



# US HEALTHCARE: WHAT HATH OBAMA WROUGHT?

Director of Health Policy Studies at the Cato Institute, **Michael F Cannon**, addresses the pros and cons of ObamaCare



**THE HEALTHCARE LAW** that President Barack Obama signed on 23 March stands among the most sweeping pieces of social legislation in the United States' history. By 2014, it will have conscripted nearly the entire US population into a compulsory health insurance scheme. Whether the law deserves to be seen as a *reform*, however, depends on one's perspective. To the Left, the law is milquetoast. It fails to establish a 'single-payer' health care system, as adopted by Canada or the UK, or even a robust 'public option' to compete with private insurers. 'ObamaCare' likewise infuriates the Right, which considers the law to be a great leap toward socialism – conservatives thought it only fitting when Comrade Fidel hailed the new law as a 'miracle'. The law's supporters, meanwhile, probably felt French President Nicolas Sarkozy's backhanded compliment to be more appropriate: 'Welcome to the club of countries that does not dump its sick people.'

On the surface, America appears to deserve both

healthcare system already rife with illogic. But President Obama has now issued such a guarantee. Nearly all legal US residents must purchase health insurance by 2014, under threat of fines and imprisonment. Private insurers may vary premiums based on age and smoking status, and for individuals versus families; but they may neither deny coverage to the sick nor charge them higher premiums than anyone else. Those whom the government deems unable to afford coverage will either receive it directly from the government or via subsidised private insurance. Thus it finally appears – on paper, anyway – as though the US will no longer deny medical care to sick people.

There is, of course, many a slip twixt the cup and the lip. Governments everywhere do a better job of issuing guarantees than delivering on them. For decades, the US government has guaranteed medical care to low-income children through the Medicaid program. That guarantee, however, did not prevent the death of a

12-year-old Maryland boy named Deamonte Driver. In 2007, Driver succumbed to

an overwhelming infection that began in an abscessed tooth. His senseless death could have been prevented with a simple tooth extraction, yet his mother could not find a dentist willing to accept Medicaid's meager payments. Of the estimated 32 million uninsured

**THE HEALTHCARE LAW... STANDS AMONG THE MOST SWEEPING PIECES OF SOCIAL LEGISLATION IN THE UNITED STATES' HISTORY.**

*entendres*. The US had been the last of the economically developed nations not to provide a government guarantee of health insurance coverage to all its citizens. To its European friends, that was the most baffling aspect of a





Americans that the new law will cover, about half can expect the same guarantee that Driver was given.

Indeed, every member of Sarkozy's 'club' has its stories of sick people who have been 'dumped', in one manner or another, despite laws that officially preclude such things from ever happening. In 2005, Canada's Supreme Court wrote of its country's Medicare system:

'Access to a waiting list is not access to healthcare. As we noted above, there is unchallenged evidence that in some serious cases, patients die as a result of waiting lists for public health care.' The British, meanwhile, often seem more content to let the National Health Service shortchange its patients than to let an American lecture them about how often it happens.

The checkered history of government guarantees is why so many Americans – a majority, in fact – oppose President Obama's new law, which they believe will move the US even further from Sarkozy's ideal world than it is now.

Consider the requirement that insurers charge everyone of a given age the same premium, regardless of their health status. Despite its compassionate overtones, this requirement will effectively deny care to sick Americans who are content with their existing coverage. If healthy people cost \$5,000 to insure and sick people cost \$25,000, forcing insurers to charge everyone the same \$10,000 premium turns every sick person into a \$15,000 liability. Consequently, insurance plans that provide quality care to those sick patients will quickly go out of business, as research by one of President Obama's economic advisors confirms. If private insurers are to survive, then they will do whatever they can to avoid the sick, including denying their claims, because that is what the government's price controls reward.

Or consider how those same price controls could cause private markets to collapse. My colleague Victoria Payne and I calculate that under Obama's law, healthy individuals could save \$3,000 annually – and

coverage in an ever more vicious cycle.

Technically, in any event sick Americans will still have a legal right to coverage, but they may find this 'guarantee' to be of cold comfort when that 'right' may only be realised through a private insurer that doesn't want them or a government program that doesn't think their health is worth much. Of greater comfort would be innovations



MY COLLEAGUE VICTORIA PAYNE AND I CALCULATE THAT UNDER OBAMA'S LAW, HEALTHY INDIVIDUALS COULD SAVE \$3,000 ANNUALLY...

BY DROPPING THEIR COVERAGE, PAYING THE FINES, AND WAITING

UNTIL THEY ARE SICK TO BUY COVERAGE AGAIN.

that genuinely made

healthcare more effective, affordable and secure. Fortunately, whatever the faults of its healthcare sector (and there are many), the US has long proven itself to be conducive to medical innovation, both technical and administrative.

A recent Cato Institute study found that the US has been home to most of the important medical advances made over the past 40 years. In some fields, America contributes more important innovations than all other nations combined. These innovations are preventing sick people from being 'dumped' throughout the world.

Furthermore, when the US government has given market forces room to breathe, entrepreneurs have devised innovative ways of delivering healthcare. Integrated health plans such as Kaiser Permanente, which has fared well in comparison with the NHS, reduce the cost of care and deploy electronic medical records that make medicine better, safer and more convenient.

American innovation has also made health insurance more secure. Decades ago, private markets catered to the \$5,000 patient's fear of becoming a \$25,000 patient by guaranteeing that her premiums would rise no faster than for the rest of the pool, no matter how sick she got. Private markets are now just one step away from offering the 'holy grail' of health insurance guarantees: coverage that both protects against higher premiums and makes insurers *compete* to cover the sick, instead of avoiding them.



THE CHECKERED HISTORY OF GOVERNMENT GUARANTEES IS WHY SO MANY AMERICANS – A MAJORITY, IN

FACT – OPPOSE PRESIDENT OBAMA'S NEW LAW

families of four as much as \$8,000 – by dropping their coverage, paying the fines, and waiting until they are sick to buy coverage again. Since insurers would be required to cover them at standard premiums, healthy people would have little to lose. Perhaps Americans' sense of social solidarity will nevertheless oblige them to shell out thousands of dollars each year to private insurance companies for nothing in return. Or perhaps healthy people will drop their coverage, premiums will rise, and even more healthy people will drop their

The price controls that Obama's law imposes on pharmaceuticals and health insurance will prevent the market from expressing a demand for further innovations.

Massachusetts enacted a nearly identical law in 2006, which is already threatening to extinguish innovation in payment systems and healthcare delivery.

President Obama could have come up with a law making healthcare better, more affordable and more secure through the bottom-up process of innovation. Instead, he extended the world's most expensive health care system to 32 million more people. And he did so in a way that could 'dump' more sick Americans than ever before.

That makes ObamaCare an attractive target for repeal.

