



## Behind the “Bash Insurers” Strategy

By SCOTT GOTTLIEB

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President Obama and his allies are shifting their health-reform rhetoric into an attack on the insurance industry--but their goal remains universal government health coverage.

Speaking on Capitol Hill two weeks ago, House Speaker Nancy Pelosi called America's health-insurance companies "immoral."

"They are the villains in this," she said, referring to the industry's role on health-care reform. "They have been part of the problem in a major way."

That broadside was foreshadowed by a subtler Obama shift during his July 22 press conference, when he repeatedly referred to his health-care plan as "insurance reform." Gone was his usual pitch about the need to cover America's uninsured.

The president hit the same theme yesterday at a town-hall meeting in Portsmouth, NH, telling the audience "right now we have a health-insurance system that works better for the insurance industry than it does for the American people."

The new language suggests a clear shift in strategy: When Congress returns, expect the White House and Democratic leaders to recast health reform as "consumer protection from insurance companies" rather than "providing coverage for America's uninsured."

But the new "marketing strategy" is a pitch for the same final product--a single, government-run insurance program.

Reportedly, Obama's top advisers gather every Wednesday night to discuss the latest polling on health-care reform and how to use the results to advance the president's agenda. And public sentiment is clear: People trust their doctors and are generally pleased with their medical care's quality--but mostly distrust insurers. Most voters also care more about their own out-of-pocket medical costs and the portability of their coverage than about the uninsured.

Surprise: The White House is said to be busy this month crafting its own draft on health-care reform--with an emphasis on regulation of insurers designed to tap into consumer distrust and discontent with existing coverage.

Having chosen insurers as its designated villains, how will the administration craft a plan that "just happens" to wind up producing a form of nationalized health care?

Simple: Call for supplanting state regulation of existing insurance plans in favor of federal regulation--which will extend even to the employer-provided coverage that's now free from most regulation.

Specifically, the White House plan will force insurers to cover all applicants, regardless of lifestyle or prior health conditions (known in industry jargon as "guaranteed issue") and to charge everyone the same general price regardless of their health factors ("community rating"). The Obama team will also call for federal formulas to limit insurers' profits and a Washington regulator to set minimum plan benefits.

The package will also aim to supplant federal ERISA law, which now lets large employers offer uniform health plans across state lines, free from costly federal and state regulation. (The White House has already endorsed the House bill that would gut ERISA after a five-year grace period.)

In short order, this regulatory regime would bring a federal takeover of the private-insurance market. Remaining insurers would operate as utilities at the behest of new regulatory agencies and a White House-anointed "health choices commissioner."

In the long run, most insurers will simply fold--limiting the choices people have and leaving a government-run plan the only option. Private insurance will exist only as wrap-around policies available to the well-to-do.

The government-run, "public" insurance option remains the most controversial piece of Obama's plan, but this tactical shift could entice a handful of squishy Republicans on board--enough to coat the final program with a veneer of bipartisanship.

By any measure, a "public" health plan will create a death spiral for insurance companies by "competing" on an uneven playing field. The "public" option would be unburdened from costly regulations and capital requirements imposed on private plans and free to tap the Treasury to subsidize its own business operations.

That has made Republicans wary of the "public option." So the administration may hide this government-run plan when it unveils ObamaCare 2.0 next month. One rumored scenario is for Obama to couple new regulatory burdens on private insurers with a "public" plan that's a "fallback" option in markets where not enough private insurers choose to--or can--compete.

But this is an end-run to the same goal. Private insurers will, over time, be bludgeoned out of business by federal regulations. The last plan standing will be the public insurance, whether it's offered as a "fallback" or an up-front option.

The result will be the same. Only the timeline to get there will have changed.

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