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Five Major Faults with the Health Care Bills

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Current efforts by Congress to “reform” the health care system are centered on several flawed policy initiatives that will transfer more power and decisions to Washington and away from patients and families.

Rather than create a massive government-based health care system and dislocate people from their existing private coverage, policymakers should focus on putting the health care system on a path where individuals and families are in control of their health care dollars and decisions.

Shortfalls of the Health Care Bills. The following five provisions are the cornerstone of the House and Senate bills and unavoidably result in legislation taking health care reform in the wrong direction.

1. New Public Plan and Federal Exchange. Both the House and Senate bills would create a new government-run health care plan through the establishment of a federally run national health insurance exchange. The result: widespread erosion of private insurance and substantial consolidation of federal control over health care through the exchange.¹ As is evident in the details of the House bill (H.R. 3200), there is no level playing field for competition between the government plans and private health plans. Plus, the incentives in the legislation guarantee that millions of Americans will lose their existing employer-based coverage.

2. Federal Regulation of Health Insurance. Both the House and Senate bills would result in sweeping and complex federal regulation of health insurance. Moreover, it would take oversight away from states and concentrate it in Washington.²

3. Massive New Taxpayer-Funded Subsidies. Both the House and Senate would expand eligibility for Medicaid, but they would also extend new taxpayer-funded subsidies to the middle class. Such commitments would result in scores of Americans dependent on the government to finance their health care.³ This is unfortunate because Congress could have reformed the tax treatment of health insurance to enable people to keep their existing private coverage and buy better private coverage if they wished to do so.

4. Employer Mandate. Both the House and Senate bills would impose an employer mandate for employers who do not offer coverage and for those whose benefits do not meet a new federal standard. An employer mandate would hurt low-income workers the most and would also stifle much-needed economic growth.⁴ Employer mandates are passed on to workers in the form of reduced wages and compensation. This is exactly the wrong prescription for businesses, especially during a recession.

5. Individual Mandate. Both the House and Senate bills would require all people to buy health insurance. There is no doubt that such a mandate would result in a tax increase on individuals and families whose health insurance does not meet the

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new federally determined standards. This means that Congress will, for the first time, force Americans to buy federally designed packages of health benefits, even if they do not want or need those benefits.

It also means that health benefits will tend to become increasingly costly as powerful special interest groups and representatives of the health industry lobby intensively to expand the legally mandated health benefits, medical treatments and procedures, and drugs that all Americans must buy under penalty of law.

A Better Direction for Health Care Reform.

Congress should stop and take a step back from these divisive House and Senate measures. Instead of trying to overhaul one-sixth of the American economy and seize an unprecedented amount of political control over health care decisions and dollars, policymakers should consider proceeding with smaller, incremental improvements. Policymakers need to proceed slowly and deliberately, making sure that the initial steps they take are not disruptive of what Americans have and want to keep, actually work, and do not result in costly and damaging and unintended consequences. There are three broad areas where Members can and should find consensus:

1. Promote State Innovation. Congress should preserve the states' autonomy over their health care systems and give them greater legal freedom to devise solutions that meet the unique characteristics of their citizens. In addition, individuals should also have the freedom to purchase coverage from trusted sources and not be restricted by where they happen to live. This means that Americans should be able to buy better coverage across state lines. Congress

should respect and encourage personal freedom and diversity.

2. Establish Fairness in the Tax Treatment of Health Insurance. There is little disagreement that today's health care tax policy—which favors coverage obtained through the workplace—distorts the market and is inequitable. Instead of expanding government-run programs like Medicaid, policymakers should offer tax relief to those individuals who purchase private health insurance on their own, regardless of where they work.

At the same time, Congress should make sure that tax relief goes only to taxpayers. Congress should also devise a voucher program, giving low-income citizens the opportunity to get private coverage if they wish to do so. There is a broad bipartisan consensus that Congress should help low-income working families with direct assistance to enable them to get health insurance.

3. Get Serious About Entitlement Reform. Medicare and Medicaid, the giant health care entitlement programs, are not only increasingly costly, but they are also not delivering value to the taxpayers. The best way to secure value to patients (not government officials) is to compel health providers to compete directly for consumer dollars by allowing seniors and the poor to choose the coverage that is right for them using the money that is already available to them in these programs. This will “bend the cost curve” while at the same time allowing private-sector innovation to flourish.

Consumer-Driven Reform. Americans want to fix the problems in the health care system—but not at the expense of their own coverage. It is time policymakers recognize the lack of support for a major overhaul. But instead of continuing to pro-

1. Robert E. Moffit, “A Federal Health Insurance Exchange Combined with a Public Plan: The House and Senate Bills,” Heritage Foundation *Background* No. 2304, July 30, 2009, at <http://www.heritage.org/Research/HealthCare/bg2304.cfm>.
2. Edmund F. Haislmaier, “Micromanaging Americans' Health Insurance: The Impact of House and Senate Bills,” Heritage Foundation *WebMemo* No. 2558, July 23, 2009, at <http://www.heritage.org/Research/HealthCare/wm2558.cfm>; Dennis G. Smith, “Undercutting State Authority: The Impact of the House and Senate Health Bills,” Heritage Foundation *WebMemo* No. 2559, July 23, 2009, at <http://www.heritage.org/Research/HealthCare/wm2559.cfm>.
3. Dennis G. Smith, “New Taxpayer Subsidies: The Impact of the House and Senate Health Bills,” Heritage Foundation *WebMemo* No. 2564, July 23, 2009, at <http://www.heritage.org/Research/HealthCare/wm2564.cfm>.
4. James Sherk and Robert A. Book, “Employer Health Care Mandates: Taxing Low-Income Workers to Pay for Health Care,” Heritage Foundation *WebMemo* No. 2552, July 21, 2009, at <http://www.heritage.org/Research/HealthCare/wm2552.cfm>.

tect the status quo, Congress should advance improvements that put the health care system on a path to reform.

Such improvements should be focused on increasing choice and competition not by turning

control over to Washington but by empowering individuals and families to control their health care dollars and decisions.

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