

THURSDAY, MAY 28, 2009

## Interview With Cato's Michael D. Tanner On Health Care Reform



Michael D. Tanner of The Cato Institute

Following up on Tuesday's [critique of socialized medicine](#), which featured the work of Michael, D. Tanner, a Senior Fellow at the Cato Institute- blogger [Chris Moody](#) (also with Cato) hooked me up with an interview to bring you some more expert information on the state of American health care from Michael D. Tanner himself. Here it is:

### Free Market Alternatives

**THL:** Thanks so much for taking the time to answer some questions about health care. I truly appreciate it and I'm excited to hear what you have to say.

In your featured articles at the Cato Institute, you do an excellent job of exposing the flaws in the push for government-provided universal health insurance, but one thing we never stop hearing from social democrats these days is that their political opponents offer no real alternatives. Could you briefly outline a platform for health care reform that you would support? (We could call it "The Tanner Plan.")

**Michael D. Tanner:** There are two key components to any free-market health care reform. First, we need to move away from a

free-market health care reform. First, we need to move away from a health care system dominated by employer-provided health insurance toward one where health insurance is personal and portable, controlled by the individual themselves rather than government or an employer. Employment-based insurance hides much of the true cost of health care to consumers, thereby encouraging over-consumption. It also limits consumer choice, since employers get the final say in what type of insurance a worker will receive. It means that people who don't receive insurance through work are put at a significant and costly disadvantage. And, of course, it means that if you lose your job, you are likely to end up uninsured as well.

Changing from employer to individual insurance requires changing the tax treatment of health insurance. The current system excludes the value of employer-provided insurance from a worker's taxable income. However, a worker purchasing health insurance on his own, must do so with after-tax dollars. This provides a significant financial incentive towards employer-provided insurance. That should be reversed. Employer-provided insurance should be treated the same as other compensation for tax purposes: that is, as taxable income. To offset the increased tax, workers should receive a standard deduction (or in some plans a tax credit) for the purchase of health insurance, regardless of whether they receive it through their job or purchase it on their own.

Second, we need to increase competition among both insurers and health providers. Current regulations establish monopolies and cartels in both industries. For example, people should be allowed to purchase health insurance across state lines. Since health insurance is largely regulated at the state level, one of the major reasons that costs differ so from state to state is because of the varying regulations and mandates that states have chosen to impose.

For example, New Jersey has imposed more than 40 mandated benefits, including in vitro fertilization, contraceptives, chiropractors, and coverage of children until they reach age 25. The state also has adopted community rating and guaranteed issue. In part as a result of this, the cost of a standard health insurance policy for a healthy 25 year old man would average \$5,580 in the state. A similar policy in Kentucky, which has far fewer mandates and no community rating or guaranteed issue, would cost the same man only \$960 per year. Unfortunately, consumers are more or less held prisoner by their state's regulatory regime. It is illegal for that hypothetical New Jersey resident to buy the cheaper health insurance in Kentucky. On the other hand, if consumers were free to purchase insurance in other states, they could in effect "purchase" the regulations of that

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other state.

A consumer in New Jersey could avoid the state's regulatory costs and choose, say, Kentucky, if that state's regulations aligned more closely with his or her preferences. With millions of American consumers balancing costs and risks, states would be forced to evaluate whether their regulations offered true value or simply reflect the influence of special interests. Rep. John Shadegg (R-AZ) currently has a bill in Congress to do this.

We also need to rethink medical licensing laws to encourage greater competition among providers. Nurse practitioners, physician assistants, midwives, and other non-physician practitioners should have far greater ability to treat patients. We should also be encouraging such innovations in delivery as medical clinics in retail outlets.

There are other needed measures of course, such as radically cutting back on Medicare and Medicaid, the expansion of health savings accounts, abolishing "certificate of need" restrictions, etc. But the above would be good first steps.

### **Free Market Reform in Congress?**

**THL:** You were critical of (and then gave some reserved praise with many qualifications to) the GOP alternative to health care reform. Is there any actual legislation out there materializing in Congress that looks anything like the platform you described in answer to the last question?

**Michael D. Tanner:** There is no single bill that reforms health care in the way that I would prefer. But there are bills that do bits and pieces of it. For example, Rep. John Shadegg has introduced legislation to permit the purchase of health insurance across state lines. Changes in the tax treatment of health insurance are included in the flawed Coburn-Burr-Ryan-Nunez bill. Sen. Jim DeMint is reportedly working on legislation that would move things in the right direction. But free-market health care still lacks a true champion in Congress.

### **Spreading the Message: Talking Points**

**THL:** On my blog, The Humble Libertarian, I try to emphasize to my readers the importance of "taking the message to the streets" so to

speaking, and changing individual hearts and minds through constructive dialogue. Could you share some ground rules for persuading social democrats that government health care is not the way to go? Any simple, persuasive, and easy-to-remember talking points?

**Michael D. Tanner:** Universal health insurance does not mean universal access to health care. In practice, many countries promise universal coverage, but ration care or have extremely long waiting lists for treatment. For example, at any given time, 750,000 Britons are waiting for admission to National Health Service hospitals, and shortages force the NHS to cancel as many as 50,000 operations each year. And in Canada, more than 800,000 patients are currently on waiting lists for medical procedures. Many of these individuals suffer chronic pain and some will die awaiting the treatment they've been promised.

Those countries that have single-payer systems or systems heavily weighted toward government control are the most likely to face waiting lists, rationing, restrictions on the choice of physician, and other barriers to care. Those countries with national health care systems that work better, such as France, the Netherlands, and Switzerland, are successful to the degree that they incorporate market mechanisms such as competition, cost-consciousness, market prices, and consumer choice, and eschew centralized government control.

The broad and growing trend in countries with national health care systems is to move away from centralized government control and to introduce more market-oriented features. As Richard Saltman and Josep Figueras of the World Health Organization put it, "The presumption of public primacy is being reassessed." Thus, even as the U.S. debates adopting a government-run system, countries with those systems are debating how to make their systems look more like the U.S.

But one needn't look abroad to see that government health care doesn't work. Just look at the inefficiency, high cost and poor quality of government-run health care systems here at home (Veterans Affairs health care is a national disgrace, Medicaid provides poor quality at high cost, and Medicare has tens of trillions of dollars in projected unfunded liabilities).

### **Free Market Health Care Activism**

**THL:** I also try to blend commentary and analysis with activism: what specific actions can my readers take to spread the message, affect public policy, and avert a health care disaster in Washington?

**Michael D. Tanner:** Make your voices heard. The health care system represents one-sixth of the US economy. And health care decisions are some of the most important, personal, and private decisions that you can make. The current attempt by the government to take over the US health care system is one of the most important threats to our liberty that we have faced in many years. Anyone who loves freedom cannot sit this fight out.

### **Take 5 Minutes & Make A Difference**

**THL:** If my readers were to do just one thing about health care- let's say if I were to ask them to do just one thing in five minutes as soon as they finished reading this interview, what would you recommend they do?

**Michael D. Tanner:** Let their elected representatives know how they feel.

**THL:** Thanks again for agreeing to this interview!

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You heard him! Call your elected representatives in Congress or one of these ranking members of the United States Senate Committee on Health, Education, Labor, and Pensions:

Ted Kennedy - D, Chairman  
(202) 224-4543

Mike Enzi - R  
(202) 224-3424

Chris Dodd - D  
(202) 224-2823

Judd Gregg - R  
(202) 224-3324

Tom Harkin - D  
(202) 224-3254

Lamar Alexander - R  
(202) 224-4944

Do it *now*. Take less than five minutes to leave a message. Here's a sample script:

I am a concerned American leaving a message for \_\_\_\_\_ regarding health care reform. I encourage \_\_\_\_\_ to introduce or support legislation that will discourage the waste and insecurity of employer based insurance by making private insurance tax deductible. I would also like to see Congress work toward encouraging competition by requiring states to allow their residents to purchase insurance across state lines. Thank you for your time and have a great day!

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Michael D. Tanner will be speaking at the Cato Institute Conference On Health Care Reform this June 17. If you're going to be in the area [check it out](#).