Alan Bock: Something less monstrous in health care reform

By ALAN BOCK
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There are far too many moving parts – not to mention that the legislative game is being played on a (at least) three-dimensional chessboard – for a prudent person to make predictions. Among the unknowns is whether legislators home for the Thanksgiving vacation will hear from constituents, and what they will hear. In August, the last time Congress had an extended period spent in the districts that members ostensibly represent, they came back with an earful of complaints about the way health care reform was being handled, which delayed the process months.

However, if someone were to put a gun to my head and force me to lay down a bet, I would wager that after an unseemly period of wrangling, horse-trading, pork distribution and negotiation, Congress will make enough compromises to get 60 senators on board by early next year for something that could be labeled "health care reform" for President Obama to sign in a triumphant flourish.

It would likely be more modest in scope than either House Speaker Nancy Pelosi's or Senate Majority Leader Reid's starting-point bill, probably without a "public option" (which the most statist of Democrats would swallow hard and accept) and with any individual mandate softened by imposing only modest fines for not buying insurance. But it would include significant mandates for what insurance must cover and would probably kill Health Savings Accounts, the most promising reform instituted in the past decade.

It is still possible, however, for the wrangling to take on a life of its own, creating hard feelings that make compromising enough to secure a functional majority – 60 Senate votes – virtually impossible. The positions of liberals who object to limits on funding abortions or providing insurance to illegal immigrants might harden, even as moderate Democrats stand firm against a "public option" that liberals consider essential. Congress might actually get to a functional stalemate.

Might Congress find itself in need of a fallback position? Polls show that more Americans fear they will be worse off after Obama/Reid/Pelosi-style reform than believe they will be better off. If those sentiments are communicated effectively to legislators during the Thanksgiving and, perhaps, Christmas vacations, Congress might simply scrap the convoluted messes now before it and start over. I wouldn't count on it, but it could happen.

So what might be put forward as health care – or health insurance – reform if Congress decided to hit the Reset button?

In a column last August I put forward a series of reforms I believe would increase competition, increase consumer choice and consumer awareness of the real costs of health care (a first step toward acting like consumers and actively seeking less-costly and even more-effective alternatives). The reforms included allowing health insurance to be sold across state lines**,** and expanding the ability of private associations like trade associations, unions and even churches to offer health insurance to large pools of customers.

I mentioned that Stuart Butler of the conservative Heritage Foundation has promulgated a detailed plan for putting together state-level insurance exchanges, which could be made more economical if they also operated across state lines. Michael Cannon of the libertarian Cato Institute recommended replacing Medicare with a voucher, for seniors – larger for low-income people or people with pre-existing conditions. I endorsed mandating that states recognize the licenses of medical practitioners in other states and loosen scope-of-practice licensing rules to allow nurse practitioners and medical assistants to do more for patients.

I noted that Robert Moffitt at Heritage would replace Medicaid and SCHIP (the federal program that subsidizes health care for lower-income children) with vouchers for low-income people, which would reduce the incidence of using emergency rooms for routine care. And I mentioned tort reform, limiting awards and attorneys' fees for medical malpractice, though that might have to be done at the state level (a reform some states, including California, have already done but which the House bill subverts). That would reduce the incidence of defensive medicine, ordering unnecessary tests that have more to do with protection from lawsuits than medical necessity.

Finally I suggested giving individuals who purchase health insurance on their own the same tax break that corporations get when they purchase or subsidize health insurance for employees or associates. That would begin to delink health insurance from employment, improve portability and increase the flexibility and efficiency of the labor market.

I believe that a package containing all those reforms, or even three or four of them – the most important perhaps being the tax treatment of health insurance – would put downward pressure on the prices charged for medical treatments and procedures and expand the number of people able to afford medical care and medical insurance. Eliminating some existing mandates, so people could find Kia-level, as well as Rolls-Royce-level, health insurance would also help.

Since then, these ideas have actually gotten some "air time" in the debate, but no serious consideration by the Democratic majority in Congress.

As things stand now, with that majority tied almost umbilically to trial lawyers, tort reform is probably a nonstarter. Selling insurance across state lines is a possibility, though the idea may be too closely associated with Republicans, who have also suggested it. Changing the tax code to give individuals a tax break on purchasing health insurance would have implications some might think should be explored in hearings before putting together a bill.

State-level exchanges might get some support, as might making it easier for private (and public) associations to offer health insurance to members. Whether there's enough there to call it real reform, however, is a question.

Harvard economist Martin Feldstein has put forward a proposal that he argues would "1) guarantee that everyone can obtain appropriate care, even when the price of that care is very high, and 2) prevent the financial hardship or personal bankruptcy that can result from large medical bills."

In brief, he would eliminate the tax subsidy to corporations that provide health insurance to employees, which he says amounts to $220 billion a year. He would use that money to provide insurance "that protects American families from health costs that exceed 15 percent of their income." Each family would get a voucher to cover such a policy, which he believes would be $3,500 for a family with income of $50,000. They could give it to any health insurance company or HMO they choose. There would be money left over to subsidize critical kinds of preventive care.

For expenses below the 15 percent deductible but above what some people could afford to pay out of savings, he would have the government issue a credit card available for medical expenses below the 15-percent level. Families would be responsible for paying this eventually (and wages could be garnished to ensure it), and using it would be optional. But providers could know they would be paid.

Hmmm. Everybody covered, incentives to shop around, no deeper government involvement in health care decisions, no increase in cost and no need to raise taxes. Might somebody latch onto that idea?

Maybe not. But it should be clear that if Congress reaches gridlock on the current set of proposals several fallback positions are available, most of which would actually deliver more in terms of reducing costs, increasing coverage and improving efficiency.

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