Written by **Steven J. DuBord** on August 6, 2009

Obama's Healthcare Prescription

President Barack Obama has a prescription to fix what ails America's current healthcare system. He presented his essential ideas during ABC's Prescription for America TV special on June 24.

When he was asked why government would need to get involved in healthcare reform when places in the private sector like the Mayo Clinic are already providing quality, affordable medical care, his answer tipped his hand.

"Unfortunately government, whether you like it or not, is going to already be involved," the president declared. "We pay for Medicare, we pay for Medicaid. There are a whole host of rules, both at the state and federal level, governing how health care is administered." Obama went on to say that he thinks serious healthcare reform will "figure out how do we take that involvement not to completely replace what we have but to build on what works and stop doing what doesn't work."

Portraying Government as the Answer

Therein President Obama revealed his core belief about the solution to America's healthcare problems: he believes that government's current involvement in our healthcare system is good, so more government involvement would only make things better. How so, we might ask? Are the Medicare and Medicaid programs *good* examples of what works? How about the medical care provided to veterans? How about government involvement in other sectors of the economy such as delivering the mail? Has government really demonstrated that it can do a better job than the private sector at providing healthcare or anything else?

Obama himself said during the *Prescription for America* special that "Medicare and Medicaid are the single biggest drivers of the federal deficit and the federal debt — by a huge margin. And at the pace at which they're going up … Medicare and Medicaid are going to be broke and … will consume all of the federal budget." According to the president, Medicare and Medicaid may win the competition with Social Security in the race to insolvency. So much for government intervention being part of what works.

Indeed, President Obama's plan to reform healthcare in America deserves to be put in one of those revealing hospital gowns and fully examined *before* Congress tries to fill his prescription. Does his push for bigger government really provide the answers he claims?

President's Prescription Deciphered

President Obama has repeated the same basic sound bites whenever he has discussed healthcare reform. He used just about all of them during his July 15 remarks in the Rose Garden while surrounded by members of the American Nurses Association. References to this speech, a July 1 town hall meeting in Annandale, Virginia, and the *Prescription for America* special encapsulate what Obama says he wants in healthcare reform legislation. But if the president does get the legislation he wants, would it deliver what he's promising?

• *Reform should not increase the federal deficit*: In Annandale, President Obama said that reform can be paid for by reallocating money that is already being spent on healthcare. Well, not quite. He claimed that "about two-thirds of the costs of the reforms that we are proposing will come from reallocating money that is already being spent in the health care system but isn't being spent wisely." The other third "we're going to have to pay for by increased revenues." Of course, if the reforms were truly revenue neutral, then there would be no need to pay for a third of the costs of the reforms through increased revenues. Also, why does President Obama believe that the government can reallocate money "already being spent in the health care system" better than it's being allocated now? He says that the money is not being spent wisely — are we to believe that the government would spend the money *more wisely*?

Beyond that, the projections for the cost of reform are typically being limited to the first 10 years after the reform is initiated, with the reform being phased in over time. "Health care legislation might include provisions that would make it budget neutral over the first 10 years," the Congressional Budget Office has warned, "but such legislation might nevertheless add to budget deficits in later years." Since Obama's proposals would delay the implementation of key components until 2013, any cost claims are sure to be on the unrealistically low end.

For example, if the public insurance plan pays healthcare providers about what Medicare pays (only cents on the dollar of the actual cost of the care provided), it will be able to offer much lower premiums than private insurance companies. This will lead to a steady and ever-increasing stream of those with private insurance getting covered by the public plan, getting worse over time.

On the *Prescription for America* special, John Sheils, a vice president of the Lewin Group, stated that out of the 177 million people who are privately insured through their employers, "we estimate that 70 percent … would make the shift to the public plan." These millions would join the millions of formerly uninsured who will be going on the public dole, resulting in millions more claims being paid by the government. These claims could negatively impact the deficit beyond the initial 10-year projection. When doctors and hospitals have more and more patients on public coverage, the doctors need to make up the losses they incur from treating these patients by charging more for services rendered to those with private insurance, hence causing the privately insured to pay higher rates and driving more of them to public coverage. (Of course, this assumes that government will force doctors and hospitals to take patients on the public plan. Right now many doctors are not taking new Medicare patients — or often, not *any* Medicare patients.)

President Obama's declaration that two-thirds of the cost of reform could come from reallocating current money is based on the perception that there are hundreds of billions of dollars that the government could save that are now going to doctors, hospitals, and insurance companies that aren't providing a worthwhile service for the patients. In Annandale, the president stated that $177 billion is now slated to be spent over the next decade "in unwarranted subsidies to insurance companies under

something called Medicaid Advantage." Noting that the subsidies are paid to insurance companies, not patients, he said that people who are in the program "don't get any better care than those who aren't."

But the spending reallocations only help those who won't be affected by funding cuts to programs Obama deems "unwise." The Heritage Foundation reports that "10.5 million seniors … are currently enrolled in Medicare Advantage plans. These healthcare plans cover all of the traditional Medicare benefits and much more, including coordinated care and care-management programs for chronic conditions as well as additional hospitalization and skilled nursing facility stays."

• *Reform should preserve consumer choice*: President Obama said in the Rose Garden that if a person likes his doctor, healthcare provider, and healthcare plan, he will be able to keep them, but he is simply promising what he cannot deliver. Charles Gibson, who moderated the *Prescription for America* program, pointed to the Lewin Group's figure of 70 percent of employer-insured people going over to the government-run plan as he tried to get a straight answer from the president. "You keep saying, if you have what you like, you can keep it. But if your employer goes over to the government program, maybe you can't keep what you have."

Obama's answer only affirmed that consumer choice would be limited. He said a "firewall" would be implemented so that "if you are eligible for your employer plan, then you can't just go into the public plan." No individual choice allowed there at all. And his reassurance about employers changing plans was only to say that there would be a "pay or play" provision to fine companies who don't provide insurance. If an employer decides to pay the penalty rather than continue to provide insurance, there's nothing the employee can do. No choice there either.

If the final reform legislation includes a mandate requiring every American to purchase insurance, then the right to "liberty" will be stricken from what should be the unalienable rights to life, liberty, and the pursuit of happiness. Contrary to the president's claims, increasing government involvement in health insurance would only serve to limit individual choice, not enhance it.

• *Reform should allow people to find insurance whether they are changing jobs, unemployed, or self-employed, with no insurer allowed to deny coverage based on preexisting conditions*: How did Americans ever get shackled with employment-based insurance in the first place? Perhaps it is no surprise that government meddling is to blame. Uwe Reinhardt, an economics professor at Princeton, explained the situation in a May 22 *New York Times* blog entry entitled "Is Employer-based Health Insurance Worth Saving?" Reinhardt notes that this system "was not the product of a carefully designed health policy. It was a byproduct of evading wage controls during World War II."

Since America's military personnel were busy fighting Germany and Japan while receiving low, tightly controlled pay, U.S. lawmakers decided they wanted to control the wages of every worker back home too. But Congress chose to exclude fringe benefits from the controls, to treat employer insurance contributions as a tax deduction, and to consider health insurance as nontaxable compensation for the employee. To top it all off, Congress very unfairly gave no tax relief to those forced to purchase their own health insurance. "And thus," Reinhardt observes, "employer-paid fringe benefits, including employment-based health insurance, were born."

So now Obama proposes that more government interference can cure a problem caused by government interference. This sounds like the disease and the cure being concocted in the same laboratory. It is strange that the answer being suggested isn't to undo the original government blunder, but to use it as an excuse for more intervention and more government control.

Of course, preserving insurance coverage through a job change or loss is a good goal, and making sure those who are self-employed can obtain insurance if they choose to is reasonable. But does government need to do these things for auto insurance or home insurance? Why should health insurance be any different? While the best solution would be to undo what government has done, there may be too much investment in employer-based health coverage to totally eliminate it in one fell swoop. Rather than having government extend Medicare to everyone in the country, establishing the tax breaks that should have been given after WWII is only fair. Those who purchase their own insurance need equal tax treatment to those with employment-based coverage. (Better still, of course, would be to get rid of the income tax altogether.)

As for preexisting conditions, it is hard for President Obama to have it both ways. If he wants to forbid consideration of preexisting conditions and to prohibit insurance companies from charging different rates for any risk factors, then he is taking away part of the motivation to emphasize prevention. If people don't pay more because they smoke, there is one less motivation to quit.

The president wants to change insurance from risk-based protection to simple prepayment of services. The problem is that the healthy get no reward for their good behavior and no incentive not to abuse the system. Imagine if car insurance were run by the government with no discounts for good drivers and no surcharges for drunk drivers; everyone paid equally. Someone experiencing road rage might even deem that a little collision damage would be worth it to get back at an annoying driver. Auto service providers would be swamped, auto insurance payments and administrative costs would skyrocket, and through it all the safe driver would pay far more than his fair share while the reckless driver would get off cheap.

Instead of changing the nature of health insurance, President Obama could work to allow consumers to purchase insurance across state lines. This would allow people to avoid costly state mandates. (Some states mandate that health insurance cover toupees, and many mandate coverage for in vitro fertilization — neither of which make ill people well.) Wouldn't it be more respectful of personal liberty and a step in the right direction to allow people to purchase just the coverage they want? Instead of having to purchase insurance in a state where the individual's cost is driven up by mandated coverage of chiropractic care, sex-change operations, and a host of other things, it would be possible to choose just the coverage desired, say chiropractic care, and not be forced to pay for the rest. At least more people would have coverage without the need for government to be in control.

• *Reform should establish a health insurance exchange to help consumers shop for insurance*: Making insurance shopping easier sounds good, but the government would set the requirements for insurance companies to participate. The public insurance option would be the standard against which all others would be compared. Whatever the government wanted to promote would be factored into the public plan, and private carriers would have to follow suit.

On July 15, the Cybercast News Service posted an article entitled "How Senator Mikulski Slipped an Abortion Mandate into the Health Care Bill." It included a video of an exchange between Senator Orrin Hatch (R-Utah) and Senator Barbara Mikulski (D-Md.). Senator Hatch was inquiring about the Senate Health, Education, Labor, and Pensions Committee reform plan that would require insurance carriers to contract with "essential community providers." These providers would include women's health clinics such as Planned Parenthood. While Mikulski tried to deny that this would expand or mandate insurance coverage for abortion, she was not very convincing. When Hatch asked if she would be willing to add language about not including abortion services, Mikulski said she would not be willing to do that at this time.

The federal government would control the health insurance exchange and all insurance companies would have to abide by its rules in order to play the game. Giving the government this level of control over healthcare coverage is simply not necessary and not in America's best interests.

• *Reform should prioritize prevention over treatment*: President Obama bills prevention primarily as a cost saver, but this really doesn't pan out so clearly. Certain preventative measures will save money because they cost very little, avoid expensive treatments, and yield positive side effects. Quitting smoking, stopping alcohol abuse, eating a proper diet, and getting exercise are all relatively inexpensive ways to reduce the risk of costly medical care while improving overall health, fitness, and productivity. But the only way to *make* people live healthier lives is to either severely penalize anything the government deems unhealthy — such as putting a $5.00 tax on a pack of cigarettes or on an ice cream cone, cookie, or pastry — or give large incentives for healthy living — such as government-subsidized, inexpensive fruits and vegetables or tax breaks for non-smokers.

But do we really want a Nanny State telling us what we should or should not eat or drink or how much we should exercise? Shouldn't we, as responsible adults, be able to make such decisions for ourselves? Of course, if government is providing healthcare, then government would naturally see itself as being responsible for ensuring that we live healthy lives.

Hospital-based or doctor-based preventative measures have their own problems: they have diminishing returns when they are expensive, or they may lack positive side effects or actually have negative side effects. Screening a large population for a particular type of cancer can be expensive if only a small segment is expected to suffer from it. The cost of testing every person outweighs the cost savings of early detection in a very few people, and those tested gain no quality of life for having been screened unless a problem is found. Heart attack survivors will benefit from efforts to reduce cholesterol and avoid another attack, but trying to reduce cholesterol in the general population can end up wasting money on a large number of perfectly healthy people who will never experience heart trouble and who will gain nothing from the effort.

• *Reform should create incentives for quality of care rather than quantity of care by identifying "best practices" and standardizing them across the country*: Sounds good. After all, who wouldn't prefer to undergo one really thorough test that immediately found the problem rather than being poked and prodded through a half-dozen different procedures? Real life isn't like that though; doctors frequently need multiple tests to determine the correct treatment and, unfortunately, to protect against malpractice suits.

The president states that the best practice can be determined and applied uniformly throughout the nation. One size fits all with no reference to a person's unique circumstances. This isn't just about standardizing bedpans and rubber gloves. If a person is deemed too old for hip replacement or a pacemaker, he will have to do without. If abortion for pregnant teenagers is declared a "best practice," then it will be covered by the taxpayer-supported public plan and any insurer who wants to participate in the health insurance exchange.

Also, according to Dr. Jane Orient, executive director of the Association of American Physicians and Surgeons, locking in "best practices" is foolish because doctors and researchers are always (at least under the present system) coming up with new "best practices" — cheaper and more efficacious than the old ones. In fact, she says, "Opinion changes about every five years concerning best practices to care for patients." Giving government the power to step between patient and doctor puts them both at the mercy of some distant bureaucrat in Washington whose main incentive is saving money, not saving

lives. If Obama's reforms are implemented, Americans had better hope they only experience health problems that can be solved by government-approved methods.

• *Reform should include establishing a national medical records database to cut down on paperwork and facilitate care*: Thankfully, most doctors and nurses would prefer to be caring for patients rather than plowing through tedious paperwork. Unfortunately, here again government intervention is being suggested to solve a problem that government intervention is largely responsible for in the first place.

The problem has been noted for some time, and the Heritage Foundation issued a report in 2000 entitled *How Medicare Paperwork Abuses Doctors and Harms Patients*. The report states that "the Medicare bureaucracy demands copious record-keeping to justify all billings." Medicare can demand repayment of any bill it has paid if the documentation is not extensive enough. "Even if the actual service provided is wholly proper and reimbursable, the lack of contemporaneous documentation in the medical file is, in the minds of the Medicare bureaucrats, a basis for demanding repayment of fees."

Will computerizing this save money as the president claims? *Annals of Internal Medicine* published an article in 2005 estimating the cost of a national medical records database at $156 billion in initial capital investment over five years, with an annual operating cost of $48 billion. The only cost savings they gave was to mention a study that estimated the computerized physician order entry portion of the system could save $44 billion per year, not enough to justify the system by itself. *Annals* concluded, "Further work is necessary to demonstrate the returns on IT investments."

This work should factor in the financially costly and potentially life-threatening problems that these computerized systems can cause. *Computer Weekly* reported in August of 2008 about how "big problems hit Royal Free's Cerner care records roll-out." Royal Free is a medical center in England that treats 500,000 patients per year. When they went live with the Cerner Millennium Care Records Service — a software package that is "a central part of plans to build a database of 50 million summary health records" in England — they ran into "significant" problems including "system crashes, delays booking patient appointments and data missing in records." *Computer Weekly* added that "appointments are said to have been lost in the system — and some staff have told the local paper, the *Camden New Journal*, that there have been weeks of 'chaos.' One clinician said more time was being spent on booking appointments than in his clinic [treating] patients." Putting health information technology in government hands is no panacea.

Pam Dixon of the World Privacy Forum in 2006 wrote *Medical Identity Theft: The Information Crime that Can Kill You* (pdf). Her title is dramatic because centralizing medical information drastically increases the damage that can be done by identity theft.

She points out that people are already suffering from having their blood type or medical history changed by criminals who want free medical care at their victim's expense. The victim is not only saddled with bills he never incurred but with changes to his medical history that may cause doctors to administer incorrect treatments in the future. The effort to create a National Health Information Network (NHIN) — a nationwide computerized database such as the president is promoting — brings with it a unique set of problems.

Dixon summarizes her assessment: "Given the insider nature of this crime, any digitization of medical files in electronic health records and any proposed NHIN needs to be built with an understanding that some doctors, nurses, clinics, and hospitals — as well as their administrative staffs — may be the bad actors. This poses significant security hurdles, but if these issues are not taken into account now, then

the NHIN and other electronic systems can become a means to potentially perpetuate medical errors across the county and facilitate medical identity theft."

• *Reform should include a government-run insurance plan open to anyone who doesn't qualify for Medicare*: A government-run, public insurance option would have no reason to exist if it does not offer lower premiums than private-sector companies. By paying healthcare providers at somewhere around the Medicare rate, the public plan could offer lower premiums, as the Lewin Group has determined. This would not keep insurance companies honest so much as it would force them to compete with a public plan that doesn't pay an honest wage to healthcare providers. It's as much as admitting that the public plan is meant to bankrupt private insurance companies.

Remember the Lewin Group's estimate that 70 percent of those receiving private insurance through their employer would likely switch to the public plan. As this happens, the customer base for private companies would continually be shrinking. Private companies would have to raise rates because they would have fewer customers to spread their operating costs over. Those costs would continually rise because the companies would cover people regardless of risk or preexisting conditions and because healthcare providers would charge them more to compensate for the public plan's lower payments.

Eventually, many private companies would go out of business, leaving only the public option and a few private carriers for the very wealthy. Rather than increasing competition and providing more choice, the government-run plan would decrease the number of competitors and would likely result in single-payer, fully socialized medicine.

With payments to healthcare providers set below market rates, and with no relationship between Americans' insurance payments and how much they use or don't use healthcare services, the healthcare system would soon be strained, followed by shortages and rationing of services.

A Second Opinion

Congressman Ron Paul (R-Texas), a physician, would write quite a different prescription than President Obama has proposed. Dr. Paul recognizes that American healthcare is currently operating in a managed-care system, not a free market. He explained this in a YouTube video entitled "Congressman Ron Paul on Healthcare" that was posted on June 18 by his Campaign for Liberty. The parts of healthcare that aren't covered by insurance, such as plastic surgery or laser eye surgery to correct vision, are experiencing a reduction in prices because surgeons need to compete for business. This is the model that could be restored to all of medical care by getting government out of the picture.

Dr. Paul was interviewed by Yahoo! Finance's Tech Ticker on July 16. He pointed out that the cost projections for President Obama's healthcare reform are almost certainly going to be as far off as previous projections for other government healthcare programs. "They've never been right on projects of medical programs; whether it was Medicare or Medicaid or prescription drugs, they're always off by 100%, 200%. It always costs a lot more."

Noting that our current healthcare system "is a boondoggle created by the federal government," Paul sees the White House as determined to continue down the same old path: "This administration said, 'No, all we need is to spend, borrow, print and just pass out the goodies and everyone is going to love us.' "

Dr. Paul, on the other hand, knows that the only need is to do what is best for Americans. "I want everybody to have maximum care at the best price, and that's why I want the government out of it completely. There is no authority for the federal government to be in medicine, except for military

personal."

Single-payer Socialized Medicine

Obama, in his Rose Garden speech, promised us a healthcare rose garden, but what is he really cultivating over the long haul? A video of his 2003 appearance at an AFL-CIO conference lets the cat out of the bag, and it's more of a tiger than a tiger lily. Obama told the crowd: "I happen to be a proponent of a single payer, universal healthcare plan.... That's what I'd like to see, but as all of you know, we may not get there immediately." Like a good gardener, he knows that the seeds he sows will not sprout and bear fruit overnight, but if he nurtures a single-payer, socialized medicine system step by step, his patience may someday be rewarded.