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A sickening bill of health

By Craig Smith, PITTSBURGH TRIBUNE-REVIEW
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About the writer

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Michael Tanner is an author and senior fellow at the Cato Institute, a libertarian think tank, where he heads research into a variety of domestic policies, including health care reform, social welfare policy and Social Security.

James C. Capretta was an associate director at the White House Office of Management and Budget from 2001 to 2004, where he was the top budget official for health care, Social Security, education and welfare programs. He is a visiting fellow at The Heritage Foundation, a conservative research institute.

We spoke Monday after the House narrowly passed the president's health care overhaul.

Q: This didn't play out the way the president had hoped. It took much longer than expected and showed no sign of bipartisanship. In the end, what did we get?

A: **Tanner:** Well, I think we got a bill that's all but incoherent. I think that we didn't get a bill that systemically made sense from the left, nor did we get a bill that would actually do some good from a market point of view. I think what we got was ... a bill that played off all the special interests and bought enough votes regardless of its utility as a health care plan.

A: **Capretta:** It's basically an entitlement bill. As the year wore on, the other elements that were being touted to reform the system of health care delivery, in particular as they came under scrutiny ... became smaller and smaller and more gimmicky. ... But what remains really is a very large entitlement expansion. That's what Congress tends to do well -- to promise benefits to certain populations and at the end of the day, that's essentially what they did. They are promising a new entitlement to a large new beneficiary population.

Q: One of the key selling points of this had been the extending of coverage to the uninsured, but that doesn't kick in until 2014. After claiming that was a priority, why the wait?

A: **Capretta:** Well, the main reason was cost. The new entitlement costs when they are finally up and running are about \$200 billion a year and then grow at about 8 percent a year. And so if they started it in 2013, you'd have one more year counted in the five- to 10-year budget window of about \$200 billion in costs. And they couldn't do that and still claim to have a bill that costs under \$1 trillion. So the main reason why it started in 2014 was to retain the talking point that essentially says it's "only a \$1 trillion bill."

A: **Tanner:** And it's important to recognize that this bill does not achieve universal coverage. They use the number 32 million more insured all the time, that's not until about 2019. It still leaves 21 million people uninsured at that point. And many of the people who are newly insured under this bill are just being pushed into Medicaid; they are not being put on private insurance at all.

Q: The U.S. Chamber of Commerce opposed it, and Caterpillar Inc. said its health care costs would increase \$100 million in the first year. Are there a lot of nervous business owners out there?

A: **Tanner:** Absolutely. I think there is no way to avoid the fact that this is going to add to business costs, both directly through the soft employer mandate that's in there but also indirectly through rising insurance costs, rising health care costs that are built into the bill, and then finally through the new taxes. Particularly bad is this new tax on investment income at a time when we are trying to create more jobs.

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A: **Capretta:** I think one of the underreported things about the bill is how it's going to provide strong incentives for employers to avoid low-wage workers. ... Basically it says if you are an employer and one of your workers ends up in the (federal) exchange system and he gets subsidized health insurance through that, the employer is liable for a penalty. So you could have a situation where employers essentially have a strong incentive to avoid hiring a young person from a low-income family. ...

I think the proponents of the bill are mostly interested in helping low- and moderate-wage people, but the bill, because of the requirements it's imposing and the way they impose them on employers, will destroy jobs for that very community.

Q: What will those expecting lower insurance premiums and health care costs see under this bill?

A: **Tanner:** They certainly won't see lower premiums. ... The Congressional Budget Office said that if we did nothing, insurance premiums would essentially double in the next six to 10 years. If we pass this bill, insurance premiums will essentially double in the next six to 10 years because there's nothing in here that's going to reduce insurance costs. You are going to shift some of the distribution of costs around, so that older and sicker people will see lower costs, but young people are going to see a tremendous increase in their premiums.

A: **Capretta:** The way they set this up with the program of insurance regulation kicking in entirely in 2014 with subsidies and the mandate to get coverage, you've probably set up a situation where it's to the advantage of younger and healthier people who don't need a lot of health care between now and then to withdraw from the marketplace and actually not enroll in whatever insurance they are in now, save some money, and then once the premium program kicks in, they can sign up again and get the premium subsidies if they are eligible.



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