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Beware the Real Agenda

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Americans have made it clear that they don't want national health insurance. But the five-year, $24 billion provision in the budget bill to finance medical care for two million children is a move in just that direction. And the way this expansion of benefits is designed makes no economic sense.

For every dollar's worth of new coverage, states will wind up spending $1.70. That is because for every 100 uninsured children who enroll in the program, another 70 who now have private insurance are also expected to sign up, according to Congressional Budget Office estimates. Why? Families that now qualify under the plan's expanded income guidelines may stop buying private insurance because government will pay for the children's health care. Or employers will stop offering coverage, knowing that government is now obligated to do so.

The Congressional Budget Office warned about this problem last spring. But in their eagerness to reach a budget deal, Republicans in Congress gave up their initial opposition and voted for the plan anyway.

Throughout the year, as the child health plan worked its way through Congress, Republicans insisted that it be structured in the form of block grants to states. This, they argued, would give states the flexibility to experiment. While some states would have simply expanded Medicaid coverage, most probably would have offered no-frills plans that would have discouraged people with access to private insurance from trying to sign up.

But advocates of national health insurance complained that the block grant approach would let states use the money for other purposes. More important, they claimed, the no-frills approach implicitly condoned "second class" health insurance. Still, they were prepared to settle for whatever expansion in national health coverage they could get.

But the political balance shifted in the President's favor, and the Republicans retreated. They agreed to detailed regulations on how states could spend the child health care money. In effect, they agreed to create another entitlement.

For example, each state is required to provide the same benefits for children as Medicaid or large private insurance plans. In many cases, state benefits will be more generous than those private employers offer. Another provision calls for public coverage to be provided to families earning as much as 235 percent of the poverty level, depending on the state. For a family of four, that's almost $38,000 a year.

The inefficiency and high cost of the program may not bother advocates of universal health care; they argue that Americans, especially children, deserve to have coverage. But what they don't acknowledge is that this plan will reduce the market for low-cost insurance used by small businesses and the working poor.

A 1996 study by researchers at the Massachusetts Institute of Technology and Harvard found that previous expansions of Medicaid were responsible for about 17 percent of the decline in the number of children covered by private insurance from 1987 to 1992. That study also reported that as many as half of the children who enrolled in expanded Medicaid plans did so because once they became eligible for those programs, their parents lost coverage at work or decided not to buy insurance.

The more the Government shrinks the insurance market for low-income people, the less economical it becomes for companies to offer them coverage. Companies either abandon the market or raise their prices. Either way, the number of uninsured people increases—and so do calls for more Government involvement.

Maybe that's the real agenda. But it's a long way from here to there, and in the meantime, this plan will do more harm than good.