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Bad Medicine: Not What We Need

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By Kathryn Jean Lopez

The CATO Institute yesterday released Michael Tanner's 52-page report on the state of the Patient Protection and Affordable Care Act, now law. It's called "Bad Medicine: A Guide to the Real Costs and Consequences of the New Health Care Law" and he talks about it with Critical Condition here:

LOPEZ: Isn't it a little early to declare the Patient Protection and Affordable Care Act a failure?

TANNER: Well, it's always possible that everything we know about this law is wrong. Miracles do happen — someday the stimulus may even save or produce 4 million jobs. But virtually every bit of news that has come out in the months since the bill passed has been as bad as opponents predicted, or worse.

LOPEZ: What's new in "Bad Medicine"? What's compelling to someone who was not already in the "opposed" category?

TANNER: I think what is interesting is how poorly the law stacks up against its proponents' own criteria. The new law fails to control rising health-care costs or increasing health-insurance premiums. In fact, the legislation will actually increase U.S. health-care spending by $311 billion over ten years. Insurance premiums will roughly double over the next six years, roughly what was expected before the law passed. It doesn't restructure programs in a way to improve quality. It doesn't even achieve universal coverage. By 2019, there will still be 21 million uninsured Americans, and nearly half of those who do get coverage under this law are merely thrown into Medicaid. Many other touted reforms come with surprisingly high price tags. For example, sure you can now keep your children on you insurance plan through age 26, but it will cost them an average of $3,380 per year per child in higher premiums. Even if you believed completely in President Obama's goals, it's hard to see what there is to like about this law.

LOPEZ: You point out that the legislation costs more than advertised — how much more? Is that sustainable?

TANNER: The official projected cost was roughly $950 billion over ten years, but that was very misleading. For example, as Rep. Paul Ryan (R., Wis.) and others have pointed out, it does not include the so-called "doc-fix," that is, repealing the scheduled 21-23 percent cut in Medicare reimbursements. Everyone knows that Congress will not make those cuts (in fact, Congress just passed a six-month delay), but the official CBO score assumes the cuts will occur. The official score also does not include $105 billion over ten years in non-appropriated costs for implementing the various

programs. Finally, the ten-year budget window (2010-2019) is very misleading, since most spending doesn't start until 2014. We estimate that if you include all the costs, and spending continues to grow beyond 2019 at the same 6 percent rate as before, Obamacare will ultimately cost $2.7 trillion over its first ten years of operation.

LOPEZ: Is this administration setting us up for rationing, in personnel (the recess appointment of Dr. Donald Berwick to the Centers for Medicare & Medicaid Services) and infrastructure?

TANNER: Given the true costs of this boondoggle, it's pretty clear that the government will never be able to pay for all the benefits it has promised. Having rejected free market solutions — what Dr. Berwick calls "the darkness of private enterprise" — to rising health-care costs, some form of government-imposed rationing seems inevitable. We know that Dr. Berwick is a believer in British-style global budgeting and the use of cost-effectiveness research to prescribe treatment practices. That's an ominous development.

LOPEZ: Who will be hurt most by the tax increase — $669 between now and 2019 — that comes with the health-care legislation passed in March?

TANNER: While many of the new taxes will be passed through to all of us in the form of higher health-care costs, it is workers and the unemployed that are likely to be hurt the most by the new taxes in this bill. First of all, the new mandates and regulations on businesses are going to make it more difficult and expensive to hire people. And, second, a number of the new taxes penalize exactly the sort of investment activity that we need to generate economic growth and jobs.

LOPEZ: Your executive summary states: "Millions of Americans who are happy with their current health insurance will not be able to keep it." Isn't that a recycled right-wing lie?

TANNER: Seniors with Medicare Advantage and those workers with health savings accounts are the most likely to be forced out of their current plans, but millions of others will also face the prospect. An internal memorandum leaked from HHS warns that more than two-thirds of companies could be forced to change their current coverage. For small businesses, the total could reach 80 percent. In addition, nearly a million part-time, seasonal, and low-wage workers who currently take advantage of low-cost, limited benefit plans, known in the industry as "mini-med" plans, likely will not qualify under the government's ban on plans with lifetime benefit caps. Even those with grandfathered plans stand to lose them if they make any "material change" to their current policy. It looks increasingly hard to find someone who *is* able to keep their current coverage.

LOPEZ: What's so bad about the individual mandate? What's unprecedented about it? Is it the worst part of the legislation? Can that by itself be undone? Should it be?

TANNER: The individual mandate represents a truly frightening expansion of federal power. It represents the first time, that Congress has required Americans, simply as a condition of citizenship, to purchase a specific product. If this power is ultimately upheld by the courts, Congress would be free to order you to take or not take a job, to sell or not sell your house, to buy or not buy a car. There would have been no need for a "cash for clunkers" program. Congress could simply have ordered every American to purchase a new car. The mandate is also the structural heart of Obamacare. Without it, the entire Rube Goldberg scheme comes crashing down. Repealing it should therefore be at the heart of any legislative or judicial strategy for stopping the law.

LOPEZ: What should everyone who is floored by this "Bad Medicine" be doing now?

TANNER: Fortunately, most of the worst aspects of the Patient Protection and Affordable Care Act, including the individual and employer mandates, don't go into effect until 2014. That gives us time to repeal or at least make major changes to this legislative dog's breakfast. But that requires holding Congress's feet to the fire, including congressional Republicans. Already there are troubling signs that the Republican leadership is less enthusiastic about pushing for repeal or making Obamacare a major issue in the 2010 elections. That would be deeply unfortunate for doctors, patients, taxpayers, and the future of American health care.