

Looking Ahead

The Stakes in the Health Care Fight

The Obama administration is laying the groundwork for a reform of American health care later this year, and Democratic leaders in Congress are eager to proceed with the most ambitious health care legislation since the failed effort Hillary Clinton spearheaded in 1993.

The reforms that President Obama and his allies are likely to put forward will seek to greatly increase the role of government in the provision and financing of health care. The core of their proposal will involve the creation of a new government-run health insurance program. Employers will be required either to offer their workers health insurance or to pay a fine that would help fund the government-run insurance plan. Workers without health insurance could join the government plan or a highly-regulated private plan.

It's certainly true that American health care needs to be reformed—chiefly because of rapidly rising costs. Conservatives believe that the best way to restrain costs is by increasing competition, and so conservative health care reform proposals attempt to inject more market mechanisms into medicine. But the likely Obama proposal offers only two blunt tools to keep costs down: mandates and rationing.

Mandating low prices for goods and services is one surefire way to keep costs down. But centralized cost controls put a damper on creativity. Health care providers, research firms, and pharmaceutical companies will have far less incentive to innovate if they cannot profit from their work. Mandating low prices will sap the great creative strength of American medicine.

The other way a government-run health care program can reduce costs is by rationing the goods and services available to patients; this is how government-run health care works nearly everywhere around the world that it has been tried. The prospect of health care services rationed by government bureaucrats is unsettling—especially for the overwhelming majority of insured Americans who are satisfied with the health care they have now, but who might find themselves nudged onto the government-run plan in the years ahead.

(Sometimes preventive medicine is described as a third way of holding back health care costs—but while preventive medicine is obviously beneficial for patients' health, studies make clear that it actually *increases* costs.)

Beyond its corrosive effects on medical innovation and the dissatisfaction that its rationing will engender, and even beyond its intimidating price tag, the Obama health care proposal, if passed, could lastingly warp American political life. In those countries where medicine is socialized, it comes to dominate debate; other domestic policy concerns exist only in the shadow of health care. This course is not just bad for medicine—it bodes ill for the body politic as well.