



***National Review Online***  
**November 17, 2009**

**Roadmap to Victory: Providing a contrast would best expose the weaknesses of the Democratic health bills.**

**By: Tevi Troy & Jeff Anderson**

By proposing a health-care bill of their own, Senate Republicans can throw the extraordinary weaknesses of the Democratic bills into stark relief. In the wake of the Congressional Budget Office's recent scoring of aspects of the House Republican bill, there is now an opening for Republicans to provide a clear contrast with the proposed Democratic overhaul.

The Democratic bills are polling badly, even though they've been running largely unopposed in the eyes of most Americans. But continuing to let them run without competition would be a major political error, in both the short and long term. Republicans need to show how health-care reform should be done, improving on the unsustainable status quo while reflecting the political realities of the moment.

The House Republican bill, while imperfect and incomplete, provides a roadmap to victory. Even the *New York Times* recognizes as much, writing that "a 'cheaper' alternative" (the *Times* puts it in quotes) could scuttle the passage of the proposed Democratic agenda. The *Wall Street Journal* strikes a similar theme, writing that in the aftermath of the New Jersey and Virginia gubernatorial elections, Republicans "have an opening" to "give obviously anxious voters an alternative."

The Democrats are attempting to decrease the number of uninsured through mandates and requirements — at the tradeoff of raising costs. Americans recognize this. As a recent poll in the *Economist* shows — by the overwhelming margin of 50 to 9 percent — Americans think they would personally have to pay more if the Democrats pass a bill.

That is why the CBO's evaluation of the House Republican alternative is so encouraging. The Republican approach is to focus on lowering costs, which in turn would make coverage easier to afford — and the CBO says this approach would succeed. It estimates that the Republican bill would lower Americans' insurance premiums — by 5 to 8 percent in the small-group market, up to 3 percent in the large-group market, and 7 to 10 percent in the individual market — while increasing the number of insured by 3 million.

The House Republican bill also has an obvious weakness, as the *New York Times* and *Washington Post* were quick to note. While it would reduce the number of uninsured by far more *per dollar spent* than the Democratic bills would, it would not lower the *total number* of uninsured by nearly as much.

But the CBO score for the House GOP bill was also extremely positive in another way: It said that the bill would reduce deficits by \$68 billion. This, in tandem with the verdict that the bill would lower premiums, provides a prime opportunity for Senate Republicans to advance a proposal that does a better job of reducing the number of uninsured.

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Here's how: Senate Republicans should take the House Republican bill and add a \$2,000 per person (\$4,000 per family) tax credit — [refundable](#), [advanceable](#), and usable only to buy insurance — for those without employer-based health coverage. Currently, those who buy health insurance on the open market have to buy it with income that's already had taxes taken out of it, while those who get insurance through their employer get it tax-free. This inequality is unfair, and it makes no sense when trying to solve the problem of the uninsured.

Elsewhere, Senate Republicans should more or less mirror the spending proposals of the House Republican bill, though they would be wise to spend more on state-run high-risk pools and less on incentives for innovations by states. They should save money by putting their legislation into effect no sooner than 2014 (just like 98.3 percent of the Senate Democrats' bill). Importantly, while adding a tax-credit for the uninsured, the Senate proposal should leave the tax status of those with employer-provided insurance entirely untouched. (Millions of Americans are worried that their employer-provided insurance will be jeopardized by the Democrats' proposed "public option," and they want to know that their employer-provided insurance will remain secure.)

The CBO has already scored such a tax credit, albeit with somewhat different terms. Based on that prior CBO scoring, this proposal would likely reduce federal revenues by about \$190 billion by the end of 2019, while increasing the number of insured by about 12 million. (If it were to insure more, it would reduce revenues by more, and the inverse is also true.) These 12 million people would largely be in addition to the 3 million newly insured from the House Republican bill, and would put a significant dent in the number of uninsured.

According to the Census, there are 28 million uninsured Americans — 46 million, minus 9 million non-citizens, minus 9 million Medicaid recipients that the Census admits were falsely tallied as uninsured. (Note: The CBO has consistently been using the wrong number on this, failing to adjust for the Census's admitted Medicaid undercount.) President Obama seemingly agrees with this analysis, having said in his address to a joint session of Congress on September 9 that there "are now more than 30 million American citizens who cannot get coverage." This proposed Senate Republican bill would cut that number in half.

So, how to pay for this? The CBO has already floated and scored the idea to convert Disproportionate Share Hospital (DSH) payments into block-grant payments to each state. DSH payments help compensate private hospitals for losses from treating the uninsured. With fewer uninsured, DSH payments need not expand at the same rate. Following the basic outlines of the CBO's proposal, the Republican bill should set the block grant at 80 percent of each state's current level of federal DSH funding and index it to the consumer price index minus one percentage point. Based on CBO scoring of a very similar proposal, this would increase revenues by about \$135 billion from 2014-19.

Between this \$135 billion and the net \$68 billion surplus from the other provisions of the House Republican bill, \$203 billion would be available to cover the \$190 billion tax-cut for the uninsured, leaving a small surplus.

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So, let's compare the results.

The Senate Democratic bill — as passed by the Senate Finance Committee and now in the hands of Senator Reid — would raise taxes and fines on Americans by over half a trillion dollars. A Republican bill along the lines of the one proposed here wouldn't impose any new taxes or fines.

The Democratic bill would provide strong incentives for people *not* to buy insurance until they are already sick or injured, raising premiums for everyone else in the process; the Republican bill would provide strong incentives and opportunities for people to buy insurance, letting them shop across state lines for the best values from coast to coast.

The Democratic bill would fail to end runaway medical-malpractice suits, which cause doctors to practice costly defensive medicine, stop practicing in certain areas, and pass along expensive malpractice premiums to patients; the Republican bill would end such runaway suits, saving the federal government \$54 billion over ten years, according to the CBO, and likely saving Americans many times that in health costs.

The Democratic bill would funnel those without employer-provided insurance into government-run exchanges, where plans would look similar because the government would tell companies how they have to look; the Republican bill would keep alive and even expand the private market. The Democratic bill would perpetuate the federal government's counter-productive limits on allowing private companies to offer lower premiums for healthier lifestyles; the Republican bill would welcome these [Safeway-style](#) cost-cutting efforts.

The Democratic bill would require younger Americans to subsidize the premiums of older Americans, banning private companies from offering plans to younger people at their true price; the Republican bill would not impose this heavy burden on young adults. The Democratic bill would limit the use of Health Savings Accounts (HSAs), making it harder for people to control their own health-care dollars and forcing them to pay money to their insurance companies rather than directly to their doctors; the Republican bill would encourage HSAs, private control, and price-consciousness.

The Democratic bill would result in an additional 27 million Americans (29 million people) having insurance, at a cost of \$31,000 per newly insured American; the Republican bill would result in about 15 million more Americans having insurance, at a cost of less than \$15,000 per newly insured American. Otherwise stated, the Republican bill would newly insure about 15 million Americans per \$200 billion spent, compared to fewer than 7 million per \$200 billion under the Democratic bill.

The Democratic bill would siphon over \$400 billion out of already-barely-solvent Medicare; the Republican bill wouldn't touch Medicare (aside from the proposal regarding DSH payments). The Democratic bill says that it would cut doctors' Medicare payments by 25 percent and never raise them back up — making it harder for Medicare patients to find doctors willing to see them; the Republican bill would leave doctors' payments alone.

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If Congress doesn't follow through on the Democratic bill's Medicare cuts — and the CBO is plainly skeptical that it will — the CBO says the bill would increase our deficits by over \$300 billion, as dealing with doctors' payments alone would cost roughly \$250 billion; the Republican bill would be deficit-neutral and would even provide a slight surplus.

Finally, the Democratic bill would likely *raise* Americans' insurance premiums substantially; the Republican bill would *lower* Americans' insurance premiums significantly — according to the CBO.

The Republican bill would have no obvious weaknesses. Aside from inefficiently and expensively increasing the number of insured, the Democratic bill would have no obvious strengths.

By taking the House Republican bill, adding a tax cut for the uninsured, and adopting a variation on the CBO's proposal to convert DSH payments into block grants, Senate Republicans could offer an extraordinary — and extraordinarily popular — health bill. This bill would meet *both* widely stated goals of health-care reform: lowering costs and decreasing the number of uninsured. And it would do so sensibly, affordably, and unobtrusively.

In comparison, the Democratic bill would appear all the more plainly irresponsible, profligate, and counterproductive.

The Republican bill could help convince some centrist Democrats that there in fact is a better way. If not, it would help further convince the American people of this fact. It would provide an important alternative for Americans to consider all the way through the 2010 and 2012 elections — where the fate of any legislation that the Democrats dare to pass on a near-party-line vote would ultimately be decided.

— *Tevi Troy, a visiting fellow at the Hudson Institute, was the deputy secretary of health and human services (HHS) from 2007–09. Jeffrey H. Anderson, director of the Benjamin Rush Society, was the senior speechwriter for Secretary Mike Leavitt at HHS from 2008–09.*