

Getting Health Care Reform Right

THE ISSUE:

The health care system needs reform, but not the types of changes enacted under the new health care law. The Patient Protection and Affordable Care Act moves the health care system in the wrong direction. This highly unpopular law would assert federal control over health care benefits and financing, erect a complex one-size-fits-all health system, and centralize America's health care decisions in Washington. Instead, Congress should transform the health care system into one that empowers individuals and families, not Washington, to control more of their health care decisions.

THE FACTS:

- **Health Care Spending.** The U.S. spends over \$2.6 trillion on health care, roughly 17 percent of gross domestic product.
- **More Government Control.** [Health care spending](#) will increase by \$311 billion between 2010 and 2019 under the new law. Soon, the government will control over half of all health care spending.
- **Rising Crisis in Health Care Entitlements.** The Medicare program alone faces a \$30.8 trillion unfunded obligation with an onslaught of 77 million retiring baby boomers. Medicaid has become a growing fiscal problem for the states, accounting for [over 21 percent of state spending](#)—second only to education.
- **No Two States Are Alike.** State health insurance markets differ radically, reflecting differences in demography, levels of poverty, regulation, and underlying health care costs. [Rates of uninsurance](#) range from 25% in Texas to 5% in Massachusetts, while [premiums for individual policies](#) range from \$2,606 in Iowa to \$6,630 in New York.

THE SOLUTIONS:

- **Repeal Obamacare.** There is a precedent for repealing highly unpopular and misguided laws: the Medicare Catastrophic Coverage Act of 1988. History may be repeating itself. Recently, over 70% of Missouri residents rejected a key provision of Obamacare—the requirement that individuals purchase a health insurance plan designed and approved by government bureaucrats. The rebellion at the state level, in fact, is both widespread and multi-dimensional. Some states will vote on similar repeal measures; in others, legislation has been introduced challenging various aspects of the law; still others have banded together to challenge the constitutionality of the individual mandate in lawsuits. The House of Representatives even voted recently to repeal one provision of Obamacare that will impose draconian paperwork requirements on millions of small businesses. The easiest way to address all these grievances: repeal Obamacare.
- **Promote Personal Control Through Tax Equity.** Today, workers who purchase coverage through their employer receive an *unlimited* tax break on the value of their health care benefits. However, those who purchase coverage on their own receive no comparable tax break. Ideally, the current tax exclusion should be replaced (or at the very least capped) with a system of universal tax credits for taxpayers. Concurrently, existing health care spending, such as Medicaid and SCHIP (the State Children's Health Insurance Program) should be redirected to help low-income individuals and families purchase *private* health insurance. Putting Americans in charge of their health care dollars and decisions will go along way toward bringing about greater efficiency and cost reduction to the health care system.

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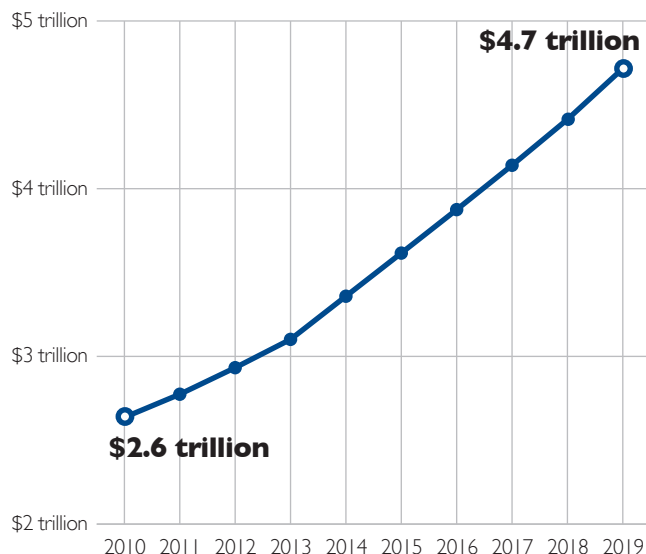
Health Care

Every American should have freedom of choice in health care. This product is part of the Health Care Initiative, one of 10 transformational initiatives in our Leadership for America campaign.

- Fix Current Government Health Programs.** To address the country’s looming entitlement crisis, Medicare and Medicaid must be transformed. Specifically, Medicare should be a defined-contribution system in which the government provides a contribution for benefits and seniors are able to apply their contribution to the health plan that suits them best. Medicaid should be restructured to mainstream healthy moms and kids into private health insurance through premium assistance while patient-centered models of care should be integrated into Medicaid to give the disabled, the elderly, and their families a say in the care and services they receive. Updating these programs would make the costs both more predictable and sustainable for beneficiaries and taxpayers alike.
- Promote Federal–State Partnerships.** A one-size-fits-all federal solution cannot accommodate the unique and diverse health care challenges facing the states. States should take the lead in health care reform by identifying the key health care challenges facing their citizens, structuring a consumer-based marketplace for health insurance, and expanding affordable health care options for their citizens, including setting up pooling arrangements to protect persons with pre-existing conditions while not unduly burdening taxpayers. Beyond reforming the tax treatment of health insurance and restructuring health care entitlements, the federal government should promote interstate commerce in health insurance, extend certain protections for those who maintain continuous coverage, and provide states with technical assistance and relief from federal rules that inhibit innovation.
- Provide Portability.** Individuals—not the government—should be able to choose the health coverage that best

Under PPACA, Health Care Expenditures Will Continue to Rise

PROJECTED NATIONAL HEALTH EXPENDITURES



Source: Centers for Medicare and Medicaid Services.

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suits their needs. To accomplish this, private health insurance must be portable—that is, owned by Americans so they can take their package from job to job. Portability, in turn, will require lawmakers to end the bias against individuals now in the tax code (see above) and for states to take the lead in guaranteeing that individuals can choose from among competing plans in transparent and lightly regulated marketplaces.