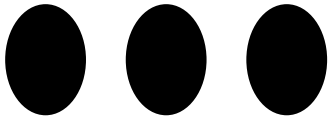
Taxing Our Health

> *Barack Obama on Thursday pledged to "fulfil the promise of healthcare in our time" as he launched a fresh push to overhaul the US health system….*

But he has refrained from setting out a detailed plan, vowing to work with Congress and interest groups to draw up legislation…. "The status quo is the only option not on the table," he said.



ITEM: *Writing in the* Boston Globe *for March 11, Nancy-Ann DeParle, director of the White House Office for Health Reform, enthused over the "bold step" taken by President Obama on healthcare. Said DeParle:*

> *He brought together a wide array of people who have a stake in the healthcare system with the people who have the ability to change it. Some have suggested that we should put off fixing the system because times are tough; that we can't afford to tackle healthcare until we fix the economy. The reality is that if we want to fix the economy, we can't afford not to tackle healthcare.*

CORRECTION: While the truth may sometimes hurt, lies leave longer scars. With expenditures on healthcare ballooning in the United States, in large part because of the direct and indirect roles of the government, President Obama and his supporters have cooked up a beguiling tale, promising an ambitious program that will bring down costs and provide care for everybody.

The "down payment" of $634 billion over a decade in the president's plans will place a bigger and more intrusive federal government in control of about one-seventh of the U.S. economy, and even that doesn't cover the costs. More realistic estimates run to $2 trillion.

When new entitlements are created, the government's initial cost projections are dubious at best. And universal healthcare — which is the ultimate goal of the current reformers — would be no different, except perhaps in the scale of the underestimates. When the government promises "free" or cheaper benefits, be they lunches or medical care, demand rises … and costs also jump.

The Obama administration is trying to avoid some of the mistakes of the Clinton administration, when "Hillarycare" was largely undone because the specifics of the plans made them targets for opposition. Accordingly, the latest takeover attempt is purposely vague.

Nevertheless, the administration and its allied promoters have acknowledged that what they are seeking is a government-run plan, similar to Medicare, that will compete with private medical care. So let's look at the promises and performance of Medicare, the health insurance plan for the elderly and disabled. President Lyndon Johnson promised, repeatedly, that Medicare would cost the American people $500 *million* annually from tax revenues. That was in 1965. In practice, however, between 1966 and 1980, its costs doubled every four years. For fiscal 2009, the Medicare budget is $420 *billion* (14

percent of all federal spending) and slated to rise to $543 billion and 16 percent of the total by 2013.

It's actually worse than that. The part of Medicare that deals with hospital insurance "is paying out more in benefits than it receives in tax revenues," reports *Investor's Business Daily*. "By next year, outlays for all parts of the program will exceed income. The Hospital Insurance Trust Fund will by exhausted by 2019." In a February 2008 report, Medicare's trustees admitted, as noted in the *Wall Street Journal*, that "Medicare's unfunded liability is $74 trillion.... According to the Congressional Budget Office, health-care spending is on a course that could crowd out all other government programs."

The stimulus and budget bills map out where the healthcare train is headed. For instance, there is a new mandate on the horizon: a government health insurance plan that is expected to compete with the private sector. One doesn't have to be a cynic to see that such strategies aim at driving customers away from private coverage. This proposed government plan, points out Grace-Marie Turner, president of the Galen Institute, "would have federal policing and price-control authority, would benefit from government subsidies and could change the rules of the game to make sure it wins in the marketplace. Private insurance would not be able to compete on this uneven playing field, and soon Americans would have only the 'choice' of this government plan."

Those pushing the federalization of healthcare don't readily admit that is the goal, but this would be all but inevitable if they get their way. Sally C. Pipes, president of the Pacific Research Institute, explains:

> In order to achieve universal coverage, Obama calls for the expansion of existing federal healthcare programs and the creation of a National Health Insurance Exchange. This Exchange would allow individuals and small businesses to purchase private insurance policies with benefits packages that have been approved by the federal government....

In order to gain federal approval, private insurers on the Exchange will have to issue policies to all comers regardless of health history and charge everyone the same or similar rates. In health policy-speak, these two regulations are called "guaranteed issue" and "community rating," respectively.

Both lead to significant increases in the cost of insurance for everyone. Why? Well, under guaranteed issue, it only makes sense to purchase insurance after you become sick. Why pay premiums if you're not going to use the healthcare system — and if you can get insurance at any time? Further, if everyone has to pay the same rate, insurers will have to charge rates high enough to cover the sickest individuals.

Some states have already experimented with guaranteed issue and community rating. The results were catastrophic. In New Jersey, for example, the price for a standard insurance plan rose as much as 683 percent.

None of this will be cheap. Proponents of federalized care, by whatever name, like to claim that their way would be less expensive than the current system. But about 47 percent of the current healthcare system in the United States is already controlled by the government, which is in large part what is driving up prices. (Medicare and Medicaid typically pay medical providers only a fraction of the actual cost of care, meaning the costs often get passed on to those who carry private insurance. It does much the same thing when it purchases medications from pharmaceutical companies.) Even without new legislation, that percentage can be expected to grow because of the population's demographics and the economic conditions in the country. The government's share of health expenditures, says the *Dallas Morning News*, "is likely to account for 51.3 percent of a total bill for $4.4 trillion in 10 years, according to the federal Centers for Medicare and Medicaid Services."

As part of the plan to penalize private health insurance, the latest word from Capitol Hill is that the White House is "open" to taxing private health benefits. Doing so, especially in a recession when companies are already being hard pressed to pay for benefits, would be particularly damaging.

This will tend to undermine coverage provided by employers, while taxing the benefits of some to give them away to others. Employee-provided plans have led to their own set of challenges, but they were a result of previous interferences in the market, emerging as a way around government-imposed wage and price controls during World War II. Having created a problem, the government now wants to tax it.

And despite claims that the Obama administration will bring together representatives from all concerned parties in medical care so that this plan works for everyone, the shape of the new healthcare regime has already been formed, slipped into the "stimulus" package. New York's former Lieutenant Governor Betsy McCaughey, an adjunct senior fellow at the Hudson Institute, went into some detail for Bloomberg News:

> The bill's health rules will affect "every individual in the United States."... One new bureaucracy, the National Coordinator of Health Information Technology, will monitor treatments to make sure your doctor is doing what the federal government deems appropriate and cost effective. The goal is to reduce costs and "guide" your doctor's decisions....

[Former senator and point man for Obama's health plan Tom] Daschle proposed an appointed body with vast powers to make the "tough" decisions elected politicians won't make. The stimulus bill does that, and calls it the Federal Coordinating Council for Comparative Effectiveness Research.... The goal, Daschle's book explained, is to slow the development and use of new medications and technologies because they are driving up costs. He praises Europeans for being more willing to accept "hopeless diagnoses" and "forgo experimental treatments," and he chastises Americans for expecting too much from the health-care system.

McCaughey points with horror at what this sort of plan led to in the U.K. A national health board actually decreed in 2006 that elderly patients with macular degeneration must wait until they were blind in one eye before being given an expensive drug that would save the remaining eye. "It took almost three years of public protests before the board reversed its decision."

After shelling out all of this money, however, this is what we can realistically expect: even greater costs; more harm to competition and patients; fewer choices; and worse treatment. That's a heck of a way to steer clear of the status quo.

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