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Welcome to Post Office Health Care by Sheldon Richman

America's health-care system has problems — all traceable to government intervention — but it could be worse. And if the so-called reform emerging in Congress is enacted, it *will* be worse.

The nub of the plan is that everyone must have health insurance and that all but the smallest employers should provide it. If someone doesn't have coverage, he'll be penalized. Low-income people would be subsidized. Government would determine what's covered, which would set off a lobbying frenzy by providers of "indispensable" services and products. (This goes on in the states.) So people will have coverage they might not want. Insurers could not deny coverage or charge higher premiums to people already ill.

The mandate to insure everyone and charge the same price regardless of health means that some will be forced to subsidize others. People of whatever income level whose insurance premiums would have been lower without the mandate will have to spend more because risk-based premiums will be illegal. That is not insurance; it's welfare.

Moreover, if government forces everyone to buy insurance while promising to keep health-care costs down, it will have an incentive to compel insurance companies to hold premiums artificially low. Since premiums will be set lower than the market would set them, insurance companies may choose not to write medical policies. What will the government do then? Order them to stay in business? Subsidize them?

Probably neither — because a key feature that President Obama and Sen. Edward Kennedy favor is a government insurance plan to compete with private companies. (There is opposition in Congress to this.) Obama says the "public option" would keep private companies "honest."

People who distrust free markets love to imagine scenarios in which powerful companies engage in "predatory" competition to drive their rivals into bankruptcy. Yet such people have no objection to a government competitor in health insurance. Since any government program will be able to call on the taxpayers for financial support, it will be able to compete unfairly against private firms and perhaps drive them out of business.

President Obama insists that people will be free to keep their current insurance plans. But what if the companies leave the market after the subsidized government program predatorily cuts its premium to a below-market level?

The politicians' promises about choice are worthless.

With the government in control and trying to contain costs through price controls, the likely outcome will be shortages and rationing — which means greater government power and less freedom for the rest of us. A growing list of services won't be covered. Waiting lists will grow. Such things happen in single-payer countries and with Medicare.

Under the emerging plan, the government would also create insurance exchanges. The *New York Times* reports, "The new entities would also act as financial intermediaries, receiving subsidy payments from the government and sending the money to insurance companies. The insurance exchanges would also redistribute money among health insurance plans, from those with a large share of healthy subscribers to those with large numbers of sick people."

If that isn't a recipe for favoritism, corruption, and special-interest jockeying, there's no such thing.

Obama promises that the new system, which he estimates will cost \$1.5 trillion over a decade, won't increase the already-large deficit because he is going to save money by mandating database technology and \$200 billion to \$300 billion in Medicare and Medicaid cuts. Fat chance. The potential savings from electronic records are grossly exaggerated, studies have shown, and the promises to cut billions from medical programs for the elderly and low-income people are hard to take seriously. Wait until the lobbies get ahold of those proposals.

The upshot is that the likely reform will impose high real costs on most Americans, while ushering in rationing and regimentation. The plan does nothing to address what really keeps health care expensive: government domination of medicine. Tax policy encourages third-party payment for most Americans while government pays for much of the rest through Medicare and Medicaid, giving us an absurd system in which people use insurance for routine services and medical care appears virtually free. Thus government inflates demand, while licensing and other interventions suppress supply. That must end.

Either we free the people and the market, or say hello to Post Office health care.

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