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NATIONAL RIGHT TO LIFE ON ALTERNATIVE TO OBAMACARE

Subsidizing Health Insurance Without Rationing or Deficits: A Free-Market Based Approach Modeled on State Automobile Insurance Risk Pools

We propose for consideration a means of replacing Obamacare subsidies for those in the federal exchange that does not require new taxes, while avoiding rationing and reducing future deficits.

Most states have laws under which private automobile insurance companies must provide under-cost automobile insurance to certain car owners identified as "high-risk" in order to avoid unaffordable premiums for them. The insurers are required to assume this responsibility in proportion to their share of the market. Of course, the insurers cover the costs of losing money on the high-risk insureds by charging higher premiums to all their customers.

A similar approach could be implemented to finance future growth in health care spending to cover the full or partial cost – on a sliding-scale basis– of health insurance for those with incomes deemed too low fully to pay for it. Existing government subsidies based on general tax revenues could be effectively frozen at their level in a given year, and provided in the form of vouchers toward the cost of health insurance to low income individuals and families.[1] Then, much as with automobile insurance high-risk pools, health insurance companies (in proportion to their market share) would be required to absorb the difference between the voucher amount (plus what the insured is deemed capable of paying) and the cost of a set percentage of the average amount paid for health insurance plans during the calendar year two (or perhaps three) years before the one for which subsidized insurance is to be provided.[2] Those otherwise unable to afford health insurance would thus be able to obtain plans whose value would remain in a roughly constant relationship with the changing level of overall private health care spending.

How the Free Market Would Determine the Resources Allocated to Health Care

A key advantage of this approach is that it would indirectly allow the free market, rather than government, to establish the proportion of national income devoted to health care. As private purchasers of health insurance balanced the benefits and the costs of available health insurance plans, they would unconsciously take into account not just the costs of health care for themselves or their employees, but effectively also their "fair share" of the cost of subsidizing others. This means that *growth in health care spending* would in practice be limited to what the American

[1] Converting existing government subsidies into vouchers and making them available at their present level would avoid the sudden dramatic increase in general health care premiums that would result if health insurance companies were immediately required to pass on to their customers the complete cost of subsidizing those with low-incomes, as opposed to passing on just the cost of *future increases* in health care spending.

[2] The average potentially could be set on a regional rather than national basis to take account of the varying levels of health care costs in different localities.

economy can afford **but also** that –unlike under Obamacare– government limits would not prevent us from spending *as much* as we can afford (and collectively choose to spend). As the economy grows, health care for all would grow with it (not suppressed by arbitrary governmental limits), but not beyond the capacity of the economy to absorb that cost. The same "invisible hand" mechanism that in a free market economy determines how much is spend on computers, cars, or big-screen televisions would determine how much is spent on health care.

How Deficits Would Be Controlled By Freezing the Amount of Tax Dollars Spent on Subsidizing Health Care

With general revenue funds devoted to health care subsidies essentially capped at the nominal level of a base year, as the economy grew and government revenues grew with it, *governmental* spending on such subsidies care would take up a shrinking rather than a growing share of federal and state budgets, with a consequent significant reduction in projected deficits.[3]

Avoiding Government-Imposed Rationing

It is wrong to suppose– as does Obamacare– that in order to provide health care to those with low incomes the government must limit health care for others, or that the government must "protect" ordinary Americans from using too many of their resources to save the lives of their family members by imposing arbitrary limits on what they are allowed to spend for health insurance and health care. Contrary to conventional wisdom, in the aggregate and over the long term Americans *can* afford to devote an ever growing proportion of our income to saving our lives and promoting our health, because increasing productivity in producing other goods and services frees up resources that enable us to do so. Indeed, in the seven decades since 1940, our increased spending on health care has been *entirely* financed by reductions in the proportion of our income we have had to spend for food, clothing and shelter, as documented on our website { http://www.nrlc.org/uploads/medethics/AmericaCanAfford.pdf }.

Conclusion

The sort of private-sector "cost-shifting" that would be relied upon by this proposal was the prevalent mode of providing health care to the destitute in the years before Medicare and Medicaid. Its critical advantage is that under it the amount of money available to subsidize health care for those who are poor is directly linked to the level of private health care spending by those who can afford it (directly or through their employers). As more money is spent on health insurance by employers and individuals, cost-shifting keeps pace in making available health care for those who cannot themselves afford to pay its full cost; at the same time, incorporating the cost of subsidies for growth in health care spending into what employers and individuals pay for their own health insurance results in a self-executing restraint on unsustainable growth in health care spending, without arbitrary governmentally imposed constraints motivated by the limits on governmental resources for subsidies based on general revenue taxes.

[3] With respect to government spending in Medicare, in combination with a premium support plan, a method of sliding scale subsidies for senior citizens with low incomes could be financed by a similar method through Medicare Advantage plans. Governments would still bear the costs of covering growth in health care spending for government employees.