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Health Care Reform: Rational Alternatives to the Congressional Leadership Bills

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The President and congressional leaders are wedded to the “Big Bang” approach to health care legislation, ultimately overhauling one-sixth of the American economy through one giant, 1,000-plus-page bill. Notwithstanding rhetoric to the contrary, the President and the congressional leadership are not apparently interested in even discussing any health policy alternatives offered by conservatives in Congress.

In fact, the congressional leaders have gone so far as to dismiss the GOP as “the party of no” on health care policy. But, as all fair-minded health policy analysts know, this is utterly untrue. One may disagree with the minority’s legislative proposals, but that does not mean that they are either vacuous or inconsequential.

Three major bills sponsored by congressional Republicans contain promising conservative approaches to health care reform. They address the President’s key objectives for fixing the health care system while minimizing Washington’s role in the future of health care. Conservative proposals lower costs, expand accessibility, create portability, and promote healthy behavior, all while putting the consumer back in the driver’s seat of health care reform.

Reforming Unfair Tax Laws. There is an enormous consensus among economists, including prominent economists within the Obama Administration, on the need to reform the current tax treatment of health insurance. Tax breaks for health insurance disproportionately favor the wealthy and those who get their health coverage

through their employers. This tax inequity amounts to roughly \$300 billion each year and encourages wealthier Americans to buy unneeded health benefits.

The Patients’ Choice Act of 2009 (H.R. 2520 and S. 1099), sponsored by Congressmen Paul Ryan (R-WI) and David Nunes (R-CA) and Senators Tom Coburn (R-OK) and Richard Burr (R-NC) would replace the existing system of \$300 billion in tax breaks with a universal system of tax credits. Regardless of income or employment status, families would receive \$5,700 and individuals would receive \$2,300. Low-income families would receive further assistance through a supplemental debit card with roll-over funds.

The Improving Health Care for All Americans Act (H.R. 3218), sponsored by Congressman John Shadegg (R-AZ), would allow Americans with employer-based coverage to keep it and would also extend tax breaks to Americans choosing to purchase insurance on their own. Americans who pay income taxes would receive tax credits of \$5,000 for a family and \$2,500 for individuals. Those who do not pay income tax would instead receive a voucher for the same amount.

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The Empower Patients First Act (H.R. 3400), sponsored by Representative Tom Price (R-GA), would reverse current tax inequality by extending tax credits and deductions to all Americans, regardless of whether they receive their insurance from the employer or purchase it individually.

Encourage States to Take Bold Action. Rather than trying to create a one-size-fits-all solution in Washington and impose it on the states, the federal government should instead clarify only the broad goals of a reformed health insurance system and encourage states to take the lead in devising the best ways to achieve those goals. Several states have already begun enacting reform, and though these changes are not always successful, pursuing reform at the state level allows the rest of the country to observe what works and what does not.

Take, for example, Tennessee, Massachusetts, and Utah. In Tennessee, state legislators enacted TennCare, which replaced the original Medicaid program to offer managed care to all low-income residents. TennCare offered expensive, highly subsidized health care paid for by restricting reimbursement rates to doctors and hospitals. This approach failed dramatically and was abandoned under the leadership of a Democratic governor. But the Tennessee experiment served as a lesson for other states that may have entertained similar proposals.

In the case of Massachusetts, then-Governor Mitt Romney and state legislators enacted compromise legislation that included an individual mandate, new insurance market reforms, and a dramatic reform in health care financing, which redirected existing government subsidies away from institutions to individuals and families.

As a policy matter, the Massachusetts reform is a classic “mixed bag.” The state has achieved 97 percent coverage, its uncompensated care costs have declined by almost 40 percent, it pioneered market reforms that have created portability and personal ownership of private coverage, and it also experienced an unprecedented expansion in private health insurance coverage. Because of continued excessive regulation, benefit mandates, and special-interest spending, the state has not been successful in bending the health care cost curve downward. As

former Governor Romney recently noted, universal coverage, or something close to it, does not translate into reduced health care costs.

Finally, Utah is currently implementing reform based on a defined-contribution market using a paperless online health insurance exchange. It, too, would enable citizens to own and control their own health insurance and enable them to carry that coverage from job to job.

The Health Care Partnership through Creative Federalism Act (H.R. 5864), co-sponsored by Representatives Tom Price (R-GA) and Tammy Baldwin (D-WI) would encourage bold liberal and conservative health policy experimentation in the states. Similar bipartisan legislation has been introduced in the Senate. Furthermore, both the Improving Health Care for All Americans Act and the Empower Patients First Act would allow individuals to purchase health insurance across state lines to create a national marketplace for coverage choices.

Defined-Contribution Employer Plans. Congress and the White House have proposed new federal mandates that require employers to provide and individuals to buy a government-specified level of health insurance coverage or pay a tax. These mandates would, in effect, violate the President’s pledge not to raise taxes on the middle class.

A better way would combine automatic enrollment with financial incentives to make it easier for individuals to obtain coverage. The Empower Patients First Act allows employees to be automatically enrolled in a basic employer-sponsored plan from which they can opt out. The bill also creates incentives for small businesses to adopt auto-enrollment.

In addition, employers should be given new flexibility to offer defined-contribution rather than defined-benefit health plans, which would allow employees to choose their coverage instead of taking the plan chosen by the employer. The Patients’ Choice Act also helps states expand coverage through auto-enrollment at state and medical points of service.

State-Based Health Exchange. Utah has created an electronic health insurance exchange that requires only two state employees to administer.

State exchanges, paired with defined-contribution benefits provided by employers, allow employees to keep the benefits of enrolling in an employer-sponsored plan while still having control over their coverage decisions. Group insurance perks (such as non-discrimination for pre-existing conditions) still apply, but employees would be able to use an employer's contribution on any plan they choose.

The Empower Patients First Act would create health plan portals at the state level that are similar to Utah's system. The Improving Health Care for All Americans Act would create new pooling mechanisms that allow group insurance to be offered by individual membership associations as well as by employers. This would allow Americans to get their health insurance from churches, alumni associations, trade associations, and other civic groups.

The Patients' Choice Act would require the federal government to work with states in order to create exchanges. Plans offered under the exchange would meet the same standards as those enjoyed by Members of Congress and other federal employees. Participating insurers would not be allowed to discriminate against pre-existing conditions, and independent-risk adjustment would keep insurers from cherry-picking healthy individuals to cover. Lastly,

the act would allow pooling arrangements between exchanges of different states.

Crushing State Innovation. The key feature of the massive House and Senate health bills, endorsed by the congressional leadership, is that they centralize key decision-making in Washington and effect a massive transfer of regulatory authority from the states to the federal government. Combined with fines and penalties, taxes and mandates, the major House and Senate health bills would restrict Americans' individual freedom. The country deserves better.

Health care policies embodied in leading conservative legislative proposals—the Patients' Choice Act, the Improving Health Care for All Americans Act, and the Empower Patients First Act—are viable alternatives to the top-down approach endorsed by the congressional leadership. As the President indicated, there is no partisan monopoly on good ideas in health care policy.

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