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How a Federal Health Board Will Cancel Private Coverage and Care

Robert E. Moffit, Ph.D.

Americans may be in for some unpleasant changes. President-elect Barack Obama,[1] Senator Max Baucus (D–MT),[2] and former Senator Thomas Daschle (D–SD)—Obama's choice for secretary of the U.S. Department of Health and Human Services (HHS)[3]—have outlined policy proposals that, if enacted, would negatively impact private health care for millions of Americans. Private health plans and medical practice might continue to formally exist, but many crucial health care decisions would be made in Washington. All three politicians have advocated the creation of a new public agency—variously described as an institute, board, or council—that would make key recommendations regarding the kinds of medical technologies, treatments, drugs, and procedures that would be officially deemed "effective." To the extent that these recommendations were imposed as a condition for reimbursement, they would constitute an unprecedented level of government regulation and control over the delivery of health care.

Each of these three politicians have also proposed the creation of a new government health plan—sometimes described as a plan like Medicare, other times as a plan "like the FEHBP"—that would "compete" directly with private health plans. The creation of a new public plan would result in millions of Americans losing their employment-based coverage coupled with a massive expansion of government coverage and financial control.

The Federal Health Board. During the presidential campaign, Obama proposed the creation of an institute that would judge the "comparative effectiveness" of medical treatments, procedures, and therapies, as well as drugs, devices, and technologies. Baucus has also called for the creation of such an institute. More recently, Daschle outlined in much greater detail a similar proposal for a congressionally created Federal Health Board modeled on the Federal Reserve Board,[4] with a governing body of politically appointed experts but "insulated from politics." Daschle's health board would exercise many powers similar to the proposed National Health Board, a key feature of the ill-fated Health Security Act of 1993.[5]

Concentrated Power. The expertise of men and women from the health care sector of the economy—regardless of their professional achievements in medical science, biomedical research, technology, or clinical experience—would, for all practical purposes, be subordinated to the expertise of those appointed to the health board.

In Daschle's version of this new public agency, its "experts" would "oversee the health care industry" and have the knowledge and power to make "complicated medical decisions and the independence to resist political pressures." Additionally, these gov-

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(202) 546-4400 • heritage.org

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ernment experts would "help define evidence-based benefits and lower overall spending by determining which medicines, treatments, and procedures are most effective—and identifying those that do not justify their high price tags."[6] This means denying payment. The health board would also:

- Set the rules for health insurers who would participate in a national health insurance exchange and recommend benefits coverage, including drugs and medical procedures backed by "solid evidence";
- "Rank" therapies and medical services based on their cost effectiveness;
- Suggest priorities for medical research; and
- "Align incentives with the provision of quality care," as defined by the health board, through Medicare-style "pay for performance" rules for doctors and other medical professionals who comply with government practice guidelines.[7]

Daschle is frank and forthright about the enormous power of his proposed Federal Health Board. Such a body, he admits, would alter the traditional doctor-patient relationship. "Doctors and patients might resent any encroachment on their ability to choose certain treatments," he says, "even if they are expensive or ineffective compared to the alternatives."[8] While the health board's decisions, at least initially, would affect all Americans enrolled in government health programs, their elected representatives would, as a practical matter, have little to say about coverage for drugs or medical procedures or health benefits. "I expect," he explains, "that most members of Congress would be glad to be rid of their responsibility for controversial health policy decisions."[9] While the health board decisions would initially affect enrollees in government health programs, Senator Daschle says that Congress "…could, for example, link the tax exclusion for health insurance that complies with the health board's recommendation."[10] Noncompliance in the private sector, in other words, would result in a severe tax penalty on employers and employees. For ordinary Americans, there would be little point in complaining to their congressman. Independent of Congress and the White House, as the senator freely concedes, the power wielded by the health board "is not small, and delegation over health policy decisions rightly raises concerns."[11]

1. See Obama for America, "Barack Obama and Joe Biden's Plan to Lower Health Care Costs and Ensure Affordable, Accessible Health Coverage for All," at *http://www.barackobama.com/pdf/issues/HealthCareFullPlan.pdf* (December 4, 2008); Robert E. Moffit, Ph.D., and Nina Owcharenko, "The Obama Health Care Plan: More Power to Washington," Heritage Foundation *Backgrounder* No. 2197, October 15, 2008, at *www.heritage.org/research/healthcare/bg2197.cfm.*
2. Senator Max Baucus, Chairman, Committee on Finance, U.S. Senate, *Call to Action: Health Reform 2009*, November 12, 2008, at *http://finance.senate.gov/healthreform2009/finalwhitepaper.pdf* (December 4, 2008).
3. Daschle is described as the incoming Administration's "health care czar." David M. Drucker, "Obama Taps Daschle for HHS," *Roll Call*, November 19, 2008.
4. Tom Daschle, Scott S. Greenberger, and Jeanne M. Lambrew, *Critical: What We Can Do About The Health Care Crisis* (New York: Thomas Dunne Books, 2008), p.xiii.
5. President Clinton's proposed National Health Board would have made rules governing benefits, quality, and cost containment standards and encouraged "reasonable pricing" of drugs. For a detailed description of the Clinton Administration's proposed National Health Board and its powers, see Robert E. Moffit, "A Guide to the Clinton Health Plan," Heritage Foundation *Talking Points*, November 19, 1993, at *http://www.heritage.org/research/healthcare/tp00.cfm.*
6. Daschle *et al.*, *Critical*, p. 136.
7. *Ibid.*, pp. 171-177.
8. *Ibid.*, p. 199. The assumption seems to be that medical treatment for very diverse patients with the same condition should be standardized by government officials. Such a policy would, of course, curtail the progress and promise of personalized medicine.
9. *Ibid.*
10. *Ibid.*, p. 179.
11. *Ibid.*, p. xiii.

Government Health Plan. A second key feature of the Obama-Daschle-Baucus health policy agenda is the creation of a new government health plan. All three politicians envision a new national plan that would compete with approved private health plans in a national health insurance exchange. In the Obama proposal, the new government plan would be open to the uninsured and those ineligible for other government coverage, have comprehensive benefits, and have only "fair" premiums and "minimal" cost sharing.[12] In the Baucus proposal, the government plan would be "similar" to Medicare.[13] In the Daschle proposal, the Federal Health Board would work with Medicare to develop a "public insurance option" for the national pool.[14]

Ostensibly, the government plan would compete directly with private health plans. This is, of course, a dramatic break with the FEHBP model, celebrated by President-elect Obama: The FEHBP has *no* government health plan at all. In any case, a fair competition is unlikely, if not impossible[15]: The government would not only be a participant in the competition but would also be setting the rules for the competition. With the government plan, taxpayers would presumably absorb all of the risks, losses, and liabilities of such an enterprise, while private health plans would absorb their own risks, losses, and liabilities. Consequently, from the beginning, such a competition could not possibly be fair in any meaningful sense.

When evaluating the "fairness" of any national health insurance exchange, a key issue is whether the government's rules—particularly for benefits, financing, and solvency—apply equally to the government plan and the private plans that are supposed to compete with it. If they do not, the proposed "competition," presumably with the government plan having special advantages, is a meaningless charade. If the rules are the same for all plans, then logically there is no point to having a government health plan at all. In any event, the right of an individual to make a personal choice, based on their determination of what package of benefits would be best for them, would simply be out of the question in such an arrangement. This scenario would be even more likely under the supervision of Daschle's proposed Federal Health Board.

Despite official rhetoric to the contrary, genuine market competition is not envisioned in any of these proposals. Indisputably, the professional literature shows that the expansion of government health coverage (Medicaid and SCHIP), a key element of the Obama health plan, "crowds out" existing private health options.[16] The Lewin Group, a prominent econometrics firm based in Virginia, estimated that the Obama health plan would prompt big changes in the kind of coverage millions of Americans would recieve, regardless of individual preference. While 21.6 million Americans would lose private health coverage, an estimated 48.3 million would be enrolled in government coverage, including the new government health plan, as well as Medicaid and SCHIP. Because employers would switch from private coverage to the new government health plan, an estimated 18.6 million employees would be enrolled in the new government plan, while an estimated 13.1 million individuals would enroll from the non-group market.[17] In other words, there is simply no truth to the idea that, for individuals and families, nothing will change.

The Loss of Private Coverage. President-elect Obama promised change. But in health care, he

12. Moffit and Owcharenko, "The Obama Health Care Plan," p. 3.

13. Baucus, *Call to Action*, p. 18.

14. Daschle, *Critical*, p. 171.

15. For further discussion of this topic, see Robert E. Moffit Ph.D., "Government As Competitor: The Latest Prescription for Government Control of Health Care," Heritage Foundation *WebMemo* No. 2024, August 14, 2008, at *www.heritage.org/research/healthcare/wm2024.cfm.*

16. In the case of SCHIP, under the proposed congressional expansion in 2007 for every 100 newly eligible child enrolled in SCHIP in families with incomes between 200 and 400 percent of poverty, between 54 and 60 children would have lost private coverage. Paul L. Winfree and Greg D'Angelo, " SCHIP and 'Crowd-Out': The High Cost of Expanding Eligibility," Heritage Foundation *WebMemo* No. 1627, September 20, 2007, at *www.heritage.org/reserach/healthcare/wm1627.cfm.*

promised that change would ensure patient choice of doctor and care without government interference. He also promised those who have health insurance that their coverage would not change and those without would get the same kind of insurance available to Members of Congress in the FEHBP.

Two key policy proposals, especially if they are further refined along the lines suggested by Daschle, would ensure that Obama could not deliver on those promises. For millions of Americans, a powerful Federal Health Board, plus the dynamics of a controlled "market" dominated by a government health plan, would end their existing private coverage and ensure unprecedented government interference in the delivery of care.

—Robert E. Moffit, Ph.D., is Director of the Center for Health Policy Studies at The Heritage Foundation.

17. The Lewin Group, "McCain and Obama Health Care Policies: Costs and Coverage Compared," October 8, 2008, at *http://www.lewin.com/content/Files/The_Lewin_Group_McCain-Obama_Health_Reform_Report_and_Appendix.pdf* (December 4, 2008).

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