



## **Democrats Wrong Prescription for Health Care: Republicans Offer Choice, Lower Costs and Better Care**

Our health care system is the best in the world, but we face the challenge of maintaining quality care in the face of ever-rising costs.

Americans pay \$1.6 trillion for health care every year — that’s roughly 15% of our GDP. We are adding \$120 billion per year to that health care bill. Health care spending is predicted to reach \$3.1 trillion as soon as 2012. Something must be done. Republicans and Democrats have completely different visions for the future of health care in America.

### **Democrat Agenda: HillaryCare Redux**

On *Meet the Press*, October 2, 2005, Democratic Congressional Campaign Committee Chairman Rahm Emmanuel put forth a Democrat “agenda” that included “a universal health-care system” to be phased in over the next ten years.

The Democrat’s universal health care plan is simply “HillaryCare Redux.” Any proposal for universal coverage, no matter how well-intended, will lead to lower consumer choice, consumption of unnecessary services and increased costs.

Universal health care of any kind will be dominated by:

- Government Control;
- Rising Costs; followed by or in conjunction with
- Price Controls and Budget Caps

To paraphrase John Milton and John Stuart Mill, even bad ideas are good for us because they help illuminate the good. In America, we have heeded the failures of government intervention, including government rationed health care, witnessed in other countries and even here at home. So we began to tack a different course, beginning with President Reagan. In so doing, we returned from stagflation to renewed economic growth and vigor. The Republican revolution in 1994 put the wind in our sails, empowering victories in international trade, tax rate reductions and welfare reform.

### **Republican Agenda: Consumer Control and Choice**

- Increase Choice and Competition;
- Reduce Costs; and
- Empower Consumers

Republicans must continue to fight by renewing our commitment to our principles and applying them to health care.

### **Subsidized Employer-Based Health Care: Unfair, Causes Over-Utilization and Rising Costs**

As an unintended consequence of wage and price controls during the Second World War, Americans began receiving their health insurance from their employers as a fringe benefit. Since the IRS ruled that health benefits would be tax-free, it helped both employers and employees to have health benefits provided in lieu of wages. A dollar spent on benefits went to the employee. A dollar spent on wages might result in roughly 70 to 80 cents reaching the worker after taxes.

Not surprisingly, by the late 1980s more than 70 percent of employers in America offered health insurance, including nearly all large corporations. But, over time, due to changing demographics, technological advances, third-party payment, and a “use it or lose it” benefit structure the cost of coverage continues to rise faster than inflation. As a result, most employers have resorted to restricting health insurance choices and others have dropped coverage altogether. Today, roughly 40 percent of insured employees have no choice of plans, and only 60 percent of businesses offer coverage. With rising costs and the American workforce becoming more mobile, the rationale for employer-based health care has eroded.

### **Give Consumers More Choice**

Republicans have begun to reform health care by authorizing Health Savings Accounts (HSAs) as part of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. HSAs enable all Americans to control their health care by allowing them to purchase high-deductible health plans that pay for catastrophic insurance needs, but leave the consumer in control of day-to-day costs. HSAs also give consumers an incentive to control costs by allowing any surplus funds to be rolled over tax free and compounded year-over-year. Moreover, HSAs are portable, allowing individuals to remain insured even when they change jobs or are temporarily unemployed.

### **Increase Competition**

Another reason for higher health care costs is state mandates, and lack of competition in the insurance market. Republicans have two good solutions that would help insert needed competition and choice into the insurance market—the Health Care Choice Act and Association Health Plans (AHPs). The Health Care Choice Act would reduce insurance cost in the individual market by as much as 12 percent by allowing consumers to choose a qualified health insurance plan from any state. The Health Care Choice Act would help reduce the number of uninsured Americans by making health insurance more affordable. AHPs would allow small-business owners to join together across state lines through their membership in a trade or professional associations to purchase health coverage for their families and employees. Finally, Republicans would tackle the persistent problem of medical liability. These ideas, taken together, would increase

competition, reduce costs and empower consumers representing the Republican vision of health care for America.