

Obamacare Translator

July 2009



President Obama and some members of Congress are hiding behind vague and ill-defined language as they try to socialize America's health care system. FreedomWorks Foundation has developed this translator to help Americans decipher these unclear and misleading phrases so we may better understand and participate in the health care reform debate.

Terms translated:

- Single Payer
- Public Option
- Health Insurance Competition
- Employer Mandate
- Community Rating
- National Insurance Exchange
- Individual Mandate
- Massachusetts Model
- Federal Health Board
- Canadian Single Payer System
- Comparative Effectiveness
- Guaranteed Issue

FreedomWorks Foundation is a grassroots organization educating Americans about free-markets and limited government.



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FreedomWorks Foundation's mission is to educate Americans about free-market economics and limited government. We hold several educational events a year with volunteer members, as well as policy workshops with opinion-leaders and policy makers. The Foundation produces easy-to-read educational materials on our values and issues. These include booklets in plain English, online videos, and pocket cards with key facts. We believe in the power of ideas and work to make sure citizens understand the benefits of free market competition and the importance of fair and transparent regulatory, tax, and tort policy.



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Introduction

Policies advocated by proponents of more government control over our health care system are obscured by opaque terminology that makes it difficult to understand the implications of a massive federal intervention into the health care market. We have created the *Obamacare Translator* to facilitate an open and honest debate about health care reform by cutting through the misleading buzz words employed by politicians and pundits to push their agenda of more government control.

In this series, FreedomWorks Foundation identifies quotes containing misleading phrases from prominent political figures, bureaucrats, and pundits, defines the key phrase, and provides an analysis of the policy implications of that phrase.

The phrases translated are:

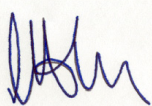
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|---------------------------------|----------------------------------|
| 1. Single Payer | 7. Individual Mandate |
| 2. Public Option | 8. Massachusetts Model |
| 3. Health Insurance Competition | 9. Federal Health Board |
| 4. Employer Mandate | 10. Canadian Single Payer System |
| 5. Community Rating | 11. Comparative Effectiveness |
| 6. National Insurance Exchange | 12. Guaranteed Issue |

These phrases sound at worst inoffensive and at best appealing, and that is why they are used. But what each one means is not self-evident. A deeper look into what these phrases mean, and at policies to which they refer, reveals plans to make changes that would decrease the quality and increase the cost of medical care, while making government even bigger.

We hope this translator will help all Americans better understand the implications of one of the biggest policy changes that Washington has pushed in years—a government takeover of health care.

As Thomas Jefferson said to Dupont de Nemours in 1816, “Enlighten the people generally, and tyranny and oppressions of body and mind will vanish like evil spirits at the dawn of day.” It is our hope that this translator will help to enlighten the people generally about what is currently being considered in the halls of power in Washington so the encroachment on liberty that is government health care will be better understood.

Sincerely,



Matt Kibbe
President and CEO



Single Payer

“If you’re starting from scratch then a single-payer system would probably make sense.”

- Then-presidential candidate Barack Obama, *The New Yorker*, May 7, 2007

Single Payer Health Care: Single payer describes a health care system under which one entity pays for all the costs of care. For the federal government, this one entity would be the American taxpayers. The government would use taxes to fund all bills attributed to doctors and hospitals for citizens’ medical care.

FreedomWorks Analysis: There is no question that reform of the health care system is an urgent priority as costs continue to rise. A single payer system would provide care to all citizens at little to no marginal cost in exchange for higher taxes to fund health care. That may appeal to some, but there are high costs associated with care whether the patient foots the bill at the time of use or instead indirectly every day through higher taxes. Little or no fee at the time of consumption will create the perception that health care is “free” and will encourage people to consume more than they would otherwise.

The demand for care will increase when the marginal price of purchasing more medicines and having more procedures falls. In order to balance the rising demand with available supply, health care must be rationed somehow—right now we voluntarily ration, to some extent, with prices, which let us individually decide how much of a scarce resource we want to consume based on how much we are willing to pay for it. Under a single payer system, the government will force us to involuntarily ration according to our willingness to wait—and in some cases our ability to wait, as longer waiting times will ultimately mean fewer patients as some become incurable and die before getting care.

Under political pressure to drive down costs, politicians may attempt to do so by deciding what procedures are the most “cost effective.” Some receiving care now would be rationed out of such a system because they are deemed to be too costly to cure. Old or extremely ill people who could be saved by a costly but effective treatment might be excluded in the name of the “public good”.

Rather than allowing consumers to choose their own treatments in consultation with their doctors, some politicians in Congress seek to place themselves, bureaucrats, and long lines between you and your doctor. Whatever reforms Congress enacts, they should be patient-centered, rather than government-centered, and maintain the important relationship between individuals and their doctors while simultaneously driving down costs.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“It’s important to remember that in a single payer system, the only payer is still you, the taxpayer.”



Public Option

“Health care reform legislation rises and falls on whether the American public is allowed to choose a universally available public option, like Medicare, or not. If we are allowed to choose a public option like Medicare, the bill will be real health care reform.”

- Chairman of the Democratic National Convention and former Governor Howard Dean (D-Vt.) on www.standwithdean.com

Public Option: Optional health insurance provided by government is sometimes called the “public option.” Under a public option government would provide health care that consumers can choose to purchase, likely with lower rates thanks to taxpayer subsidies, or some other special benefit. Policymakers often claim that various public option plans could pay for themselves but also carry with them the possibility of taxpayer support if they are not profitable. This safety net of taxpayer dollars is an option private providers simply do not have.

FreedomWorks Analysis: Politicians and pundits stress that the public option would bring market forces to bear in the health care industry. They claim that new competition to private companies would force them to lower prices. But private health care companies already compete with each other to the extent that they are permitted to do so by law.

Insurance mandates in states require companies to provide a certain type of care to all their clients which drive up costs and limit competition. The ability to sell insurance across state lines is also currently restricted, limiting competition. Alternative reforms to the public option could bring more competition to the health care industry with no additional cost to the taxpayer. Ideally, the laws should permit more direct competition.

A public insurance plan would necessarily have to offer some benefit over private plans so that individuals and businesses would be willing to opt into them—if they did not, then no one would change plans. Subsidies at the expense of taxpayers for the public plan would likely allow it to charge lower rates than private plans. The subsidies would eventually crowd private companies out of the health care sector.

Once the private insurers are driven out of the sector, or at least minimized to bit players, the government option will dominate health insurance like Freddie Mac and Fannie Mae dominate the mortgage market: with rampant corruption, staggering inefficiency, and fiscally irresponsible business decisions that are ultimately unsustainable and drag down the rest of the economy.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“To suggest a government-run insurance ‘public option’ is the way to bring competition to the market is as ridiculous as saying the government should have created a government web browser option to compete with Internet Explorer, or a government phone company option to compete with Ma Bell.”



Health Insurance Competition

“A public plan pushes down health care premiums by injecting competition into the health insurance market, which right now has too few players and they have a stranglehold over consumers.”

- Senator Chuck Schumer (D-N.Y.), as quoted in the *Post-Journal*, June 26, 2009

Health Insurance Competition: Competition in the health insurance market is like competition in any other. Businesses must offer consumers a reason to purchase their product instead of another businesses’ product.

FreedomWorks Analysis: Given their rhetoric in the health care debate, lawmakers on both the left and the right seem to understand the power of competition as a driving force for innovation and cost reduction. The president’s argument that a government controlled public health insurance option would compete with private plans to bid costs down suggests that he too believes that competition is an effective means of improving outcomes.

But a government option with the backing of the federal treasury, and the right to the unique use of force that only the government has, would not compete on a level playing field, and would not bring the benefits that market competition between private actors brings, and about which the politicians speak. In a free market system, no company could for long hold a “stranglehold over consumers” through monopoly prices. As long as barriers to entry into the market are low, then new businesses will enter the market to compete. This is as true for the health insurance industry as it is for any other sector of the economy.

The market for insurance in this country is heavily regulated and those regulations increase the cost of entry. Several solutions have been proposed to solve the potential problem of a lack of competition, from free market reforms to a government controlled “public option” for health insurance. The simplest and lowest cost method of encouraging competition is to remove the barriers to entry created by regulation in the insurance industry. If companies were allowed to sell their insurance across state borders, for example, then more insurance companies would be able to compete with each other. Prices would fall and the market process would likely lead to more varied and affordable options in health care insurance.

Some of the health care proposals being considered by Congress carry with them price tags in excess of \$1.5 trillion. Lifting regulations and barriers to entry in the health insurance market will cost taxpayers nothing, while improving quality of care and lowering costs. More competition in the market would benefit consumers, but a government sponsored public option would decrease competition by crowding out private businesses.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Arme y says:

“The government would bring competition to the health insurance market like the bull brings fun to Pamplona: it brings a lot at first, but pretty soon everyone is running for the hills as the horns get a little too close.”



Employer Mandate

“To say that there is a tide of support for an employer mandate for health care coverage with a public program for low-income and uninsurable individuals would be a gross understatement.”

- CEO, Blue Shield of California, Bruce G. Bodaken

Employer Mandate: An employer mandate requires companies to provide their employees “meaningful” health insurance. If they do not provide health insurance, the companies have to pay into a government fund that will insure employees who do not receive insurance from their employers.

FreedomWorks Analysis: An employer mandate will effectively tax employees who are not offered insurance through their employer. Whether the employer chooses to “pay or play”, the employer will end up with less money to pay out to employees in the form of wages.

Forcing an employer to pay for insurance, some studies show, will result in lower wages for the employee in proportion to the cost of the insurance. This is because employers generally have a total cost they are willing to allocate for a particular job, and are indifferent to how it is divided between wage compensation and benefit compensation, like health insurance. If one of those two pieces of a compensation package is required by law to get bigger it will come out of the other portion.

Alternatively, if employees refuse to accept pay cuts to pay for their insurance, then the employer mandate for health care will result in greater unemployment as the total compensation package will then be more than the employer is willing to pay. It is unrealistic to expect that businesses will be able to afford to give employees a \$12,000 raise in the form of new health insurance coverage—roughly the average annual premium costs for a family with employer-sponsored insurance—and not have to lay some employees off or lower wages to come up with the funds. One National Federation of Independent Business study estimates that as many as 1.6 million jobs could be lost in five years after the passage of an employer mandate.

An employer mandate also further ties our health insurance to our employer, an oddity left over from price and wage control laws of the past. We should be moving in the other direction—where risk is diversified by separating employment and health care. As more and more Americans are finding out during this recession, it would be preferable if health insurance did not disappear with a job or could be carried from one job to the next. Reform should seek individual mobile insurance for those who want it, so when we are hit with unemployment, we do not lose our health care too.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“Too many in Congress seem to view employers like they view taxpayers: as bottomless pits from which money can be extracted without consequence. They’re wrong. If forced to provide health insurance, employers will also be forced to decide which employees to lay off and which ones to give a pay cut.”



Community Rating

“There are four pieces to this plan: a community rating, to prevent ‘cherry-picking’ by private insurers...”

*- The New York Times columnist Paul Krugman, interview for the *Bulletin of the World Health Organization*, Volume 86, Number 11, November, 817-908*

Community Rating: Insurance companies, where allowed, evaluate potential customers based on risk and set their rates according to their potential cost. Under a community rating system, an insurance provider would have to charge a single rate in a community, regardless of different lifestyles, personal choices, or prior conditions of individuals that influence their risk of illness.

FreedomWorks Analysis: The stated intent of community rating is to ensure that high-risk applicants, including those with pre-existing conditions, are offered health insurance at the same price as healthy applicants. Though well intentioned, these mandates inevitably lead to disaster. If health insurance companies are required to insure sick people at the same rates as everyone else, healthy people have no reason to buy health insurance until they become sick. As a result, only sick people will buy insurance, and the cost of coverage will escalate.

If prices controls are put in place to prevent this predictable price increase, we would likely see a reduced supply of health insurance options and more limited coverage. If insurance companies are not allowed to charge enough to cover their costs, they will have to either close down or offer only as much coverage as the price cap covers. The end result is more uninsured, not fewer.

In fact, in *NBER Working Paper No. 12504*, Bradley Herring and Mark V. Pauly find this is already happening in states with mandated community rating, where there has been “a slight increase in the proportion uninsured, as increases in low risk uninsureds more than offset decreases in high risk uninsureds.” The same paper finds that high risk individuals in states without community rating have found ways to get affordable insurance by voluntarily pooling together to spread the risk—bringing down prices without a government mandate. The same NBER paper finds, “the extent of pooling in the absence of regulation is substantial” in unregulated states and as a result high risk individuals in those states only pay “modestly higher premiums.”

The common alternative to community rating is “experience rating” where insurance companies determine how much an insurance policy should cost by using historical data to calculate an applicant’s risk of future claims.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“Community rating is the dumbing-down of the health insurance market. It tells insurance companies they have to look the other way when I tell them I smoke and eat too much, and haven’t been to the gym in years. And it tells them to just charge my health nut neighbor more for insurance to cover any costs I might cause. That’d be mighty nice of him, but it sure is a lousy model for America’s health care.”



National Insurance Exchange

“Central to the Commission’s strategy is establishing a national insurance exchange that offers a choice of private plans and a new public plan, with reforms to make coverage affordable, ensure access, and lower administrative costs.”

- Commission on a High Performance Health System, February 19, 2009

National Insurance Exchange: A national exchange or gateway links individuals with health care plans that fit requirements set by politicians or bureaucrats under various proposals for greater government control over health care. Some politicians claim that a national exchange would assist those seeking insurance plans find a plan.

FreedomWorks Analysis: A national exchange would increase bureaucratic control and politicize health care choices, which would result in limits on a patient’s freedom to choose a health care plan that fits his or her personal needs and desires. When faced with the opportunity to exclude certain types of health insurance from the national exchange, politicians and bureaucrats would likely use their power to pressure providers into offering the type of care that government officials rather than consumers deemed worthy.

Those preferences will be driven by those with more lobbying clout, as they have been in deciding state insurance mandates, rather than what individuals want, as would be the case in a free market for health insurance. When thinking about the benefits of having a particular type of medicine, medical device, or type of therapy required by law to be included in an insurance plan in order to be included in the national exchange, it is easy to see why a company would invest heavily in lobbying for such inclusion.

Insurance companies would be compelled to find ways to satisfy their new quasi-regulators, instead of seeking plans that would satisfy their customers. A national insurance exchange would distort the incentives created in a free market for businesses to please their customers. We have seen already what state mandates and regulations can do to increase costs and reduce coverage. Massachusetts uses a “connector” similar to the proposed national exchange to filter consumers into various plans.

Rather than creating a national insurance exchange to filter insurance through bureaucrats to consumers, insurance companies should be free to offer their services across state lines and advertise the benefits of their plans freely to consumers.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“Just because the government doesn’t allow the invisible hand of the market to work in health insurance does not mean we should insert the visible boot of the government. Remove the barriers in the health insurance market, like the prohibition on selling across state lines, and the invisible hand will guide us at no cost to the taxpayer to health insurance like it does every day to food, clothing, and shelter.”



Individual Mandate

“If you have an individual mandate, then the individual's responsible for their own health care.”

- Senator Chuck Grassley (R-Iowa), interview with CNBC, June 4, 2009

Individual Mandate: The politicians in Washington are using phrases like shared responsibility or insurance obligation to describe individual mandates. An individual mandate requires that each individual in the country have health insurance by law. Frequently associated with bills including individual mandates are rebates or subsidies for those who might be too poor to afford insurance on their own.

FreedomWorks Analysis: Requiring each individual to have insurance by law contradicts our freedom to choose and distorts the market for health care.

Some politicians claim that those without insurance increase the cost of care for those that do own insurance. They say it's a free rider problem. Some estimates of uncompensated care place the cost at only 1.7 percent of the total amount spent on health care in this country while other studies claim it to be as high as 5 percent. Even in the extreme case of 5 percent, the cost is not a significant contributor to rising health care costs, and mandating coverage for those who do not have it now is unlikely to reduce costs substantially.

If anything, an individual mandate might increase costs for many consumers while not substantially reducing it for others. A mandate would force those who do not own insurance to pay for it—which means less money for them to spend on other goods, even if they can afford to pay their health care bills without insurance. Over 17 million Americans earning over \$50,000 per year do not have health insurance. An individual mandate would force them to purchase it and hand their money over to insurance companies.

The costs of enforcing an individual mandate may be extremely high. Since as many as 27 million Americans do not file tax returns, the government would likely have to find another way to monitor whether or not every American has insurance. The cost of monitoring this sort of behavior would be very costly to the taxpayers.

The cost of enforcement, plus more health care consumption, plus the cost of subsidizing even more health insurance through the rebates to individuals—beyond the social safety net that already exists for the poor through Medicaid, the young through SCHIP, and the elderly through Medicare—is unlikely to be less than the 1.7 to 5 percent of health care costs currently attributed to covering the uninsured.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“The busy bodies in Washington will be even busier looking into our private lives if an individual mandate for health insurance is enacted. Like the King of England that caused our forefathers to declare independence, they will have to erect a multitude of new offices and send hither swarms of officers to harass us to make sure we have insurance.”



Massachusetts Model

“The Massachusetts model should serve as a roadmap for the rest of the nation.”

- Sen. John Kerry (D-Mass.), Marketwire news release from Surescripts, June 22, 2009

Massachusetts Model: Gov. Mitt Romney (R-Mass.) enacted broad health care reform in Massachusetts in 2006 including individual and employer mandates and a government connector program, like the proposed national exchange, which links citizens with insurers. This set of reforms was supposed to provide health care to all Massachusetts citizens and to ensure that businesses provide their employees with adequate care.

FreedomWorks Analysis: The Massachusetts model has failed to provide full coverage or decrease costs. Instead of serving as a model for a new national health care system, it demonstrates exactly what not to institute—specifically, an individual mandate, an employer mandate, and a connector (or exchange).

The individual mandate in the state charges up to \$912 for failure to have health insurance even if one can afford to pay medical bills without it. This imposes unnecessary costs on individuals who do not want insurance. Moreover, it violates the most basic liberty—the freedom to spend one’s money as he or she wishes.

High end national estimates of the costs of treating the uninsured do not exceed 5 percent of the total cost of health care. The individual mandate is intended to reduce these costs, but in Massachusetts it may end up costing citizens even more. Those who did acquire insurance coverage have seen their premiums rise 7.4 percent in 2007, 8.2 percent in 2008, and an estimated 9 percent this year. Major budget concerns plague this model: it was projected to cost \$1.56 billion per year, but estimates place the cost at over \$1.9 billion for 2009. Despite such high costs and an individual mandate, the Massachusetts model has left 200,000 people uninsured.

While waiting times have only begun to grow slightly, the amount of health care demanded has increased since the program’s inception. This is not surprising, since the number of insured in the state has risen. However, without an equal or greater increase in supply (which likely means more spending), an increase in demand must drive prices higher or availability lower. In the future, either higher costs or long waiting times are likely to become more common as the system takes on more patients and maintains the same amount of care providers—although, reports say doctors are leaving Massachusetts, which will accelerate these problems.

Some politicians are considering the Massachusetts model for health care on a national level, but with so many setbacks since its inception in 2006, one can only hope that current legislators have learned enough from the plan not to enact it.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“Massachusetts should be a model for photographs of fall foliage, but not for health insurance reform, unless we want higher costs and longer lines.”



Federal Health Board

"A Federal Health Board should be charged with establishing the system's framework and filling in most of the details. This independent board would be insulated from political pressure."

- Former Secretary of Health and Human Services nominee and Senator Tom Daschle (D-S.D.), *Critical: What We Can Do About the Health-Care Crisis*, pages 108-109

Federal Health Board: The Federal Health Board would be a bureaucratic entity modeled after the Federal Reserve to regulate public and private health care providers in a similar way to how the Federal Reserve regulates banks. The Board, described in Mr. Daschle's book, would shift the power to regulate health care from Congress to bureaucrats with the intention of substantially increasing the role of government in the industry.

FreedomWorks Analysis: Daschle explains that health care reform legislation should simply call for shifting the power of health care decisions into the hands of unelected bureaucrats on the Federal Health Board, rather than trying to pass detailed legislation through skeptical elected representatives in Congress.

One of the primary purposes of the Board, according to Daschle, is to reduce the cost of care. One way the Board would do that is through the use of government comparative effectiveness research to evaluate the relative prices of various medical practices compared to their potential outcomes. The Board would likely create an equation to decide whether a treatment, even if it is potentially effective, is worth the cost. If they find a treatment for patients over a certain age to be "too costly," then the board might have the power to ration care away from those individuals.

Over time the bureaucrats on the Federal Health Board would expand their power as the Federal Reserve Board has over its history to eventually achieve Mr. Daschle's goal of socialized health care. Legislation that hands this much power over to the executive branch, like the creation of the Troubled Asset Relief Program, is viewed by some scholars as unconstitutional on the non-delegation principle—the principle that Congress can only delegate away so much of its responsibility.

After the failure of the Federal Reserve Board to prevent the financial and housing crises, it is surprising that lawmakers would even consider creating a similar, new, and powerful entity for health care. The Federal Health Board may lower costs in the short term, but it can only do so at the expense of quality of care and loss of individual control over personal health care.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

"The Supreme Court found FDR's National Recovery Board unconstitutional, it should find Bush's TARP bailout unconstitutional, and it would find Sen. Daschle's Federal Health Board unconstitutional. They all violate the non-delegation principle which says Congress can't abdicate that much responsibility."



Canadian Single Payer System

“Have you been hearing that prime minister [of Canada] — a real conservative guy — saying, ‘We’ve got to end the Canadian single-payer system and move to an American system?’ I haven’t heard that.”

- Sen. Bernie Sanders (I-Vt.), “Your World With Neil Cavuto,” July 6, 2009

Canadian Single Payer System: Under the Canadian single payer system, the taxpayer is responsible for providing coverage for the medical expenses and procedures of all Canadian citizens. Taxpayers cover roughly 70 percent of all medical expenses and treatments through the government system, while they pay privately for prescription drugs and services including dentistry and optometry.

FreedomWorks Analysis: Some in Washington have championed the Canadian single payer system because it is able to claim “universal coverage.” However, the drawbacks to such a system outweigh the benefit of being able to make such a claim.

One of the major downsides of the Canadian system is the extreme wait times for treatment. The average wait for a 65 year old man to get a hip replacement is 6 months. The average cancer test and radiation treatment cycles vary between 6 to 8 weeks. Finally, the average wait time to be admitted to a hospital from an emergency room in a Quebec hospital is now up to 16 hours and 18 minutes according to the Montreal newspaper, *La Presse*. Many of those waiting for treatment are contending with serious illnesses and injuries.

If America enacted a similar system, Americans, too, would be subject to such waiting times. The lack of a private sector in health care in Canada would also be the likely outcome of any such system imposed in the United States.

A study by Dr. Coleen Flood and Mr. Tom Archibald of the University of Toronto titled, “The Illegality of Private Health Care in Canada” finds that “Private insurance for medically necessary hospital and physician services is illegal in only 6 of the 10 provinces. Nonetheless, a significant private sector has not developed in any of the 4 provinces that do permit private insurance coverage.”

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“The only part of the Canadian single payer system I think is worth replicating is having Canadian taxpayers pay for everyone’s insurance. But I don’t think that the Left has that in mind. They want an American single payer system in which the American taxpayer is the single payer.”



Comparative Effectiveness

“Comparative effectiveness research can improve care for all Americans and is an important element of President Obama’s health reform plan.”

- Spokeswoman, Department of Health and Human Services, Jenny Baucus

Comparative Effectiveness: This is the evaluation of health care practices to compare their relative effectiveness and costs. Private companies use it to determine the most cost effective means of treating patients. Government may employ evidence from such studies to ration health care, one of the primary ways health care spending can be reduced.

FreedomWorks Analysis: President Bush in 2004 launched a program to study the comparative effectiveness of various medical practices. Another \$1.1 billion was included in the “stimulus” bill to fund further comparative effectiveness research. Forthcoming health care legislation might include more funding that would cost taxpayers even more money.

As costly as such research is, what is most concerning is that the research leads to rationed health care, lowering the quality of health care received. Putting control of health care decisions in the hands of politicians could be dangerous—especially if the goal of reform is to reduce costs. A federal health board could use the comparative effectiveness research to ration care according to cost.

For example, an elderly man diagnosed with an advanced stage of cancer could face a test of cost-effectiveness of care before treatment could begin. His doctor, under a system governed by a Federal Health Board using comparative effectiveness research to ration care according to cost, might have to refer to his government-issued guide on whether or not to offer his elderly patient care. If the treatments are too expensive, then that patient would be denied care.

This is the epitome of putting a distant bureaucrat between you and your doctor, and giving that bureaucrat the power to make life-or-death decisions on patients he or she has never and will never meet.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“George Orwell couldn’t have come up with a better phrase for Big Brother forcing well-intentioned doctors to cut costs by denying care to the old and sick than ‘comparative effectiveness’.”



Guaranteed Issue

“[I]n the absence of universal health care, which is present in every industrial country in the world but the United States, guaranteed issue and community rating are the only humane policy.”

*- Chairman of the Democratic National Convention and former Governor Howard Dean (D-Vt.), *The New York Times*, May 2, 2004*

Guaranteed Issue: This policy, also known as “prohibiting insurers from excluding,” forces insurance companies to accept all applicants for health insurance regardless of the potential costs.

FreedomWorks Analysis: Government interference usually causes harmful unintended consequences and rarely the desired results. Prohibiting health insurance providers from excluding certain applicants may sound like a good idea, but doing so will only make health care less effective and more costly. There are alternatives to more intervention that can provide affordable insurance for those with pre-existing conditions without driving up the costs of insurance available to the rest.

If insurers are required to sell insurance to anyone who wants it, regardless of risk, they would respond by charging prohibitively high rates to those with pre-existing conditions in order to cover the potential costs or to avoid having to insure them at all. Lawmakers certainly foresee this possibility and will likely provide legislation to prevent such behavior by requiring insurance companies to offer insurance at mandated rates (called community rating, see page 8). When paired with community rating to remedy potential problems caused by guaranteed issue, companies might offer only services that particularly healthy clients would want—perhaps by offering very limited services for their potentially more risky patients in order to remain profitable. This will drive a downward spiral of government control with new rules requiring all insurers to offer more services (mandated benefits) to everyone who wants it (guaranteed issue) at the same price (community rating). This is the recipe for much more expensive insurance—or, more likely, for most private insurers shutting down, putting everyone in the government program.

Whether guaranteed issue is accompanied by price controls or not, it will distort the market for health care more severely than current intervention has. Alternative methods of offering affordable insurance to those with pre-existing conditions include health-status insurance and high-risk pools.

Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey says:

“The only thing ‘guaranteed issue’ guarantees is more expensive health insurance and more government involvement. Imagine if they did this to restaurants—if restaurants had to serve dinner to everyone who wanted it (guaranteed issue) from a longer menu (to qualify for the national exchange) at the same price (community rating). The feast would be great—except that all the restaurants would close shop before I got dessert.”



Fmr. House Majority Leader and FreedomWorks Fdn. Chairman Dick Armey on...

Single Payer: *“It’s important to remember that in a single payer system, the only payer is still you, the taxpayer.”*

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Community Rating: *“Community rating is the dumbing-down of the health insurance market. It tells insurance companies they have to look the other way when I tell them I smoke and eat too much, and haven’t been to the gym in years. And it tells them to just charge my health nut neighbor more for insurance to cover any costs I might cause. That’d be mighty nice of him, but it sure is a lousy model for America’s health care.”*

National Insurance Exchange: *“Just because the government doesn’t allow the invisible hand of the market to work in health insurance does not mean we should insert the visible boot of the government. Remove the barriers in the health insurance market, like the prohibition on selling across state lines, and the invisible hand will guide us at no cost to the taxpayer to health insurance like it does every day to food, clothing, and shelter.”*

Individual Mandate: *“The busy bodies in Washington will be even busier looking into our private lives if an individual mandate for health insurance is enacted. Like the King of England that caused our forefathers to declare independence, they will have to erect a multitude of new offices and send hither swarms of officers to harass us to make sure we have insurance.”*

Massachusetts Model: *“Massachusetts should be a model for photographs of fall foliage, but not for health insurance reform, unless we want higher costs and longer lines.”*

Federal Health Board: *“The Supreme Court found FDR’s National Recovery Board unconstitutional, it should find Bush’s TARP bailout unconstitutional, and it would find Sen. Daschle’s Federal Health Board unconstitutional. They all violate the non-delegation principle which says Congress can’t abdicate that much responsibility.”*

Canadian Single Payer System: *“The only part of the Canadian single payer system I think is worth replicating is having Canadian taxpayers pay for everyone’s insurance. But I don’t think that the Left has that in mind. They want an American single payer system in which the American taxpayer is the single payer.”*

Comparative Effectiveness: *“George Orwell couldn’t have come up with a better phrase for Big Brother forcing well-intentioned doctors to cut costs by denying care to the old and sick than ‘comparative effectiveness’.”*

Guaranteed Issue: *“The only thing ‘guaranteed issue’ guarantees is more expensive health insurance and more government involvement. Imagine if they did this to restaurants—if restaurants had to serve dinner to everyone who wanted it (guaranteed issue) from a longer menu (to qualify for the national exchange) at the same price (community rating). The feast would be great—except that all the restaurants would close shop before I got dessert.”*

