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Is There a Republican Alternative to Obamacare?

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On the blog of the [National Center for Policy Analysis](#) — a research firm that champions free-market solutions to problems in public policy — its founder and chief executive, John C. Goodman, recently posted a column with the headline I use on this post.

Mr. Goodman was reacting to a column, “[G.O.P. to the Uninsured: \(Feel Free to\) Drop Dead](#),” by Michael Millenson, published on April 1 on the Health Care Blog. In his post, Mr. Goodman took issue with Mr. Millenson’s assertion that no “Republican presidential candidate has ever presented a serious plan to cover all uninsured.” He asked if Mr. Millenson’s commentary was meant to be an “April fool’s column.”

A strict constructionist of the English language, of course, would understand the words “all uninsured” to imply truly universal health-insurance coverage.

To my knowledge, no recent Republican alternative to Obamacare has envisaged reaching that goal, nor, for that matter, does what is known as Obamacare, even though the Congressional Budget Office estimates that it goes further toward that goal than any other plan with a chance of passing Congress, as far as I can recall.

Not dwelling on this fine point, Mr. Goodman pointed out that serious proposals to extend health-insurance coverage and reform the health-care system have, indeed, come forth from Republicans, and he is right on that, too.

He cites, for example, a proposal that he and Mark V. Pauly, a health economist at the University of Pennsylvania, published more than a decade ago.

Among politicians, he cites the [health-care plan](#) offered by Senator John McCain, Republican of Arizona, during his presidential campaign of 2008, along with a more recent proposal introduced in the Senate in May 2009 as Senate bill S.1099 by Senator Tom Coburn, Republican of Oklahoma.

Senator Richard Burr, Republican of North Carolina, was co-sponsor; in the House, a parallel bill, H.R. 2520, was sponsored by Representatives Paul D. Ryan, Republican of Wisconsin, and Devin Nunes, Republican of California.

For reasons that have always amazed me, the Coburn bill, as Mr. Goodman calls it, was not much discussed in 2009, although I did remark on it in several posts.

What intrigued me most in Mr. Goodman's post was the rough outline of a proposal with which he ended his column. [To quote him](#) precisely, a serious alternative to Obamacare "should start with these basic ideas":

The current system of tax and spending subsidies [mainly the tax preference accorded employment-based health insurance] would be replaced by a tax credit of, say, \$2,500 per person or \$8,000 for a family of four for the purchase of health insurance.

The subsidy would be refundable; everyone gets it even if he does not owe any income taxes.

Families can obtain the subsidy in the year in which the insurance is purchased and would not have to wait until April 15 the following year to get their credit.

Insurance companies and other intermediaries would be able to help families obtain their credit and apply it directly to the health-insurance premiums.

Because I did not see in his post any proposal for reforming the market for individually purchased health insurance, [I posted this comment](#) on his blog post:

Let me ask you this question (and I would have asked McCain and Coburn the same): picture a family of four with an annual household income (after all taxes and cash transfers) of, say, \$30,000. Keep in mind that, according to the Milliman Medical Index, the total medical costs for a typical U.S. family with private employer-based insurance, averaged over some 10 million, came to \$19,500 (including the employer-paid premium contribution, the employee's contribution and out-of-pocket spending).

That total may have some fat in it for unnecessary stuff, but I wonder how much it can be, given the high health-spending concentration among a few very sick patients and given our cultural trait, especially among conservatives, never to rule out any heroic procedures over issues of cost-effectiveness.

My concern is that, if insurers in the individual market are free to base their premiums on the health status of individual applicants, a family in less-than-good health might find it very hard to get adequate health-insurance coverage for \$8,000, unless very high deductibles and tight upper limits on this or that procedure make a mockery of the term "insurance."

Mr. Goodman [replied](#) to my comment:

I believe we can have credits of \$2,500 for adults and \$8,000 for a family of four. I believe that very quickly you would find insurance products that offered \$8,000 premiums.

However, I'm willing to keep Medicaid as a backup for the \$30,000-a-year worker. In fact I would open Medicaid to everyone — let them join by paying their \$8,000 to Medicaid. How is that for a public plan competing on a level playing field?

At the same time, I would let everyone on Medicaid have the option of going private.

I recall proposing a vaguely similar idea of choice in a paper, "[The All-American Health Plan](#)," in 1993, as an alternative to the Clinton health plan.

So here, on the blog of the National Center for Policy Analysis, we have a serious plan that would give Americans a chance to reach truly universal health-insurance coverage, at long last.

The plan calls for a government-run health insurance plan, Medicaid, as a guaranteed-issue, fail-safe health insurance system, accessible to all people, in exchange for a government-issued tax credit voucher of \$2,500 per individual and \$8,000 per family.

I assume, of course, that Mr. Goodman does not have in mind having Medicaid charge applicants "actuarially fair" premiums, by which is meant premiums based on the individual applicant's health status.

How viable such a fail-safe plan might be, of course, is quite another matter.

Eliminating the tax preference for employment-based coverage would yield additional government revenue of \$200 billion to \$300 billion. But much of it would be eaten up by the tax credits for every American family, rich or poor.

The question is how the Congressional Budget Office would "score" the plan, that is, estimate its future impact on federal and state spending. Mr. Goodman's horse could break its neck on that very first hurdle.

Finally, it should be clear even to non-actuaries that in this plan Medicaid would be the catch basin mainly for relatively sicker Americans, as it already is. So spare us uninformed, loose talk that asserts government-run health care is ipso facto more expensive than comparable private coverage. The fact is that the government is required to cover much higher actuarial risks than is the private sector.