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Dr. DeMint's Sugar Pill

Part 2: Unfunded, inadequate and unambitious

As we explained Saturday, the most serious weakness of Sen. Jim DeMint's "Health Care Freedom Plan" is its lack of strong mechanisms to control out-of-control medical inflation. But within the plan itself, specific elements also have deficiencies of their own.

Perhaps the DeMint plan's most deceptive claim is that it comes at "no cost." The Heritage Foundation, a conservative think tank, estimated the cost of its vouchers and tax credits at about \$300 billion over the first five years, or, DeMint says, about \$700 billion over 10 years. (He has yet to request an official estimate from the Congressional Budget Office, and his critics have priced the plan's 10-year cost at a staggering \$1.9 trillion.)

Using the Heritage figures, DeMint proposes to pay for his plan by repealing the \$700 billion Troubled Asset Relief Program, the bank bailout. This, however, can hardly be considered revenue: TARP payments are made with borrowed money, as DeMint's plan would be.

TARP, however, is not even pure "spending" like the stimulus bill. Rather, TARP is a combination of loans and stock purchases, and bailed-out banks have already paid taxpayers \$6.7 billion in dividends in the program's first eight months, outpacing interest on the government loan.

Taxpayers will lose some money - for example, it's unclear how much of Chrysler's \$15 billion will be returned after bankruptcy, and larger investments, such as AIG's \$85 billion, remain risky. But much of the TARP money was invested in institutions now recovering and will be returned. Turning around to spend it on DeMint's vouchers would transform investments into outright expenditures, hardly a fiscally conservative move.

Coverage | Would DeMint's \$2,000 vouchers for singles and \$5,000 for families buy insurance for the uninsured?

The Kaiser Family Foundation says average premiums on employer-sponsored plans in 2008 were \$12,680 for families and \$4,704 for singles. DeMint's vouchers would be for the "individual" market, where average costs are much lower: \$1,786 for singles and \$3,331 for families when last studied in 2004 (premiums were about 30 percent cheaper then than today). Yet Kaiser suggests that the lower premiums reflect a much younger demographic on individual plans. Indeed, one woman at DeMint's Myrtle Beach town hall said her premiums were \$800 per month, or \$9,600 per year.

Competition | A major component of the DeMint plan is opening state health-insurance markets to nationwide competition. The savings would be useful to some - Kaiser ranks the cost of premiums in our "Atlantic region" as middle-to-high nationally and suggests premiums in the cheapest regions are 20 percent less - but the form of DeMint's suggestion still seems tepid. The individual market insures 16.5 million people (employer plans, though shrinking, insure 10 times as many people), and Heritage's estimates only project 22 million of the 46 million uninsured joining those rolls.

If increasing competition is the goal, a far more serious solution is the bipartisan Wyden-Bennett "Healthy Americans Act." It would take the tax benefits employers get for subsidizing insurance and give them to individuals, then mandate that employers pay their current large insurance outlays (an average \$9,325 per family plan in 2008) back to the employees as wages to buy their own plans. The individual market would suddenly explode with competition.

But DeMint's plan shares a fundamental failure with the Democrats' - it builds on the present system, the most expensive, least effective reform there is.

We've criticized DeMint previously for his "Waterloo" suggestion that he'd rather oppose the President than achieve reform. In Myrtle Beach last week, he moderated that rhetoric, calling Senate Majority Leader Harry Reid a friend (over the crowd's boos) and saying of Democrats that "It's not that they have bad intentions. It's not that they want to hurt our country, but they honestly believe in centrally managed economics." We'll give him credit for the slight improvement in tone, though other DeMint statements such as "I have yet to see the federal government manage

anything well" do major discredit to those federal workers who do their jobs well - starting with the U.S. military.

His plan, however, leaves much to be desired. The president of the S.C. Small Business Chamber of Commerce deemed it "not a serious proposal," dismissing it as mere cover to simple political opposition to anything the Democrats are doing. We won't go that far - DeMint's plan is certainly in line with the espoused principles that got him elected - but it seems inadequate to our country's truly critical need for reform.

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