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## ObamaCare at Any Cost

*A bill that raises prices but lowers costs, and other miracles.*

We have now reached the stage of the health-care debate when all that matters is getting a bill passed, so all news is good news, more subsidies mean lower deficits, and more expensive insurance is really cheaper insurance. The nonpolitical mind reels.

Consider how Washington received the Congressional Budget Office's study Monday of how Harry Reid's Senate bill will affect insurance costs, which by any rational measure ought to have been a disaster for the bill. CBO found that premiums in the individual market will rise by 10% to 13% more than if Congress did nothing. Family policies under the status quo are projected to cost \$13,100 on average, but under ObamaCare will jump to \$15,200.

Fabulous news!

"No Big Cost Rise in U.S. Premiums Is Seen in Study," said the New York Times, while the Washington Post declared, "Senate Health Bill Gets a Boost." The White House crowed that the CBO report was "more good news about what reform will mean for families struggling to keep up with skyrocketing premiums under the broken status quo."

Finance Chairman Max Baucus chimed in from the Senate floor that "Health-care reform is fundamentally about lowering health-care costs. Lowering costs is what health-care reform is designed to do, lowering costs; and it will achieve this objective."

Except it won't. CBO says it expects employer-sponsored insurance costs to remain roughly in line with the status quo, yet even this is a failure by Mr. Baucus's and the White House's own standards. Meanwhile, fixing the individual market—which is expensive and unstable largely because it does not enjoy the favorable tax treatment given to job-based coverage—was supposed to be the whole purpose of "reform."

Instead, CBO is confirming that new coverage mandates will drive premiums higher. But Democrats are declaring victory, claiming that these higher insurance prices don't count because they will be offset by new government subsidies. About 57% of the people who buy insurance through the bill's new "exchanges" that will supplant today's individual market will qualify for subsidies that cover about two-thirds of the total premium.

So the bill will *increase* costs but it will then disguise those costs by transferring them to taxpayers from individuals. Higher costs can be conjured away because they're suddenly on the *government* balance sheet. The Reid bill's \$371.9 billion in new health taxes are also

apparently not a new cost because they can be passed along to consumers, or perhaps will be hidden in lost wages.

This is the paleoliberal school of brute-force wealth redistribution, and a very long way from the repeated White House claims that reform is all about "bending the cost curve." The only thing being bent here is the budget truth.

Moreover, CBO is almost certainly underestimating the cost increases. Based on its county-by-county actuarial data, the insurer WellPoint has calculated that Mr. Baucus's bill would cause some premiums to triple in the individual market. The Blue Cross Blue Shield Association came to similar conclusions.

One reason is community rating, which forces insurers to charge nearly uniform rates regardless of customer health status or habits. CBO doesn't think this will have much of an effect, but costs inevitably rise when insurers aren't allowed to price based on risk. This is why today some 35 states impose no limits on premium variation and six allow wide differences among consumers.

The White House decided to shoot messengers like WellPoint to avoid rebutting their message. But Amanda Kowalski of MIT, William Congdon of the Brookings Institution and Mark Showalter of Brigham Young have found similar results. In a 2008 paper in the peer-reviewed Forum for Health Economics and Policy, these economists found that state community rating laws raise premiums in the individual market by 20.9% to 33.1% for families and 10.2% to 17.1% for singles. In New Jersey, which also requires insurers to accept all comers (so-called guaranteed issue), premiums increased by as much as 227%.

The political tragedy is that there are plenty of reform alternatives that really would reduce the cost of insurance. According to CBO, the relatively modest House GOP bill would actually reduce premiums by 5% to 8% in the individual market in 2016, and by 7% to 10% for small businesses. The GOP reforms would also do so without imposing huge new taxes.

But Democrats don't care because their bill isn't really about "lowering costs." It's about putting Washington in charge of health insurance, at any cost.

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