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Working Essay

Let's sell health insurance “across states lines” – through Medicare

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Republicans, stop with being the party of “no.” It's time to step up to the plate and seize the initiative on health policy.

In all truth, Republican ideas and performance over the past decade on health care have been tantamount to policy malpractice. The worst example of this is rhetoric calling to block expansion of health coverage to more low- and modest-income people. Of course there have been exceptions: bipartisan enactment and implementation of Medicare Part D under President George Bush and passage of physician payment reform earlier this year are two important ones.

The Democrats have been the leaders and, through the Affordable Care Act (ACA), have created the beginnings of a national health care financing system with some elements of marketplace competition. But the time is ripe for Republicans to seize the opportunity to shape it into a more efficient and equitable one.

Republican rhetoric about “selling insurance across state lines” has been droning on and on for decades, at least since the 1980s when House Labor and Education Committee staff proposed it as a way to undercut benefit mandates that states imposed on insurers mostly serving smaller firms, while the larger companies figured out how to escape state mandates through a loophole still available under federal benefit law. This phenomenon enhanced the advantage that larger firms have over small ones in buying health insurance for their employees.

Selling health insurance across states lines sounds catchy, but analysis after analysis has shown that, without a market structured to ensure fair competition, it is an empty idea that would cause chaos in the marketplace; insurers would “race to the bottom” to shed benefits, thereby avoiding sicker, more costly people. It would end up putting smaller firms at even more disadvantage.

Here are some market-based policies – compatible with mainstream Republican ideas from the past – that could help make the U.S. health care system more efficient, while being available to all citizens:

- Make health insurance available in a national marketplace through Medicare. The model for this is Medicare Part D prescription drug coverage, bipartisan legislation passed under the most recent Bush administration. Such a system could combine the best the public and private sectors can offer: 1) health coverage available to all, 2) subsidies for people needing financial help, and 3) services delivered by plans competing in a marketplace.
- Medicaid coverage for the poor should end. Instead, low-income people and their kids should be mainstreamed into Medicare. This would cut the enormous Medicaid bureaucracy and could save money in the long run, as well as relieve states a big budget headache. Make no mistake about it: Medicaid is an extremely important part of our current health system. It covers more Americans than any other type of health insurance. But it sets poor people apart, often underserving them and typically underpaying providers.
- The new ACA exchange system could be wound into the Medicare market framework as well, particularly the part serving low-wage employers and small companies.
- Businesses should continue having the option to buy coverage on behalf of employees, but federal tax breaks for employees should be capped for the highest income and expanded for the lowest income. Capping tax breaks for people with disposable income will send the right signal to contain costs.

Politics can be ironic: Once the left-leaning party finishes the job of creating universal access to a basic health care package, with premiums adjusted by ability to pay, its job is mostly done. The initiative can shift to the party best suited to manage the system in a way that delivers the best care at lowest cost. Sound familiar? Voters used to associate the Republican Party with business acumen and the ability to manage. Which party is better suited for this role now?

A bipartisan way forward is selling health insurance across state lines under Medicare, which already does this for millions of elderly Americans. By winding Medicaid and the less functional part of the employer market into Medicare,

policymakers could establish a national marketplace, offering publically defined, basic health benefits delivered by the private sector to all Americans.

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