Michael Tanner

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Whatever Happened to 'First, Do No Harm'?

Health-care "reform" could make the average American worse off.

By Michael Tanner

Back when he was running for president, Barack Obama promised that health-care reform would save the average family $2,500 per year. That promise has long since been abandoned, but one might still expect that health-care reform won't leave the average American worse off.

Increasingly, it looks like that won't be the case. On Monday the Congressional Budget Office released a new report showing the Senate health bill would actually increase premiums by 10–13 percent for the millions of Americans who buy their insurance on their own. Those increases are over and above the increases that would occur if we did nothing. Today, an average insurance policy can cost about $2,985 for an individual or $6,328 for a family. Without reform, that cost is expected to rise to $5,500 for an individual or $13,100 for a family by 2016. But under the Senate bill, those premiums will increase to $5,800 for an individual worker and $15,200 for a family plan. In other words, the Senate bill would cost a typical family an extra $2,100.

According to the CBO, those with employer-provided plans won't necessarily be paying more under the Senate bill, but they certainly won't be paying less, either. And even here, the bill will do nothing to restrain growing costs. Whether or not the bill passes, premiums for employer-provided family plans are expected to roughly double for small businesses by 2016.

This comes on top of the tax increases contained in the bill. The Senate bill, for instance, has at least 15 new or increased taxes totaling more than $493 billion. Those taxes include an increase in the payroll tax for individuals earning more than $200,000 per year, a 5 percent tax on cosmetic surgery, taxes on health-care providers and medical-device manufacturers, and a 40 percent excise tax on so-called "Cadillac" insurance plans — that is, insurance plans that the government considers too generous. According to CBO, roughly 19 percent of workers would initially find their plans subject to the tax. However, because the tax threshold (plans with valued in excess of $8,500 for an individual or $23,000 for a family) is set to increase at a rate slower than medical inflation, as time goes by more and more middle-class workers will be hit by it.

Americans will pay more in still other ways. The Senate bill would require everyone to buy insurance plans that meet government-designed minimum requirements. This will force some people who are happy with their insurance to switch to more expensive plans, and failure to comply brings a penalty of up to $6,750 for a family of four.

Another provision would mandate that employers provide insurance to their workers. If they fail to do so, and if even a single worker qualifies for federal subsidies, the employer could be fined up to $750 per employee. The CBO estimates that those penalties will amount to more than $28 billion. Unemployment is now 10.2 percent, and the Senate bill will make it more costly to hire workers. And because the penalty only applies in the case of subsidy-eligible workers, it is low-wage and unskilled workers who will suffer the most.

An earlier CBO report called into question claims that the Senate bill would reduce future budget deficits. Although CBO "scored" the bill as reducing the deficit by $127 billion over the next ten years (which is about $50 billion less than the deficit the government ran last month alone), even that tiny savings depends on budget gimmicks and the willingness of future Congresses to make huge cuts in Medicare spending. Any wagers on the chances of that actually happening?

In fact, the CBO warned that it will be "difficult" to achieve the predicted savings. The reality is that the bill will likely end up adding to our already unsustainable debt.

President Obama is fond of saying that "we can't afford to do nothing" on health-care reform. Of course, no one really proposes doing nothing. Opponents of the proposed reforms actually support a wide range of alternatives that build on free markets and consumer control to reduce costs. Some of those reforms have been "scored" as substantially reducing premiums and avoiding new taxes.

Still, given the higher taxes, greater debt and, now, higher premiums under this bill, even "nothing" is looking better all the time.

— *Michael Tanner is a senior fellow at the Cato Institute and co-author of* Healthy Competition: What's Holding Back Health Care and How to Free It.
