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STATEMENT ON HEALTH REFORM

WOULD THE HEALTH REFORM PRESCRIPTIONS OFFERED BY PRESIDENT OBAMA AND CONGRESSIONAL LEADERS HELP PATIENTS?

From the Health Policy Consensus Group[1]

President Obama repeatedly has reassured the American people, "If you've got health care already, and probably the majority of you do, then you can keep your plan if you are satisfied with it. You can keep your choice of doctor."[2] Research shows 82 percent of Americans rate the health care they receive as good to excellent.[3]

At the same time, there are serious problems of cost, value, and access throughout our health sector. It is vital to address these problems. But any health reform proposal to change what needs fixing also must preserve the freedom, innovation, and quality of American medical care that people value. We believe a better functioning, more competitive, and transparent marketplace would cover more people and deliver the higher-value care we seek.

We are gravely concerned that several of the proposals offered by the President and the Congressional leadership would make matters worse, not better. These flawed prescriptions for radical change should not be accepted as part of any serious and sustainable health reform proposal:

- **A new government health insurance plan**
- **An employer "play-or-pay" mandate**
- **A uniform, government-defined package of benefits**
- **A mandate that individuals must purchase insurance**
- **A National Health Insurance Exchange extending federal regulatory powers over private insurance**
- **Federal interference in the practice of medicine through a federal health board, comparative effectiveness review, and other government intrusions into medical decision-making**

We explain below why we believe these ideas would diminish individual Americans' freedom and control over their personal health decisions.

- **A new government health insurance plan:** A new national health plan, to be operated by the federal government, is being proposed with the claim that it would give Americans a choice between public or private health plans. While there may be initial assurances that the plans would operate on a level playing field, the government inevitably will use its regulatory, pricing, and taxing authority to favor its plan.

Congress would give the government plan the power to dictate prices so it can artificially under-price private plans and drive them out of this one-sided "marketplace."

Many people then would be left with little or no choice, as employers would drop their current coverage and send their workers into the public plan. Research by The Lewin Group[4] shows that as many as 118.5 million Americans would lose or be switched out of private health coverage. This massive crowding out of private health insurance would undermine the employment-based coverage that most Americans under age 65 have today.

Once private plans have been driven out of the market, people will realize that the government plan will not be able to sustain the quality and quantity of benefits they were promised. Government instead will begin to ration care and services, driving out innovation, competition, and patient-centered quality.

- **A "play-or-pay" mandate that employers must provide or pay for health coverage for their workers:** Employers would be required to pay an unspecified "meaningful contribution" toward their workers' health insurance or pay a new tax to fund the government plan. If they are not "playing" in the new system by directly providing health insurance, then they will be "paying" to fund the government plan. It is a political certainty that the option to "pay" this new health insurance tax will be set lower than the current levels at which employers now "play" by providing their own coverage, enticing many of them to transfer their employees' insurance coverage to the mercies of the new government plan.

  Whether they choose to pay or to play, small employers will be hit especially hard by a new mandate to finance all or part of the health insurance premiums for their employees, directly or through new taxes. Any initial subsidies to them will quickly be overtaken by higher mandated costs. As they absorb new tax burdens they cannot control, the result will be more lost jobs and lower wages for workers.

- **A uniform, government-defined package of benefits:** Decades of experience in the states confirm that whenever benefit packages are determined politically rather than by the marketplace, legislators find it very difficult to say no to anyone asking that their services and products be included. People would have a "choice" of only the expensive one-size-fits-all plan mandated by government, significantly increasing the cost of health coverage. Workers would pay for this more expensive coverage through lower wages, lost jobs, higher taxes, and lower-value health care.

- **A mandate that individuals must purchase insurance:** If the federal government requires everyone to purchase health insurance, it must define what qualifies as insurance. All signals indicate this would be a very expensive benefits package, designed as one-size-fits-all in theory but delivered as one-size-fits-none in practice. Sweeping government mandates create a conflict between escalating costs, limited resources, and the false guarantee of rich coverage – triggering price and supply controls.

Many individuals will need subsidies to receive coverage that otherwise would be unaffordable to them, but taxpayers will resist filling an abyss. As a result, political leaders will try to cover rising costs indirectly and invisibly – through general revenue subsidies, tax increases, deficit spending, and escalating fees, fines, and taxes imposed on employers. And to make the mandate work, the government also must establish and enforce binding penalties for individuals who do not comply.

- **A National Health Insurance Exchange extending vast federal regulatory powers over private insurance:** A new National Health Insurance Exchange is being proposed to "streamline the purchase of health insurance." It actually would steamroll over private choice and patient preferences by providing a vehicle to extend sweeping federal regulation into virtually every corner of our health sector. This would reduce choice for patients and discourage or prohibit innovation and flexibility in health insurance offerings that today are helping many companies and families balance their health costs with other needs.

- **Federal interference in the practice of medicine through a federal health board, comparative effectiveness review, and other government intrusions into medical decision-making:** Congress appropriated $1.1 billion in taxpayer funding for comparative effectiveness research in the economic stimulus bill, establishing the Federal Coordinating Council for Comparative Effectiveness Research, which will assess medical treatments available to Americans. This provides an irresistible temptation for politicians to go beyond providing better information and start restricting the treatment choices available to patients. House Appropriations Chairman David Obey (D-Wis.) said the intent was that drugs and treatments "that are found to be less effective and in some cases, more expensive, will no longer be prescribed."

  The clear and present danger is that any centralized health board will use the cover of comparative effectiveness findings to meet budgetary bottom lines, at the expense of patients' medical needs and personal preferences. This is a particular danger to the health of people who suffer from rare conditions or who need access to specific medicines and treatments but who may lack the political power to influence the reviewers' decisions.

There are many problems that need to be addressed in the health sector, and the signatories to this statement have written extensively about our ideas for reform.[5] Because the reform agenda is moving rapidly through Congress, we believe the American public should be aware of the likely impact of the policies described in this statement which are under active consideration by elected leaders.

We believe that the proposals put forth by the Administration and Congressional leaders would harm, not help, patients and would not fulfill the goals and promises made to the American people.

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[1] The Health Policy Consensus Group is an affiliation of the policy experts from the major market-oriented think tanks and others who work together to advance patient-centered ideas for health reform.

[2] Barack Obama, Second Presidential Debate, Nashville, TN, October 7, 2008, at http://www.ontheissues.org/2008/barack_obama_health_care.htm.

[3] Robert J. Blendon, Sc.D., Drew E. Altman, Ph.D., John M. Benson, M.A., Mollyann Brodie, Ph.D., Tami Buhr, A.M., Claudia Deane, M.A., and Sasha Buscho, B.A., "Voters and Health Reform in the 2008 Presidential Election," The New England Journal of Medicine, November 6, 2008, at http://content.nejm.org/cgi/content/full/359/19/2050.

[4] The Lewin Group, "Opening a Buy-In to a Public Plan: Implications for Premiums, Coverage and Provider Reimbursement," Presentation to Senate Finance Committee Republican Staff, December 5, 2008, at http://www.lewin.com/content/publications/OpeningBuyInPublicPlan.pdf.

[5] *Empowering Health Care Consumer through Tax Reform*, 1999, University of Michigan Press, and other papers and statements of the Health Policy Consensus Group are available at http://www.galen.org/content/consensus-group.html. The writings of individual signatories are available on their and their organization's websites.

[6] Affiliations of those signing this statement are listed for identification purposes only. The views in this statement do not necessarily reflect those of their organizations.

[7] The health policy experts whose names are followed by an asterisk served on the drafting committee for this statement.