PERSONALLY SPEAKING

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PRESIDENT OBAMA'S STEALTH PLAN TO ESTABLISH UNIVERSAL HEALTH INSURANCE

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President Obama's health care proposals openly target the health insurance industry and seek to establish universal health insurance by stealthy means. Four of the five goals in his opening statement point directly to private health insurance companies, calling on them for affordable and accessible health care, financial accountability, and doing away with denial of coverage on grounds of pre-existing conditions. The fifth claims that his proposals will put "our budget and economy on a more stable path."

Though nothing of the sort is stated in his proposals, two broad features of Obama's plan likely lead to the establishment of health insurance for all through the public sector. The first is the establishment of a new federal agency to rein in health insurance premiums. The second imposes new costs on private insurance companies or other segments of the health care system which inevitably are passed along to insurance companies through the billing/reimbursement process.

Obama's Health Insurance Rate Authority would order any health insurance company which proposes an "unreasonable and unjustified" premium hike to lower that premium, provide a rebate, or take other actions to make that premium affordable. This provision is a throwback to the scuttled efforts of the Clinton administration in 1994 to reform health care by putting a "cap" on health insurance premiums. Experience with regulation of rates charged by public utilities tells us how rate review in health insurance would work. There are three scenarios.

A ceiling is set at or above the proposed increase allowing the insurance company to operate unimpeded. This scenario results in an ineffective ceiling but gives the appearance that the government is serious about making premiums affordable.

A ceiling is set below the proposed increase forcing the insurer to operate at a lower premium. The company then proposes a smaller increase which HIRA approves. This scenario protects insurance companies and shields the public from even greater increases.

A ceiling is set so far below the proposed increase that the insurance company stops offering coverage. The ensuing shortage of insurance is taken up by a public insurance program made necessary by the shortage. This scenario is the stealth plan for universal coverage. Of the three, this scenario appears to be most likely.

The fundamental problem with HIRA is that it addresses the symptoms of rising health care costs without treating the causes -- the cost of the resources used to provide health care services. Under pressure from HIRA insurance companies will drive reimbursement to hospitals and other health-care providers even lower forcing some out of health care entirely and leading to wider utilization of cheaper health resources such as substituting nurse practitioners for primary-care physicians. This chain reaction has the effect of narrowing access to quality care and subjecting providers to the greater risks and attendant costs of defending against charges of malpractice.

There is a second factor behind the argument that the Obama proposals represent a stealth plan to establish universal public health insurance coverage. Specifically, his proposals impose significant new costs on health insurance companies thereby squeezing their profits and making it even more difficult for them to continue offering insurance coverage.

As Obama has insisted on numerous occasions, the public will be free to keep their current coverage. However, "grandfathered" plans must be modified to insure coverage for adult dependents up to age 26, set aside all annual and lifetime limits, ban exclusions for pre-existing conditions, prohibit discrimination in favor of highly compensated individuals, and provide preventive services with no cost sharing. The cost to insurance companies necessarily will increase and if HIRA denies premium increases, insurance company profits will be hammered.

Further, the Obama plan imposes a $33 billion assessment over 10 years on the pharmaceutical industry for the additional revenue "as more Americans gain health insurance …. [and are] able to pay for prescription drugs." This assessment no doubt will be passed on to health insurance companies through the higher charges of hospitals and other health care providers for the pharmaceuticals prescribed in the treatment of patients.

The president's plan also calls for a $20 billion excise tax on medical device manufacturers over 10 years justified by the gains "from expanding health insurance coverage." As with the pharmaceuticals assessment this tax will be shifted to hospitals and other health care providers who in turn will seek additional reimbursement from health insurance companies.

Most damaging of all, the president proposes a $67 billion assessment on health insurance companies over 10 years due to the gains insurers will experience as "more Americans get coverage." This assessment directly impacts their cost of conducting business and pushes them away from providing coverage to the public.

HIRA coupled with additional provisions imposed on current health insurance plans, a $20 billion excise tax, and $100 billion in additional assessments portend the end of private health insurance and the commencement of health insurance coverage for all through the public sector. This outcome should come as no surprise. It's been a central part of Obama's inaugural pledge to remake America. It's the stealth part that is alarming.

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