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We are All Uninsured Now

By

Laurence J. Kotlikoff

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BIG NUMBERS, like 45 million uninsured Americans, are hard to grasp. But that number came home to me at a recent conference. The keynote speaker was former Supreme Court justice Sandra Day O'Connor. Her topic was our healthcare system, and her message was personal and anguished.

The gist was that even she lives in constant fear of major uninsured health bills. Not her own -- those of her son. He can't afford insurance because his son -- her grandchild -- has a preexisting condition.

As I listened, a light dawned: O'Connor and the rest of us with health coverage are also uninsured. We too face terrible, albeit more remote, healthcare risks -- the risk that our employer will drop our plan, that Medicare will go bust, that our plan won't cover our needs, that premiums will eat us alive, that our doctor will stop taking our insurance, that long-term care will wipe us out, and that our uninsured friends and family members will need major financial help.

These risks are entirely avoidable. We can have an efficient, transparent system that includes everyone; treats everyone fairly; covers all the basics, including prescription drugs, home healthcare, and nursing home care; and costs little more than what we now spend. But we can't get there via the piecemeal reforms that President Bush, most of his would-be successors, and our state governors are advocating.

Bush first pushed health savings accounts -- a knuckle-brained scheme to get the uninsured to save for all their healthcare costs short of catastrophic care. When that didn't stop 5 million more Americans from becoming uninsured, the president proposed letting the uninsured deduct the cost of their health plans if they buy private coverage. This makes sense on equity grounds (insured workers receive a tax break), but it won't help much. Most of the uninsured are in too low a tax bracket or pay too little in taxes for it to make any difference. In any case, the Democrats have nixed this idea.

So the president's plan C, it seems, is to let the states deal with the problem. Many governors are eager to do so, but they want the federal government to pay. Their immediate goal is enrolling many of our nation's 9 million uninsured children in Medicaid's S-Chip program. Trouble is, Medicaid is already hemorrhaging money -- mostly federal money. Its ranks have exploded by 35 percent since Bush took office, and he's decided that expanding Medicaid further is tantamount to nationalizing healthcare. He's pledged to veto an S-Chip funding bill that would cover 3.3 million more children.

Most of the Democratic and several of the Republican presidential candidates support expanding S-Chip. Like many governors, they'd also follow Massachusetts' lead in forcing employers to either provide health plans or pay a modest tax to help subsidize health plans for the uninsured. The end game would be a balkanized healthcare system with the old in Medicare, the poor in

Medicaid, most workers in employer plans, and the losers -- the otherwise uninsured -- in highly subsidized, limited-coverage plans. Loser plans.

This won't work. First, Medicare and Medicaid are already on a course to bankrupt the nation. Keeping these programs intact is fiscal suicide. Second, many employers are fed up with healthcare spending and are heading for the exit. In 2000, 66 percent of non-elderly Americans were covered by employer-based health insurance. Today's figure is 59 percent. And the more attractive loser insurance becomes, the quicker employers will drop their plans.

Third, loser insurance requires a major federal bureaucracy (think Hillarycare) and unaffordable subsidies. Fourth, this "solution" does nothing to reduce the administrative costs that consume a fifth of our healthcare dollars. Fifth and most damning, making loser policies available doesn't guarantee their purchase. Millions will remain uninsured.

My solution is called the Medical Security System. It would eliminate Medicare, Medicaid, and (by dropping the tax breaks) employer-based healthcare. The government would give everyone a voucher each year for a basic health plan. The size of the voucher would be based on one's health status. Those in worse health would get bigger vouchers, leaving insurers no incentive to cherry-pick. Furthermore, insurers would not be permitted to refuse a voucher or otherwise deny coverage.

The government would set the total voucher budget as a fixed share of gross domestic product and determine what a basic plan must cover. We would choose our own health plans. If we cost the insurer more than the voucher, he would lose money. If we cost him less, he would make money. Insurers would compete for our business and could tailor provisions, like co-pays and incentives to stop smoking, to limit excessive use of the healthcare system and encourage healthy behavior.

Nothing would be nationalized. Virtually all of the cost would be covered by redirecting existing government healthcare expenditures as well as tax breaks. Doctors, hospitals, and insurers would continue to market their services on a competitive basis.

This is not a French, British, or Canadian solution. It's an American, market-based solution that Republicans should love. It's also a progressive solution that Democrats should love. (Democratic presidential candidate Mike Gravel has endorsed it.) The poor, who are, on average, in worse health, will receive, on average, larger vouchers. The rich will lose their tax breaks.

Why can't a country as rich as ours come up with a system that works? This, in essence, was Justice O'Connor's parting question. But, in fact, we can. Now if we can just get the big cheeses in the Oval Office or on their way there to start thinking big . . .

Laurence J. Kotlikoff, a professor of economics at Boston University, is author of the forthcoming book *"The Healthcare Fix."*