

Did the GOP Capitulate on Healthcare?

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WASHINGTON, May 27 (Reuters) - "You can't beat something with nothing" often passes for political wisdom in Washington. In 1994, Republicans defeated Bill and Hillary Clinton's healthcare reform plan with pretty much nothing -- well, at least with nothing positive.

Republican congressional solidarity, along with help from business group attack ads and the Clintons' own political miscues, were enough to doom the landmark legislative effort. Back then, "No" was sufficient.

But 2009 is not 1994. A "Just say no" strategy seem laughably insufficient this time around. Economic anxieties are much higher, the Democrat president more popular, the Democrat-controlled Congress more committed and aggressive.

Want even more evidence of the changed economic and political landscape?

Just take a look at the 248-page Patients Choice Act, a comprehensive GOP healthcare reform plan drafted by Senators Tom Coburn and Richard Burr, and Representatives Paul Ryan and Devin Nunes.

A big feature of the plan calls for redirecting the \$300 billion-a-year tax exclusion for employer-based health benefits into refundable tax credits to purchase private plans.

Low-income families would be subsidized so they could also buy private health insurance. The theory here is that people act more like cost-conscious consumers when they have to select and purchase their own health insurance rather than pay premiums indirectly through their employers via lower wages.

While the bill doesn't stand a chance of passage with the Obamacrats in charge, it does reflect a recognition by congressional Republicans that if they are to derail or significantly modify Democratic healthcare efforts, they need a positive and serious policy rejoinder of their own.

"I think it is a good, bold, free-market alternative," says James Capretta, an economist at the Office of Management and Budget under President George W. Bush and now a fellow at the Ethics and Public Policy Center.

"Broadly defined, this is where the conservative coalition can plant a flag and begin engaging in the debate."

But is the bill really a choice rather than an echo? The indisputable conservative credentials of Coburn, Burr, Ryan and Nunes have not prevented some free marketeers from scowling and some liberal policy wonks from cackling after taking a look at the legislation.

Michael Tanner, a healthcare expert at the libertarian Cato Institute immediately tagged the plan "Obamacare Lite" and claimed it would "increase regulation, mandates and government control over the healthcare system."

At the same time, liberal healthcare blogger Ezra Klein was almost rapturous: "The core elements of this plan...make it the same type of plan Democrats are offering....And it's further evidence that the argument over health reform is narrowing, rather than widening. And it's narrowing in a direction that favors the Democrats."

Both Tanner and Klein have read page 5 of the bill's summary and this sentence in particular: "Many states have led the nation in finding comprehensive healthcare solutions for their citizens, including the well-known, bi-partisan achievement of universal healthcare through a private system in Massachusetts."

Now many on the right consider that state's 2006 healthcare reform, led by former Governor Mitt Romney, to be a big-government system which mandates every resident buy health insurance.

Even worse, in their view, is the Connector, a "state exchange" that Tanner describes as "a super-regulatory body, adding new mandated benefits, restricting consumer's choice of plans, and adding both regulatory and administrative costs to insurance."

Indeed, the Coburn-Burr-Ryan-Nunes bill explicitly states that it "will utilize state-driven exchanges to facilitate real competition between private plans and give Americans -- for the first time -- a choice of health care plans."

But no worries, say the bill sponsors who have been reassuring worried conservatives privately that their version of a state exchange is similar to the one found in Utah which acts more like a matchmaker between insurers on one side and individuals and small businesses on the other than a big regulatory body.

When pressed on whether the Coburn-Burr-Ryan-Nunes plan increases the role of the government in healthcare or diminishes it, Tanner can conclude only that "it's mixed". Now all this brings to mind what a high-ranking Republican House member asked me earlier this spring: "So what should we do about healthcare? More health savings accounts?"

Given both the member's snarky tone and the context of our preceding conversation, this is what I'm pretty sure the high-ranking House Republican actually meant by those questions: "We are going to get our collective heads kicked in if we don't come up with a strong alternative to Obamacare. Health savings accounts alone ain't going to cut it. We need to raise our game, and fast."

And part of that "game raising" means accepting that it won't be easy to budge voters. Not all American families are going to prefer high-deductible HSAs -- previously the Republican healthcare policy of choice -- especially when one of the supposed selling points of these plans is the ability to invest money from accounts into the battered stock market.

And certainly voters are not ready for a hypermarket approach such as the one advocated by libertarian economist Arnold Kling. He has argued that "real" health insurance would pay only for treatments that are "unavoidable, prohibitively expensive and relatively rare." Everything else would be out of pocket.

And that "game raising" also apparently means adopting some of the Democratic rhetoric on healthcare to appeal to more centrist voters.

In addition to using the Massachusetts plan as an example rather than the plan from conservative Utah, the authors employ a liberal-flavoured critique of America's healthcare system:

"The health care system in America is broken. Costs are rising at an unacceptable rate -- more than doubling over the last 10 years, which is nearly four times the rate of wage growth. Too many patients feel trapped by healthcare decisions dictated by HMOs. Too many doctors are torn between practicing medicine and practicing insurance. And 47 million Americans worry what will happen to them or their children if they get sick." Ted Kennedy couldn't have said it better.

The big risk to Republicans is that if they adopt the language and critique of Democrats, the public will miss the policy subtleties and start viewing the Dem and GOP approaches as more less the same. That could give further momentum to Democratic healthcare efforts and actually bring about the outcome Republicans are trying to avoid.

(Edited by David Evans)

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