

## **DOLE'S HEALTH CARE COMPROMISE: A PRUDENT FOUNDATION FOR REFORM**

Lawmakers return to Washington after the July 4th recess with only a few weeks remaining until they depart to campaign full-time for the November election. Yet included in Congress's busy schedule is consideration of four committee-passed health bills which would radically change America's health care system, affecting one-seventh of the economy and the lives of every American.

The White House and its congressional allies want some version of these bills enacted before November. But each bill contains sweeping and deeply contentious provisions. Many key provisions were cobbled together in committee at the last minute during hurried markups, and are barely understood even by their sponsors—let alone the American people. Cost estimates for these bills either are incomplete or based largely on guesswork. And if the plethora of new boards, regulations, and programs do not work exactly as planned, the cost to the country could be staggering and the medical effects disastrous.

To be sure, structural reform of the health system is needed. Today's tax system effectively forces working Americans to hand over control of their health care to employers, whether or not that makes sense. Families do not own their own policies. The result: no insurance for millions and a lack of long-term security for the insured. While welfare recipients are entitled to Medicaid, lower-paid workers lack financial help to afford an acceptable minimum level of care. And in the health insurance system, it is the buyer, not the seller of insurance, who shoulders most of the risk.

Several major bills to deal with these structural problems were introduced during this Congress, from the Clinton plan to various liberal and conservative measures. But the intense committee wrangling of recent weeks shows that there is no consensus in Congress on how to restructure the health system. Polling data show a similar uncertainty among ordinary Americans. The only thing clear is that Americans increasingly do not want the Clinton plan.

Given this confused situation, the only wise course for lawmakers now is to enact legislation that would deal with some of the more pressing issues in ways that garner broad agreement. This would form the foundation for future structural reform, after several contentious issues have been subjected to a national debate in which the American people—made fully aware of the costs and trade-offs—have indicated clearly how they want Congress to act.

Senator Robert Dole (R-KS) recently offered a bill to provide that foundation. The Dole bill would give much greater security to insured Americans, and would make it easier for sicker Americans to obtain insurance. Many of these measures have wide bipartisan support. For instance, the bill requires insurers to renew policies and prohibits pre-existing condition limitations in new policies, while protecting insurers by allowing reasonable waiting periods. It also limits premium variations to differences based on age, family size, geography, and other risk factors, but not health condition.

Further, the bill blocks states from mandating insurers to include costly benefits that buyers do not want. It introduces malpractice reforms to reduce legal costs, and reforms the antitrust rules to make it easier for groups of physicians or other providers to do business.

The bill also encourages the creation of purchasing groups, including non-employer associations, to bargain for good insurance rates. But wisely, it does not mandate health alliances, or force employers to pick plans for their employees. Thus, Americans could join health insurance purchasing associations based on, say, a church, a union or a farm bureau, not just an employer-sponsored pool.

The Dole bill also takes the necessary first key steps toward structural reform in a number of areas, and in contrast to the Clinton plan it does so by increasing choice and empowering families. For example, the bill gives a full tax deduction to Americans who purchase insurance outside their place of employment. This step would at last give many Americans the chance to pick the plan they want, sponsored by an organization of their choice, which they could keep from job to job. This change also would pave the way for more comprehensive tax reforms. Moreover, the bill permits the creation of limited medical savings accounts, which is the first step toward equalizing the tax treatment of insurance and out-of-pocket medical costs.

Unfortunately, the bill also contains serious flaws. One is that it places an arbitrary restriction between the highest and lowest age-related premium an insurer can charge. This is unnecessary, since it does not address any problem. But it is also damaging, since it would have the effect of artificially raising the cost of coverage for younger Americans, discouraging them from enrolling in health insurance plans.

There are also serious problems with Dole's new program to subsidize the cost of insurance for lower-income workers. For one thing, to obtain the subsidies the worker must buy a comprehensive, government-approved standardized benefits package. This would force many low-wage workers to buy costly services they do not want. The subsidy should be linked instead to a minimum catastrophic package. Another problem is that the phase-out of subsidies with rising income, combined with income taxes, could subject the working poor to effective tax rates far higher than millionaires. Still another problem is uncertainty about the potential cost of the new program.

An assistance program for the working poor is necessary, but the cost will be high and there are many different ways to design and pay for such a program. Congress needs to move carefully, with the full support of the American people. This cannot be done properly before the end of the current session.

With its flaws corrected, the Dole bill sets out what Congress can and should do to reform the health system before the end of this Congress. It avoids contentious issues, such as employer mandates and mandatory health alliances, which do not have public support. It contains incremental reform measures that would win bipartisan backing, if not accompanied by controversial structural changes. And it takes the first step toward real health care security—a system in which Americans own their own plans, choose their own benefits, and have control over their own health care spending.

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