



**Forbes.com**  
**November 19, 2009**

**Mending Health Care Reform**  
**By: Tom Coburn and Tevi Troy**

With unemployment numbers at 10.2%, it's not surprising that, by a 2-to-1 margin, Americans want Congress to focus on deficit reduction and economic recovery before tackling health reform. Yet, if the health bills currently in Congress were to pass, most Americans could see their economic situation decline further, and the unemployment situation would worsen.

Since just after World War II, the tax treatment of health care has effectively incentivized companies, rather than individuals, to purchase health insurance. The implications of this outdated policy have created serious distortions in our health care system.

Because health care costs are growing at more than 6%--triple the overall inflation rate--employers find themselves forced to devote limited compensation resources to pay for employee health benefits, rather than salary increases. As a result, health care costs have skyrocketed over the past decade but wages in the U.S. have not kept pace; more and more of an employee's overall compensation is being diverted to employer-managed health care with less room for wage growth. Compounding the problem, an employer's subsidy for health coverage may mean not only little wage growth, but possibly job lock, wherein employees are reluctant to test the labor market to pursue higher wages since they don't want to risk losing their health plans.

Congressional leaders aren't even attempting to solve this problem. Instead, they propose taxing businesses for not providing health insurance in a manner specified by Congress, even though the nonpartisan Congressional Budget Office has said that "requiring employers to offer health insurance--or pay a fee if they do not--is likely to reduce employment." Independent experts agree.

According to Dr. Katherine Baicker, a Harvard economist and former member of the White House Council of Economic Advisers, a new punitive tax on employers would mean that those with the least education and fewest opportunities get hit the hardest: "Workers who would lose their jobs are disproportionately likely to be high school dropouts, minority, and female ... Thus, among the uninsured, those with the least education face the highest risk of losing their jobs under employer mandates." Congressional leaders won't, of course, call this what it is: an anti-jobs tax.

Furthermore, small businesses, which employ more than half of American workers, would have the most difficulty absorbing the costs of the anti-jobs tax. The anti-jobs tax would force small businesses to eliminate and outsource jobs, or move full-time workers to part-time status.



This is not reform, and Americans know it. A recent Rasmussen poll found that roughly six out of 10 Americans believe the current plans will increase the cost of health care, and more than half expect the quality of care to decline. They have good cause for concern. In the past few weeks, 11 separate government and independent studies have found that the bills in Congress will dramatically increase premium costs for most Americans, yet still not cover all Americans. Increased premiums will make employers less likely to hire or offer coverage, and will make employees less likely to move around. The net result will be lower wages and fewer jobs.

Despite this grim prognosis, there is still hope. Even though the Senate wants to rush a flawed House bill through the chamber, Congress is not likely to finalize a bill for weeks or months. There is still time for the American people to let their voices be heard.

There are smarter reform solutions that will not cripple our economic recovery and lower wages for millions of Americans. One such idea is the Patients Choice Act, supported by one out of five Republicans in the Senate, which is designed for a 2010, not 1940s, economy. The plan would give every American a tax credit and equalize the treatment of health insurance. This means that individuals, rather than just employers, would be empowered to purchase affordable insurance. In addition, state marketplaces would be established where consumers could get coverage, regardless of health status or pre-existing conditions. Based on independent estimates, under this plan, nine out of 10 families would see a tax cut, and families earning under \$250,000 annually would save money. And in contrast to the Democratic bills, which use Enron-style accounting, the policies of the Patients Choice Act "would reduce future budget deficits, relative to projections under current law, by amounts that increased over time," according to the non-partisan CBO.

The American people are right to expect Congress to pass smart, targeted solutions that puts high quality affordable insurance within reach for every American, without threatening economic growth and job creation. Health reform should improve not only health insurance affordability, but the economic and fiscal health of our economy and nation. The American people have their priorities straight--it's about jobs and the economy. Instead, the bills before Congress advance pent up ideological goals. It's not too late for Congress to look at approaches that advance real reform.

*U.S. Sen. Tom Coburn is a practicing physician and a Republican representing Oklahoma.*

*Dr. Tevi Troy is the former deputy secretary of Health and Human Services and a former senior White House domestic policy adviser. He is currently a visiting senior fellow at the Hudson Institute and advises companies on flu preparations.*