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"CLINTON 'LITE'" HEALTH CARE REFORM: A WOLF IN SHEEP'S CLOTHING

Support for the Clintons' health care reform proposal has declined since it has been revealed as a big government takeover of health care. Attention and growing support has shifted to the bi-partisan Managed Competition Act of 1993, H.R. 3222, introduced by Rep. Jim Cooper (D-TN) as a more moderate alternative. It is not.

Cooper claims his bill is "a market-based approach to health care reform." However, Cooper's bill represents a market approach only in the trivial sense that it is somewhat less intrusive of private decision making than the Clintons' plan and the "single payer" or national health insurance plan introduced by Senator Paul Wellstone (D-MN) and Rep. Jim McDermott (D-WA). In reality, Cooper correctly characterizes his plan as "Clinton 'Lite'." The Cooper proposal would significantly increase the role of government in the provision and financing of health care services. In this regard, the Clintons' plan can be characterized as Cooper Heavy because first Cooper's, and later the Clintons' proposals, were derived from the same "managed competition" model.

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There are several clues that suggest that the Cooper bill would move health care in America away from market based decision making and toward greater government control. First, it would involve large tax and spending increases. The proposal would limit the amount of health insurance premiums that companies could deduct from their taxable income. This limitation would both exert control over health insurance and raise revenues for additional federal spending. Cooper would also deny tax deductions to plans that use risk pools instead of community rating to establish premium rates. People with healthy habits would subsidize the premium costs of people who engage in unhealthy behavior, such as drug or alcohol abuse, promiscuous sex, or mountain climbing. Cooper's plan also includes a new mandatory tax on health insurance premiums (up to 1%) that would be paid to Health Plan Purchasing Cooperatives (HPPCs), his version of the Clintons' Regional Alliances. HPPCs, to be established as regional, geographic monopolies by the states, would collect and then distribute all individual and small business employee health insurance premiums.

Cooper's plan would have the government dictate a new one-size-fits all system of health care delivery and health insurance coverage. Like the Clintons' plan, Cooper's would establish a new federal bureaucracy, a Health Care Standards Commission, that would define a standard health benefit package. His plan, moreover, would practically force Americans to receive their health care from federally-approved "Accountable Health Plans" (AHPs) which resemble HMOs (Health Maintenance Organizations). In order to be approved, AHPs would have to maintain and provide the government with extensive records about medical outcomes, treatment costs, and patient satisfaction. If a company or individual participates in an AHP, the premiums are considered a

legitimate expense and would be deductible for tax purposes. For plans or benefits other than the officially approved AHPs and standard package, no deductions would be allowed. Large businesses could set up their own AHPs, but with the same restrictions. Preferences for fee-for-service medical care or a non-standard benefits package would be discouraged.

Furthermore, even for AHPs, deductions would be limited to the cost of the lowest priced plan in the area in which a company or individual is located. Government's taxing power would be used to dictate both the kind of health care and the amount of health insurance for all citizens.

The Cooper plan would provide some positive changes. The current disparity in the tax deduction of health benefits for self-employed individuals versus employees (25% instead of 100%) would be eliminated. Notwithstanding the tax limitations already noted, employees, and not employers, would choose their health care delivery and financing plan with the opportunity to change plans once a year. Unlike the Clintons' plan, employers would not be mandated to subsidize their employees' health benefits. Regulations by many states that prevent individuals and small businesses from obtaining group rate coverage would be eliminated. Cooper's plan also provides for malpractice reforms to limit non-economic damages.

The Cooper plan would also abolish Medicaid. In its place, however, the plan would create a new system of means-tested federal subsidies that would expand coverage to low-income individuals with incomes up to 200% of the poverty level. Assuming this provision would greatly reduce the number of uninsured, it raises serious questions about why the entire health care delivery and financing system must also be changed.

As noted earlier, Cooper's plan includes hefty increases in federal spending on an array of other new health care programs. While states would be relieved of their current Medicaid expenditures, they would be faced with a new unfunded federal mandate to establish programs for long term care. The bill would create new federal programs for health care in rural and underserved areas. The plan would also increase funding for politically popular health initiatives including immunization grants, lead poisoning prevention, breast and cervical cancer screening, early AIDS intervention, and primary care physician training.

The Congressional Budget Office (CBO) estimates that the Cooper plan would increase federal spending by $25 billion a year. The spending would be financed with the changes in deductions, repeal of Medicaid, and price controls on Medicare providers. In addition, the subsidy for upper income individuals' Medicare Part B premiums would be phased out. It is doubtful that the new taxes would raise the projected revenues. There is no question, however, that Cooper would expand government control over resources that would otherwise be used in the private sector. Such a large transfer of revenues from market-allocated private sector uses to politically-allocated public-sector uses would reduce overall economic efficiency, slowing economic growth, and reducing employment.

A test of any so-called market based proposal for health care reform is whether it expands individuals' choices and reduces government control. The Cooper proposal fails this test absolutely. It is solidly based on the model of government command and control. Any truly market-based solution would not be based on "managed" competition — an oxymoron — but on free competition. Instead of allowing individuals, employees, and employers to choose the kinds of health care and coverage that best suits their needs, the Cooper, Clintons', and single-payer plans, would entrust these choices to a combination of Washington bureaucrats and special interests. The differences among these plans are primarily cosmetic. Where the Clinton plan is loaded with mind-numbing details, the single-payer plan substitutes deceptive simplicity, and the Cooper plan

has vague generalities. All share the same discredited implication that the decisions of government elites generate greater social wellbeing than the voluntary decisions made by individuals in their own self-interest.

The health care market in the United States has, for most of this century, been under extensive government control and influence. Through the Medicare and Medicaid programs, the government has contributed to escalating health care costs by severing, for many in the population, any relationship between paying the bills and receiving the health care benefits. This has encouraged consumption with no consideration of costs, which has contributed to the escalating demand for health care services.

The Cooper proposal does nothing to ameliorate these problems. In addition, the bill would heap new costs on a private sector that has already been unduly burdened with new taxes and regulations. A true market approach to health care that includes deregulation of both health insurance and the provision of health care services would certainly be welcome. Such an approach might also include the use of saving vehicles like Medical Savings Accounts, similar to IRAs, that would not only ease access to health care and health insurance but would also enhance the potential for economic growth by reducing the tax burden on saving in general. Unfortunately, the Cooper proposal is not even a step in this direction.

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