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## No Free Lunch: The True Cost of ObamaCare

by Matt Patterson

Far from providing "affordable" care for everyone, as President Obama has promised,<sup>1</sup> the main health care proposals working their way through Congress would in fact come at a painful price - higher insurance premiums, more and higher taxes, fewer jobs, lower wages, a reduced standard of living and an erosion of privacy and individual liberty.

Here's what ObamaCare would cost you, and how.

### Higher Insurance Premiums

Government meddling in the health insurance market leads to higher premiums.

States which have instituted ObamaCare-like programs in recent decades have seen their average insurance premiums skyrocket<sup>2</sup>: In Kentucky, for example, average premiums shot up an astounding 36-165 percent after a 1994 government-managed reform measure was passed,<sup>3</sup> Washington state residents saw a premium increase of up to 78 percent<sup>4</sup> as a result of a similar program. State-managed care in Massachusetts has led to the most expensive average family plans in the nation.<sup>5</sup>

A study commissioned by the health-insurance industry found that provisions in one ObamaCare plan would increase health-insurance costs by \$4,000 for the average family and \$1,500 for the average individual.<sup>6</sup> Another study, which was sponsored by Blue Cross Blue Shield, found that "premiums will rise up to 50 percent for individual policies and 19 percent for small group plans if health care reform passes."<sup>7</sup>

*Bottom line:* Billions in new taxes and fees on insurers and health-care companies<sup>8</sup> would be necessary to pay for ObamaCare - costs that would then be passed on to the consumer in the form of higher premiums.

### Higher Taxes

When government promises to subsidize and expand health coverage, more and higher taxes are sure to follow.

Michael F. Cannon, director of health policy studies at the Cato Institute, concludes that "some middle-income earners would face marginal tax rates over 50 percent (before state taxes)"<sup>9</sup> under one version of ObamaCare. Michael D. Tanner, a senior fellow at Cato, worries that ObamaCare may add up to "one of the largest tax increases in U.S. history."<sup>10</sup> The Wall Street Journal makes no bones about it: ObamaCare will be paid for with "huge tax increases."<sup>11</sup>

How huge? According to Jeffrey H. Anderson, Ph.D, senior fellow of health care studies at the Pacific Research Institute, one ObamaCare proposal would "raise taxes by \$2.3 trillion,"<sup>12</sup> over

the next two decades. Yes, trillion.

And it isn't just federal taxes that would go up: ObamaCare's proposed expansion of Medicaid would amount to a \$33 billion "unfunded mandate"<sup>13</sup> on the already cash-strapped states - necessitating higher state taxes.

*Bottom line:* Government cannot provide free or subsidized care for someone without taking money from someone else - and that someone else may be you.

### **Lower Wages/Fewer Jobs**

ObamaCare would lead to reduced wages and further depress the job market, hitting low-skilled and low-income workers hardest.

New taxes and fees imposed on businesses by ObamaCare would "discourage companies from hiring or continuing to employ low-income and moderate-income workers,"<sup>14</sup> according to the Heritage Foundation. Small-business owners who do not generate enough revenue to pay their workers' wages in addition to the new taxes and fees "would be forced to lay off their lowest-paid employees to comply with the law."<sup>15</sup>

And it won't just be low-income workers who see a smaller paycheck - an analysis by Fortune magazine's Shawn Tully concludes that ObamaCare would lead to "a steep, shocking decrease" in the incomes of middle-class workers.<sup>16</sup>

*Bottom line:* National health care means higher taxes on employers. Higher taxes on employers means fewer jobs and lower salaries.

### **Standard of Living**

The massive government spending required to finance national health care would significantly expand the federal deficit<sup>17</sup> with ruinous consequences for every American's standard of living.

As Federal Reserve Chairman Ben Bernanke explained, "By holding down the growth of national saving and real capital accumulation, the prospective increase in the budget deficit will place at risk future living standards of our country."<sup>18</sup> And according to the Congressional Budget Office, "Large budget deficits would reduce national saving, leading to more borrowing from abroad and less domestic investment, which in turn would depress income growth in the United States. Over time, the accumulation of debt would seriously harm the economy."<sup>19</sup>

*Bottom line:* ObamaCare would mean huge deficits, and deficits soak up money from the economy that would otherwise be used for the savings and investment needed for economic growth.

### **Medicare Benefits**

ObamaCare would pay for itself, in part, with hundreds of billions of dollars in cuts to Medicare and Medicare Advantage.<sup>20</sup>

Most of these cuts are claimed to target "waste, fraud, and abuse,"<sup>21</sup> but one man's waste may be another man's life-improving surgery. And despite claims to the contrary, if adopted, these payment cuts will lead to reduced benefits for seniors.<sup>22</sup>

For instance, if the prospective cuts to Medicare Advantage are made, writes Michael D. Tanner of Cato, "many insurers are expected to stop participating in the program, while others will probably increase the premiums they charge seniors."<sup>23</sup> The Congressional Budget Office agrees, saying that cuts to Medicare Advantage "could lead many plans to limit the benefits they offer, raise their premiums, or withdraw from the program,"<sup>24</sup> devastating seniors' health care options.

Various ObamaCare proposals also assume steep cuts in Medicare payments to doctors. Noting that Senate Finance Committee Chairman Max Baucus' ObamaCare proposal would cut payments

to doctors by 25 percent in 2011, with even steeper cuts later, the Wall Street Journal says these cuts "will cause many doctors to quit the program."<sup>25</sup> Medicare patients already have difficulty finding doctors, especially in some markets, and ObamaCare would exacerbate this difficulty by shrinking the number of doctors willing to treat Medicare patients at the very time the number of Medicare recipients is increasing (due to the retirement of baby boomers, and other factors).

*Bottom line:* ObamaCare means less Medicare - a lot less.

## **Privacy**

ObamaCare would erode your privacy by expanding the IRS and mandating that insurers, employers and government agencies share with one another your personal financial information.

According to an analysis by the Washington Examiner's Byron York, ObamaCare would mean "an expanded and more intrusive IRS,"<sup>26</sup> which "would become the main agency for determining who has an 'acceptable' health insurance plan; for finding and punishing those who don't have such a plan; for subsidizing individual health insurance costs through the issuance of a tax credits; and for enforcing the rules on those who attempt to opt out, abuse, or game the system."<sup>27</sup>

Additionally, an ObamaCare tax on employers based on their employees' income would necessitate your employer knowing your family's entire income from all sources, information which would then be shared with the insurance company and auditable by the government.<sup>28</sup>

*Bottom line:* ObamaCare regulations would result in a larger, more powerful IRS, and ensure that more of your personal information is shared with more people.

## **Your Freedom**

ObamaCare would enlarge the state at the expense of your freedom.

Think you are too healthy or too young to need insurance? Think you have the right to make that decision? Guess again, because a fundamental feature of ObamaCare is an "individual mandate," that is, a federal requirement that every citizen must have health insurance.

ObamaCare would fundamentally alter the relationship between citizen and state by requiring, under threat of penalty, every American to obtain something the government deems necessary as a condition of legitimate citizenship. As the Congressional Budget Office put it, ObamaCare "would establish a requirement for [legal U.S. residents] to obtain insurance and would in many cases impose a financial penalty on people who did not do so."<sup>29</sup>

*Bottom line:* This "individual mandate" would constitute a gross abuse of governmental power and a violation of every American's right to decide what is best for themselves and his or her family.

\* \* \*

ObamaCare won't save us money, nationally or individually. Instead, it will increase insurance premiums, raise taxes, depress wages, siphon jobs, explode the deficit, reduce our living standards, rob us of privacy and erode our personal liberty.

That's the kind of "free" care we just can't afford.

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**Footnotes:**

- <sup>1</sup> "Remarks of President Barack Obama -- Address to Joint Session of Congress," February 24, 2009, downloaded from [http://www.whitehouse.gov/the\\_press\\_office/Remarks-of-President-Barack-Obama-Address-to-Joint-Session-of-Congress/](http://www.whitehouse.gov/the_press_office/Remarks-of-President-Barack-Obama-Address-to-Joint-Session-of-Congress/) on October 9, 2009.
- <sup>2</sup> Peter Suderman, "The Lesson of State Health-Care Reforms," *The Wall Street Journal*, October 6, 2009, downloaded from <http://online.wsj.com/article/SB20001424052748703298004574455560453947646.html> on October 7, 2009.
- <sup>3</sup> Conrad F. Meier, "Destroying Insurance Markets," Council for Affordable Health Insurance and The Heartland Institute, 2005, page 41, downloaded from <http://www.heartland.org/books/Destroying.html> on October 8, 2009.
- <sup>4</sup> "Health Insurance Reform and Individually-Purchased Coverage: Analysis From Washington State," Association of Health Services Research Meeting, 1999, downloaded from <http://gateway.nlm.nih.gov/MeetingAbstracts/maf=102194386.html> on October 7, 2009.
- <sup>5</sup> Peter Suderman, "The Lesson of State Health-Care Reforms," *The Wall Street Journal*, October 6, 2009, downloaded from <http://online.wsj.com/article/SB20001424052748703298004574455560453947646.html> on October 7, 2009.
- <sup>6</sup> "Potential Impact of Health Reform on the Cost of Private Health Insurance Coverage," PriceWaterhouseCoopers, October 2009, Page E-2, downloaded from [http://www.politico.com/static/PPM116\\_pwc2.html](http://www.politico.com/static/PPM116_pwc2.html) on October 14, 2009.
- <sup>7</sup> Eric Zimmerman and Jeffrey Young, "Blue Cross Group Blasts Reform Bill," The Hill Blog, October 14, 2009, downloaded from <http://thehill.com/blogs/blog-briefing-room/news/63107-blue-cross-trade-group-blasts-reform-legislation> on October 15, 2009.
- <sup>8</sup> John Whitesides, "More Taxes for Health Companies in Senate Bill," Reuters, October 6, 2009, downloaded from <http://www.reuters.com/article/politicsNews/idUSTRE59607820091007> on October 7, 2009.
- <sup>9</sup> Michael F. Cannon, "All the President's Mandates: Compulsory Health Insurance Is A Government Takeover," Cato Institute briefing paper No. 114, September 23, 2009, downloaded at [http://www.cato.org/pub\\_display.php?pub\\_id=10576](http://www.cato.org/pub_display.php?pub_id=10576) on October 7, 2009.
- <sup>10</sup> Michael D. Tanner, "Paying For Obamacare," Town Hall, June 11, 2009, downloaded from [http://www.cato.org/pub\\_display.php?pub\\_id=10289](http://www.cato.org/pub_display.php?pub_id=10289) on October 8, 2009.
- <sup>11</sup> "The Greatest Show On Earth," *The Wall Street Journal*, Review & Outlook, October 9, 2009, downloaded from <http://online.wsj.com/article/SB10001424052748703746604574461121881407350.html> on October 9, 2009.
- <sup>12</sup> Jeffrey Anderson, "The Senate Reform Fraud," *The New York Post*, October 14, 2009, downloaded from [http://www.nypost.com/p/news/opinion/opedcolumnists/the\\_senate\\_reform\\_fraud\\_PVp3TSIkA1O5pB9mY4W2aJ](http://www.nypost.com/p/news/opinion/opedcolumnists/the_senate_reform_fraud_PVp3TSIkA1O5pB9mY4W2aJ) on October 14, 2009.
- <sup>13</sup> "The Greatest Show On Earth," *The Wall Street Journal*, Review & Outlook, October 9, 2009, downloaded from <http://online.wsj.com/article/SB10001424052748703746604574461121881407350.html> on October 9, 2009.
- <sup>14</sup> Robert A. Book, Ph.D, Guinevere Nell, and Paul L. Winfree, "The Baucus Individual Insurance Mandate: Taxing Low-Income and Moderate Income Workers," Heritage Foundation Backgrounder No. 2325, September 25, 2009, downloaded from <http://www.heritage.org/Research/Healthcare/bg2325.cfm> on October 7, 2009.
- <sup>15</sup> *Ibid.*
- <sup>16</sup> Shawn Tully, "Obamacare's Winners and Losers," CNNMoney/Fortune, September 11, 2009. Downloaded from [http://money.cnn.com/2009/09/09/news/economy/obamacare\\_winners\\_losers.fortune/index.htm](http://money.cnn.com/2009/09/09/news/economy/obamacare_winners_losers.fortune/index.htm) on October 14, 2009.
- <sup>17</sup> Michael F. Cannon, "Baucus Bill Would Cost More than \$2 Trillion," *cato@liberty*, October 8, 2009, downloaded from <http://www.cato-at-liberty.org/2009/10/08/baucus-bill-would-cost-more-than-2-trillion/> on October 8, 2009; Greg Hitt, "House Democrat Health Bill Adds to Budget Deficit, CBO Says," *The Wall Street Journal*, July 18, 2009, downloaded from <http://online.wsj.com/article/SB124791492292561969.html> on October 9, 2009.

<sup>18</sup> Quoted in "Basic Questions and Answers About the Deficit," Center on Budget Policy and Priorities, October 30, 2006, downloaded from <http://www.cbpp.org/cms/index.cfm?fa=view&id=790> on October 9, 2009.

<sup>19</sup> "The Long-Term Budget Outlook," Congressional Budget Office, June 2009, Summary, downloaded from <http://www.cbo.gov/ftpdocs/102xx/doc10297/Summary.3.1.shtml> on October 14, 2009.

<sup>20</sup> Douglas W. Elmendorf, Director CBO, "Letter To the Honorable Max Baucus," Congressional Budget Office, October 7, 2009, pages 6-7, downloaded from [http://www.cbo.gov/ftpdocs/106xx/doc10642/10-7-Baucus\\_letter.pdf](http://www.cbo.gov/ftpdocs/106xx/doc10642/10-7-Baucus_letter.pdf) on October 8, 2009.

<sup>21</sup> "Remarks of President Barack Obama -- Address to Joint Session of Congress," February 24, 2009, downloaded from [http://www.whitehouse.gov/the\\_press\\_office/Remarks-of-President-Barack-Obama-Address-to-Joint-Session-of-Congress/](http://www.whitehouse.gov/the_press_office/Remarks-of-President-Barack-Obama-Address-to-Joint-Session-of-Congress/) on October 9, 2009.

<sup>22</sup> Robert Moffitt, "Baucus Bill Hits Seniors with Medicare Cuts," National Review Online, Critical Condition, October 8, 2009, downloaded from <http://healthcare.nationalreview.com/post/?q=ZDYwYzYzNTUzZWVmNThiYzNINGVmNzc5OTA4YTJmNmU> on October 9, 2009.

<sup>23</sup> Michael D. Tanner, "The Inevitable Medicare Cuts," *Cleveland Plain Dealer*, October 14, 2009, downloaded from [http://www.cato.org/pub\\_display.php?pub\\_id=10636](http://www.cato.org/pub_display.php?pub_id=10636) on October 15, 2009.

<sup>24</sup> "Budget Options, volume 1- Health Care," The Congressional Budget Office, December 2008, page 119, downloaded from <http://www.cbo.gov/ftpdocs/99xx/doc9925/12-18-HealthOptions.pdf> on October 9, 2009.

<sup>25</sup> "The Greatest Show On Earth," *The Wall Street Journal*, Review & Outlook, October 9, 2009, downloaded from <http://online.wsj.com/article/SB10001424052748703746604574461121881407350.html> on October 9, 2009.

<sup>26</sup> Byron York, "Health Care Reform Means More Power for the IRS," *The Washington Examiner*, September 2, 2009, downloaded from <http://www.washingtonexaminer.com/politics/Health-care-reform-means-more-power-for-the-IRS-56781377.html> on October 14, 2009.

<sup>27</sup> *Ibid.*

<sup>28</sup> Robert A. Book, Ph.D, Guinevere Nell, and Paul L. Winfree, "The Baucus Individual Insurance Mandate: Taxing Low-Income and Moderate Income Workers," Heritage Foundation Backgrounder No. 2325, September 25, 2009, sec. "Mandatory Loss of Privacy," downloaded from <http://www.heritage.org/Research/Healthcare/bg2325.cfm> on October 7, 2009.

<sup>29</sup> Douglas W. Elmendorf, Director, CBO, "Letter to the Honorable Max Baucus," Congressional Budget Office, October 7, 2009, page 2, downloaded from [http://www.cbo.gov/ftpdocs/106xx/doc10642/10-7-Baucus\\_letter.pdf](http://www.cbo.gov/ftpdocs/106xx/doc10642/10-7-Baucus_letter.pdf) on October 8, 2009.

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