

Round Two: Big Health Proposals on Capitol Hill

By Diana M. Ernst

- The 110th Congress went into summer break leaving a variety of health-reform bills on the table.
- These bills reflect a struggle between lawmakers who want more government power and those who want to restore individual choice to solve health-care cost and access issues.
- Big Government health schemes generate media attention, but better quality and lower prices will result from giving Americans control of health-care dollars.
- When Congress reconvenes on September 4, positive reforms such as the Healthy Americans Act (S.334), Ten Steps to Transform Health Care in America (S.1783), and the Every American Insured Health Act (S.1886), could improve conditions nationwide.

The struggle of big government versus small government persists on Capitol Hill, where some legislators in the 110th Congress desire more bureaucracy in America's health-care system. American taxpayers are already required to fund government programs that are largely unaccountable, damaging quality and impairing access for individuals over the long term. If America's legislators want to instill accountability, they must encourage a more competitive health-care market and strong incentives for independent American consumers.

The debate over the State Children's Health Insurance Program (SCHIP) provides evidence of the divide between those seeking to prevent government expansion, and those seeking to make government our only option. SCHIP was created to insure children whose families are stuck in an income requirement "gap" between Medicaid and private insurance. The program has grown considerably since its inception in 1997, and enrollees today number more than six million, including some 600,000 *adults*.¹

SCHIP is due to expire on September 30, and the U.S. Senate and House have each proposed to reauthorize

and expand the program by raising the federal tax on cigarettes. Senate bill S.1893 would increase SCHIP funding by \$35 billion, and House bill H.R. 3162 would increase it by \$50 billion. Some expansion proposals would increase income qualifications for the program so that middle-class families with incomes from 350 to 400 percent of the federal poverty level (as much as \$82,000 for a family of four) could enroll their children.

Opponents of extensive SCHIP expansion are mistakenly labeled "uncompassionate" for recognizing its troubling likeness to Medicare and Medicaid, overgrown products of the Great Society that have left us with great unfunded liabilities. SCHIP funding from the federal government is matched by the states for state-specific insurance programs; whatever states can't pay, the federal government covers, which amounts to 70 percent.² Moreover, the bills on the table for SCHIP reauthorization propose that some of the increased funding come from various excises on tobacco. Financial support from tobacco is unreliable and creates perverse incentives. The Heritage Foundation recently found that the Senate's tobacco tax for SCHIP would require 22.4 million new smokers by 2017.³

Further expanding SCHIP and other government programs threatens to bankrupt future generations with exorbitant taxes, driving our system towards government-run health care. Some lawmakers can hardly wait. Rep. John Conyers' H.R.676, endorsed by the organization Healthcare-NOW and *Sicko* filmmaker Michael Moore, would create a complete government monopoly by expanding Medicare to include all Americans. But "free" government medicine comes at a high price.

Government-run health care will save only a small percentage of current expenses and sacrifice medical quality and innovation for everyone. Despite needed reforms, the United States still has the best physicians, hospitals and research facilities in the world. Half of all

major medicines introduced worldwide for the last 20 years came from American pharmaceutical companies. *Health Affairs* published a study last year on international drug innovation, noting that the U.S. ranked ahead of European and Japanese counterparts in creating first-in-class, biotech, and orphan drugs.⁴

American legislators should not take the private sector for granted. Instead, they should work to make it truly competitive. That way we can achieve lower prices without compromising quality and innovation in health care. One way to facilitate competition in the private sector is to free Americans from reliance on third-party payers and employers. Current law penalizes Americans who buy their own insurance because they cannot deduct the expense from taxable income. During the WWII era, a freeze on wages resulted in employer-sponsored health care as alternate compensation for workers. While the reasons for this have long since expired, it remains engrained in the system and is still a deciding factor for workers who depend on job-related health benefits.

When we are able use tax credits to choose our own insurance independently from employers, we will also become more attentive to the specific plans that we need. We will demand more price transparency, and health insurers will have to conform to individual preferences. Fortunately, some pieces of federal legislation would help. The president proposed a standard tax deduction for health-insurance premiums, whether employer-sponsored plans or individually purchased. Families could deduct \$15,000 and individuals \$7,500 from their income taxes to use for health expenses.

Senators Ron Wyden's and Bob Bennett's Healthy Americans Act (S.334) would give every American the choice of buying his own health insurance with pre-tax dollars. Every American would receive a tax benefit to buy health insurance, and all employer-sponsored health benefits would revert back to paid wages for employees.

The Wyden-Bennett bill wouldn't completely divorce health care from employers, who would still be taxed to fund "Healthy Americans Private Insurance" (HAPI) plans managed by state "Health Help Agencies." At the very least, S.334 would promote greater individual choice of private coverage. Estimated savings from the bill are \$1.5 trillion over the next 10 years.⁵

Senator Mike Enzi's bill, Ten Steps to Transform Health Care in America (S.1783) would create a standard tax deduction for all individual health care expenses, but also

introduce basic "Qualified Core Plans," in every state. Senator Enzi's legislation would allow individuals the choice to opt out of Medicaid or SCHIP, and use a portion of the benefit to enroll in private health insurance. Another plus is that it would allow small businesses and other associations to pool insurance across state lines, likely lowering costs for employees.

A potential limitation of S.1783 appears to be the merging of group and individual insurance markets. Infusing more individual choice and portability into the group health insurance market would be just fine. On the flip side, most states impose far more regulation on group plans than individual plans. States that have mandated guaranteed issue and community rating on individual health insurers have driven costs up, and as a result many individuals find it difficult to find affordable health insurance.⁶

Guaranteed issue, a provision of Sen. Enzi's bill, mandates that insurers accept all applicants regardless of health history or status. This seems only fair to the outsider, but experience shows costly consequences when legislators stop insurance from functioning as real insurance. It prevents insurers from adequately gauging health risk, and insurance becomes hugely more expensive because healthy people drop out of the pool, leaving less healthy members to support each other's costly expenses.

When Kentucky enacted guaranteed issue and community rating legislation in the 1990s, 30 health insurers left the state. Rates for the remaining three rose drastically.⁷ States such as New Jersey, New York, Maine and New Hampshire have also suffered fewer insurers and higher rates as a result of guaranteed issue.⁸

Senators Richard Burr and Bob Corker, along with four Republican co-sponsors, offer the Every American Insured Health Act (S.1886). This new bill seems on track to create accountability by allowing more personal freedom and ownership in health care.

"Personal freedom," explains Senator Burr, "means owning your own health care without the fear of losing your job, your employer taking your insurance away, or being forced into a government-run health care plan..."⁹ It's too soon to tell, but key provisions of the Every American Insured Health Act seem like an antidote to unhealthy problems with our health-insurance market. S.1886 would give Americans the right to *choose* their own health care in a free market, and more control of their own insurance. It would also balance

the tax code for Americans who don't get health care through their employers.

"Supporters of government-run, bureaucratic controlled health care have long advocated using an incremental approach to push all Americans into socialized medicine, beginning with children," says co-sponsor Senator Tom Coburn. "Our flat-tax credit for health care gives every American the freedom to choose the health-care plan that works best for them, not the plan that works best for their employer, a government bureaucrat or a politician in Washington."¹⁰

Unfortunately, many lawmakers do not understand the value of these incentives and instead seek to create more mandates. This year lawmakers have actually proposed a Federal Acupuncture Coverage Act, and an entirely new government body within Health and Human Services to monitor men's health – expanding overgrown government programs and unrestrained government spending in health care. Americans need to understand the long-term consequences of these actions, which impair choice, access and affordability for individuals.

Truly effective legislation will increase access and lower costs by giving more power to individual Americans, making them free consumers of the best health care in the world.

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Endnotes

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 - ⁹ Senator Richard Burr, "Republican Senators Introduce "Every American Insured Health Act," Plan would provide access to health insurance for the uninsured, lower costs for all, and increase personal control of health care, (Washington D.C.: Press Release, Office of Senator Bob Corker, July 26, 2007).
 - ¹⁰ Senator Tom Coburn, "Republican Senators Introduce "Every American Insured Health Act," Plan would provide access to health insurance for the uninsured, lower costs for all, and increase personal control of health care, (Washington D.C.: Press Release, Office of Senator Bob Corker, July 26, 2007).
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