IHF INSTITUTE for HEALTH
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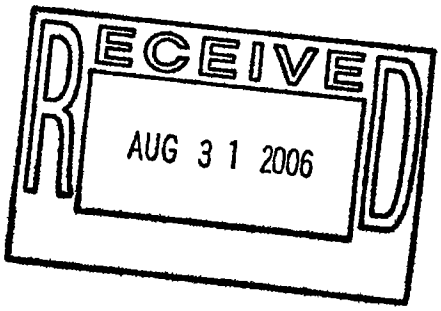
August 30, 2006

Citizens' Health Care Working Group
Attn: Comments, Interim Recommendations
7201 Wisconsin Avenue, Rm. 575
Bethesda, MD 20814




**Re: Response to Interim Recommendations**

Dear Citizens' Health Care Working Group:

On behalf of the Institute for Health Freedom (www.ForHealthFreedom.org), I am submitting the following analysis of universal health insurance. As the nation moves forward with debating the pros and cons of universal health insurance, citizens should become fully informed of how such a system could affect them in terms of health-care choice, costs, and privacy. The following analysis provides vital information for informing Americans about universal health insurance and its unintended consequences for *all*.

## What Every American Should Know about Mandatory Universal Health Insurance

While advocates of mandatory universal health insurance aim to help the uninsured, their agenda nevertheless could have serious negative consequences for all, including the very population they aim to help. If history is any indication, a mandatory universal health-insurance system would end up costing much more than advocates claim. That in turn would lead to higher prices and less freedom of choice for everyone.

How do we know this? We already have evidence of what happens under a single-payer health plan in the United States. Many people may not realize it, but single-payer health care has already been tried in the United States on one subpopulation: seniors. Medicare is the biggest-spending single-payer health plan in the United States and the world. If citizens want to see what will really happen under such a system, they need only look at the imploding Medicare system. Consider empirically how Medicare has affected:

- Taxpayer-financed health-care costs,
- Out-of-pocket health-care costs,
- Life expectancy and poverty rates,
- Choice of insurance,
- Choice of doctors and health-care providers, and
- Health privacy.

### *Taxpayer-Financed Health-Care Costs*

When Medicare was debated in 1965 (the year it was signed into law), business and taxpayer groups were concerned that spending might grow out of control. Single-payer advocates assured them that seniors could easily be covered with only a small increase in workers' payroll taxes. The federal

government's lead actuary in 1965 projected the hospital program (Medicare Part A) would grow to $9 billion by 1990. **It ended up costing more than $66 billion that year!**

Just three years after Medicare was passed, a Tax Foundation study found that public spending on medical care had nearly doubled. Consequently, Medicare payroll taxes and taxes in general increased over the years to pay for skyrocketing health-care costs.

In 2005 Medicare cost more than $336 billion. Taxpayers will face a much larger Medicare tax burden in the coming years. By 2030 the number of Medicare beneficiaries is predicted to be about 90 percent greater than today. But the number of workers paying Medicare taxes will be only about 15 percent greater. Therefore, tomorrow's taxpayers will have to pay much more to support the large number of baby-boomers who will begin entering Medicare during the next decade. Given this track record, it's certain that a universal health-insurance program would cost much more than its advocates claim.

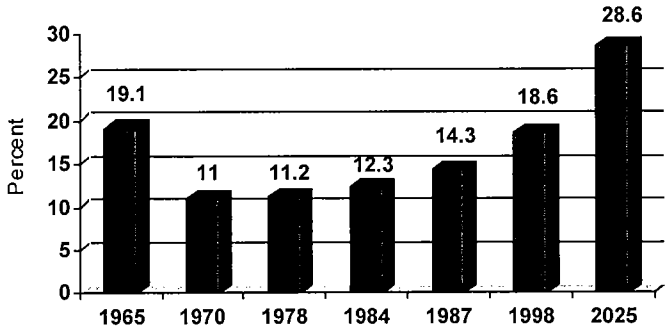
### *Out-of-Pocket Health-Care Costs*

How has single-payer health care affected out-of-pocket costs? One of the most persuasive arguments for creating Medicare was that it would help reduce seniors' out-of-pocket medical spending. However, Medicare did not achieve that goal: health-care costs increased much faster than federal actuaries had projected.

Within one year after Medicare started, Walter Reuther, president of the United Auto Workers, told the House Ways and Means Committee that many retired people were actually worse off because of the passage of Medicare. In 1967 the *New York Times* reported that some seniors were paying more for certain medical services than they had paid before Medicare started, and this kept some people, especially the poor, from seeking health care.

Today's seniors are spending out of pocket about the same percentage of their incomes for health care as they were spending before Medicare was created (see Figure 1). The single-payer program clearly did not meet its purported goal. Rather, the program led to skyrocketing costs for all seniors. Arguably, seniors would have been better served had the free market in health care been allowed to work, with a safety net for those unable to pay for health care.

**Figure 1. Acute Health Spending by the Elderly: Percent of Income**



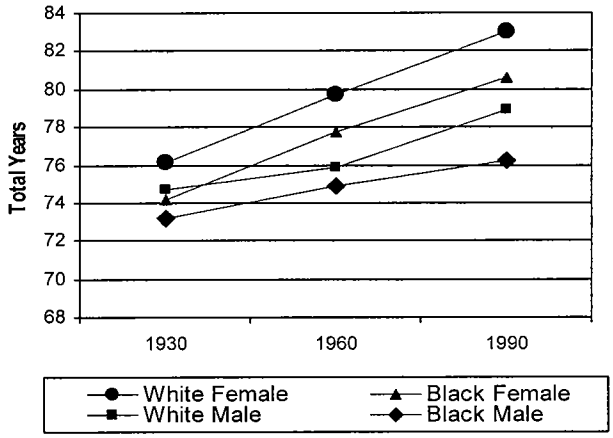

Source: Marilyn Moon, The Urban Institute, "Medicare Matters: The Value of Social Insurance," Testimony before the U.S. Senate Committee on Finance, May 27, 1999. Note: The 2025 figure is projected.

*Life Expectancy*

Some might argue that Medicare is worth the higher taxes and health-care costs because thanks to the program, seniors are living longer. But to determine whether they are living longer because of Medicare, it is important to examine life-expectancy trends for seniors before the program was created.

Life expectancy for seniors at age 60 increased significantly between 1930 and 1960—five years *before* Medicare was created. In fact, overall average life expectancy in the United States increased from 47.3 to 69.7 years between 1900 and 1960. Life expectancy was low in the early 1900s primarily because infant mortality was high. However, those who reached age 60 typically lived at least ten more years (see Figure 2). If life expectancy for seniors was increasing before Medicare's enactment, post-1965 increases cannot be attributed to the program. The trend merely continued.

**Figure 2. U.S. Life Expectancy at Age 60: 1930, 1960, and 1990 (in Total Years)**



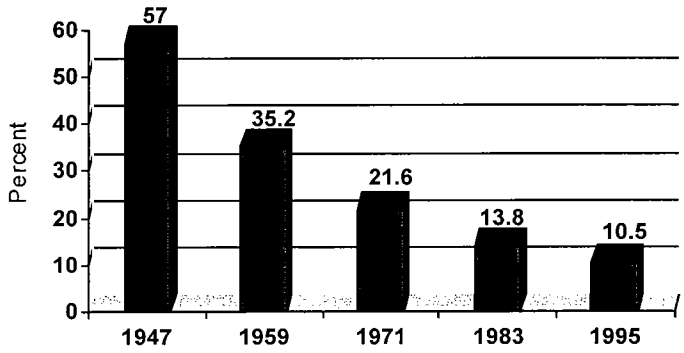

Sources: Bureau of the Census, Historical Statistics of the United States: Colonial Times to 1970, Bicentennial Edition, Part 1 (Washington: GPO, 1975); U.S. National Center for Health Statistics, Vital Statistics of the United States, annual (1993); and unpublished data. Note: 1930 data based on 1929-1931 figures.

*Poverty Rates*

More seniors are undoubtedly better off financially today than before 1965, leaving the impression that Medicare is mainly responsible for lifting seniors out of poverty in the 1960s and 1970s. Supporters of single-payer health care often tout this interpretation of the facts.

However, what they neglect to tell the public is that seniors' poverty rates were declining long before 1965. The percentage of seniors living in poverty had declined from 57 percent in 1947 to 35.2 percent in 1959—*six years before* Medicare started (see Figure 3). Thus even if the decline in poverty continued after 1965, there is no reason to attribute it to Medicare. A better explanation is the explosion in economic growth, fueled by economic freedom that occurred in the United States after World War II.

**Figure 3. Percent of Elderly (65 and Over) Living in Poverty**




Sources: Economic Report of the President (Washington: Government Printing Office, 1964); Older Americans 2000: Key Indicators of Well-Being (Washington: Federal Interagency Forum on Aging Related Statistics, 2000).

### *Choice of Insurance*

If the past is any indication, the freedom to choose private health insurance and doctors (and other providers) will be severely restricted by a single-payer plan, regardless of what advocates intend. The Medicare bill promised seniors that the program would not interfere with their choice of insurance or doctors. However, existing rules force nearly all seniors to rely on Medicare to pay their hospital bills—even if they want and can afford to pay for private insurance.

Some supporters of universal health insurance promote a system of "everybody in, nobody out." This initiative clearly strips citizens of their freedom to pay privately for health insurance. It is well known that "he who pays the piper calls the tune." If citizens can't pay privately for health care and health insurance, they won't have the final say over their own decisions. Rather, these private health-care decisions ultimately will be controlled by the government—the one paying the bills. That is why all citizens should carefully consider how a single-payer plan might restrict their freedom to purchase private health insurance.

### *Freedom Is Costly Under Medicare*

Many Americans may not realize it, but they may not decline to enroll in Medicare Part A hospital coverage when they become eligible at 65 without paying a huge cost. The only way citizens can reject participation in Medicare Part A—even if they can afford to pay privately for their own health insurance—is if they forgo the Social Security benefits they were taxed for and promised all their working lives. Since giving up Social Security benefits is too costly for most seniors, they have no choice but to participate in Medicare. Once enrolled, they are then forced to abide by more than 100,000 pages of Medicare rules and regulations dictating what services are covered for most seniors.

Moreover, once having participated, if you want to get out of Part A, you have to pay back any money previously paid under the program, plus any Social Security benefits received—supposedly your own money (see: www.forhealthfreedom.org/Publications/MedicareMedicaid/MandatoryEnrollment.html).

### *Choice of Doctors and Other Providers*

Once seniors are forced to enroll in Medicare Part A, the federal government effectively prevents them from spending their own money on any services that Medicare covers. This restrictive policy was enacted in the Balanced Budget Act of 1997. Section 4507 says doctors may not accept private payment for Medicare-covered services unless they stop treating *all* Medicare patients for two years. One might wonder why anyone would want to pay for services covered by Medicare. One reason might be to maintain one's privacy, which brings us to the final point.

### *Health Privacy*

Currently some Americans choose to pay privately for medical services in order to maintain their privacy. However, a single-payer plan would eliminate that option. Confidential doctor-patient relationships would become a thing of the past. Look at what has happened with Medicare.

Under rules established in 1999, patients receiving home health care are required to divulge personal medical, sexual, and emotional information. Government contractors—mainly home health nurses—are directed to record such things as whether a senior has expressed "depressed feelings" or has used "excessive profanity." If seniors refuse to share medical and lifestyle information, their health-care workers are required to answer for them.

Yet, an overwhelming majority of Americans do not want the government or other third parties to have access to their personal health information without their permission. This deep concern about medical confidentiality was revealed in Gallup survey commissioned by the Institute for Health Freedom in 2000 (see: http://www.forhealthfreedom.org/Gallupsurvey). Key findings include:

- 78 percent feel it is very important that their medical records be kept confidential.
- 92 percent oppose allowing government agencies to see their medical records without their permission; 82 percent object to insurance companies gaining access without permission; and 67 percent oppose researchers seeing their medical records without the patient's permission.
- 91 percent oppose a federal requirement to assign everyone a medical identification number, similar to a Social Security number, to create a national medical database.

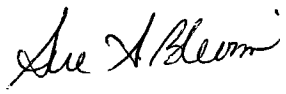
### *Conclusion*

Before agreeing to a mandatory universal health-insurance system, citizens should consider carefully how it could affect them in the long run, both as taxpayers and as patients. Empirical evidence shows that single-payer health care in the United States (Medicare) has:

- Cost taxpayers much more than it initially promised,
- Increased consumers' out-of-pocket health-care expenses,
- Did not significantly change the already-upward trend in life expectancy,
- Did not significantly change the already-downward trend in poverty,
- Restricted citizens' choice of health insurance,
- Restricted citizens' choice of doctors, and
- Invaded citizens' health privacy.

In reforming the U.S. health-care system, we should make sure that any new system upholds the precious freedom to choose and pay privately for the health-care providers and treatments of one's choice. Without this freedom, *all* Americans will lose their right to *true* health-care choice and privacy.

Sincerely,



Sue A. Blevins, President
Institute for Health Freedom

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*This summary is a compilation of government reports, scholarly papers, and historical newspaper articles cited in* Medicare's Midlife Crisis *(Cato Institute, 2001) by Sue A. Blevins. A version of this summary was published in the Institute for Health Freedom's newsletter* Health Freedom Watch *(September 2002) and is being disseminated today because of its relevance to the upcoming debate on mandatory universal health insurance.*