

Union Bosses, Corporate Lobbyists, and Maybe Even A Secretary of Health and Human Services: Who's on the Obama Health Care Express This Month?

By John R. Graham, Director, Health Care Studies

- President Obama has demonstrated mastery of the skill of throwing taxpayer money at America's fragmented health care system, but he has failed to articulate the operational changes that will achieve "universal" health care.
- Despite a high level of energy directed at health "reform," the signal-to-noise ratio emanating from the ruling class is extremely low.
- Union bosses and corporate interests have occupied their "seats at the table" – but their presence is likely to bog down change rather than advance it.
- As President Obama's health "reform" gets mired in negotiation, those who can concisely communicate an alternative vision – of individual choice instead of government power – have a unique opportunity to do so.

Within three weeks of his inauguration, President Obama made a "down payment" on health reform that would put any used-car buyer to shame. Last month, we noted that President Obama had increased the fragmentation, bureaucracy, and cost of health care in at least three ways. Mr. Obama's kids' health program has an unhealthy addiction to tobacco funding, and more than half of the kids roped into it will drop their families' health coverage. By bailing out state Medicaid programs that have spent beyond our means, Mr. Obama punishes fiscally responsible states, while Medicaid's failure to pay its bills will result in an increased "cost-shift" causing private premiums to rise by about \$18 billion. Subsidies to COBRA, the already flawed program that compels workers with employer-based health benefits to subsidize their departed colleagues, dramatically favor unemployment or part-time work, instead of full-time work with benefits.¹

These significant steps towards government monopoly in health care were remarkable and shocking, *especially because the president achieved them having failed to nominate a tolerable candidate for Secretary of Health and Human Services!* Imagine if General Motors or AIG

had shuffled back to the trough for their next helping of bailout dough and declared they had no CEO, and no candidates ready to be announced. So it's not surprising that, having eventually nominated Governor Kathleen Sebelius of Kansas to the position (almost one full month after former Senator Tom Daschle withdrew), the president decided to take a breather and kick back with a couple of hundred Beltway insiders at the "White House Health Care Forum" on March 5.

The White House expected about 100 members of Congress, as well as representatives from about 80 "health-related organizations and unions." However, there were also eight "everyday Americans," as defined by the president – although at least four of them appeared to be public-sector employees.² The Service Employees International Union (SEIU) alone managed to get three people in the door, even though only one eighth of American workers is unionized – and most of them work for the government.³

The "Forum" followed a report summarizing the input of more than 30,000 Americans who had participated in "Health Care Community Discussions" over the previous few weeks.⁴ Remarkably, the report nowhere mentions the benefits of Health Savings Accounts or Health Reimbursement Accounts, although there is plenty of bluster about people "taking responsibility" for their health.

One would have thought that all this effort would have resulted in "progress." Actually, it seems to have launched the same factional infighting that broke apart previous efforts at health "reform." The day after the conference, the SEIU and another key union, the American Federation of State, County, and Municipal Employees (AFSCME), quit the "Healthcare Reform Dialogue" coalition led by the American Hospital Association.⁵ In itself, this is not surprising.

Given the weakness of union power in the private sector, union bosses need the government to take over more of society than it controls now. The Orwellian "Employee Free Choice Act," which would remove workers' right to a secret ballot on the question of certifying a union, is a key step. An even bigger goal is

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a government-run health care sector, where public-sector unions operate the hospitals. Needless to say, this is not a goal of the American Hospital Association.

Many similar health care “coalitions” (of the unwilling) are whirling and swirling around Washington, DC these days. But the vision of most powerful interest of them all, President Obama, remains a mystery. Even during the Democratic primaries, when he was competing against Hillary Clinton, people wondered whether he actually wanted single-payer, government-monopoly health care instead of the incoherent jumble put forward in his campaign platform. Many conservatives believe that President Obama, like most Democratic politicians, views all elements of health reform as steps on the straight and narrow path to government monopoly, rather than the softer, gentler (and poll-tested) version espoused during the campaign.

I’m not so sure. It is simply not plausible that President Obama does not understand the value to the political class of the government controlling the privately owned health sector. Even before his presidential campaign, his local newspaper noted the stunning coincidence that his wife, a hospital executive, received a promotion and raise from \$121,910 to \$316,962 in March 2005, a couple of months after Mr. Obama began his short term in the U.S. Senate.⁶ The position, “VP of External Affairs” at the University of Chicago hospital system, was eliminated last month, after Mrs. Obama had moved into the White House.⁷ The beauty of the American health-spending environment the politicians have created over the last half century is that they can direct the cash-flows to benefit the political class while the health insurers, pharmaceutical developers, and other private interests take the blame for the fragmentation and frustration the politicians have caused.

A politician who wanted real reform in health care would not advocate more government power – the same path we’ve been on for decades. Instead he would offer a competing vision of more individual choice. Unfortunately, this is a risky approach. Mr. Obama himself successfully pointed out during the election campaign that he was *not* an agent of change in health care. Rather, Sen. McCain proposed real change, by giving American families the health care dollars that the government currently gives to their employers. This reform would immediately reduce the number of uninsured and improve the quality of care, as discussed in our analysis of two candidates’ campaign platforms.⁸

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The lesson of Sen. McCain’s defeat, a leading Republican congressman recently told me, was that their party’s message on health reform should become more “vague.” I found that both appalling and baffling. When 80 lobbyists and 100 politicians convene at the White House to divide up the health-care pie, it’s the perfect time for a politician who advocates individual choice to hone his message to a fine point.

Unfortunately, it’s not only the political class that benefits from the status quo. Virtually every dysfunction in the current health care environment benefits someone with a checkbook on K Street, the lobbyists’ headquarters. For example, the complexity and friction introduced by employer-based health benefits is beneficial to insurers, not the beneficiaries. Recent analysis concludes that one quarter of consumer surplus is transferred from beneficiaries to insurers in fully insured group markets.⁹ Health insurers, therefore, are happy that most Americans believe the myth that employer-based health care is a “benefit” instead of a liability.

But it is not a benefit that the government takes almost \$9,000 of your money and gives it to your boss to buy a health plan for you.¹⁰ Indeed, despite rapidly rising health spending, American families control a smaller share of total health costs than ever before. In the mid-1990s, out-of-pocket spending accounted for 30 percent of health care spending amongst privately insured people. It was down to 26 percent by 2005.¹¹

Employer-based health insurance, furthermore, actually causes more people to become uninsured, especially for relatively short periods when they are between jobs. The average person born between 1957 and 1964 held 10.8 jobs between the ages of 18 to 42. Two-thirds of the jobs they had between ages 38 and 42 lasted less than five years, and almost one-third lasted less than a year.¹² When the government makes you get health insurance through your job, it’s no wonder you fall through the cracks once in a while.

In 2006 and 2007, 89.6 million Americans were uninsured *at some point* in the two years. However, half of them were uninsured for eight months or less. About two million of the uninsured are freshly employed full-time and waiting to get on their employers’ health plans.¹³

Politicians and others left outside President Obama’s health-care lobbyist fest should not become more “vague.” They should seize the opportunity to communicate real change, that returns health care dollars to the American people, instead of Beltway lobbyists.

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Endnotes

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- ² Kevin Hechtkopf, *Health Care Forum Attendees*, CBS News Political Hotsheet (March 5, 2009). <http://www.cbsnews.com/blogs/2009/03/05/politics/politicalhotsheet/entry4845441.shtml>
- ³ Bureau of Labor Statistics, *Union Members Summary*, economic news release USDL 09-0095 (Washington, DC: Bureau of Labor Statistics, January 28, 2009).
- ⁴ U.S. Department of Health and Human Services, *Americans Speak on Health Reform: report on Health Care Community Discussion* (Washington, DC: U.S. Department of Health & Human Services, March 2009.)
- ⁵ Robert Pear, "In Divide Over Health Care Overhaul, 2 Major Unions Withdraw from a Coalition," *New York Times*, March 6, 2009.
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- ⁷ Bruce Japsen, "U. of C. Medical Center's Top Doctor Resigns; Announcement Comes Ahead of Expected Layoffs," *Chicago Tribune*, February 9, 2009.
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- ⁹ Randall D. Cebul, et al., *Unhealthy Insurance Markets: Search Frictions and the Cost and Quality of Health Insurance*, Working Paper No. 14455 (Cambridge, MA: National Bureau of Economic Research, October 2008).
- ¹⁰ In 2007, the national median annual premium for employer-based health insurance for an employee with dependents was \$12,106, of which the employer paid \$8,825. Henry J. Kaiser Family Foundation and Health Research Educational Trust, *Employer Health Benefits: 2007 Summary of Findings*, publication no. 7673 (Menlo Park, CA: Henry J. Kaiser Family Foundation, 2007), p. 1.
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- ¹² Bureau of Labor Statistics, *Number of Jobs Held, Labor Market Activity, and Earnings Growth Among the Youngest Baby Boomers: Results from a Longitudinal Survey*, Media release no. USDL 08-0860 (Washington, DC: U.S. Department of Labor, June 27, 2008).
- ¹³ John R. Graham, *Presidential Prescriptions: Diagnosing the Candidates' Health Reforms* (San Francisco, CA: Pacific Research Institute, October 2008), p.13.