur-taxes poised to be added incrementally from one percent to 8 percent – Montana would be looking at a marginal tax rate of over 50 percent in the top bracket, said Tanner. Nationally, “We would have the highest marginal tax rate in the world, which is what contributes to the projected five percent decline in gross domestic product for the country.

Increased taxes pay for only part of it. While the old and sick may pay less in premiums the young and healthy will pay increases. In Montana they will see insurance premiums rise 95 percent – “for less” coverage – said Tanner.

There are no “death panels” called for in the legislation but the legislation does call for “comparative effective research,” which is all about rationing. “So we should be concerned about rationing, even if it isn’t specifically mentioned,” said Tanner.

With the public option meeting so much opposition there has been mention of another strategy called “co-ops.” “No one knows what it means,” said Tanner. Currently, “states are free to set up co-ops. They are all over the country. In Washington ten percent of the people get health insurance from co-ops,” explained Tanner.

“If that’s what they mean, fine,” he said. But, more likely the proposal means that the co-ops will have boards appointed, not by its members, but by the President. The rules they operate under will be set by the Secretary of Health and Human Services. So you will have an insurance plan run by the government and funded by the government, with the government setting premium prices. “That sounds like something else,” said Tanner.