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New Study Concludes Minnesota Taxpayers and Economy Pay Steep Price for Washington's Health Care Proposals

Wrong Medicine: FFM releases report showing "reforms" would cost \$4,412 for every Minnesotan

MINNEAPOLIS, MN—Minnesotans would pay a steep price of more than \$4,400 for every man, woman and child for the health care proposals currently on the table in Washington, according to a new analysis released today by the Freedom Foundation of Minnesota.

"While our health care system is in need of reform, this report makes a strong case for why the proposals in Congress are the wrong medicine for Minnesotans," said Annette Meeks, CEO of the Freedom Foundation of Minnesota (FFM). "The economic impact of Obama-style health care on Minnesota would be higher taxes and state budget deficits, lower economic growth and less jobs, while leaving tens of thousands here still without medical coverage. Instead of more government-run health care, the solution is to return decision making and purchasing power to consumers and their providers."

Prepared by renowned economists Dr. Arthur Laffer, Donna Arduin, and Wayne Winegarden, *Prognosis for National Health Insurance: A Minnesota Perspective* analyzes the impact of a \$1 trillion increase in federal health care outlays on the national and state economy over ten years based on reforms proposed by Congress and President Obama.

The report projects the federal government health subsidies would have the following results:

- Cost \$3,900 for every man, woman, and child in the U.S. due to \$1.2 trillion in more federal spending driven by higher than otherwise projected medical inflation and government outlays
- Cost an additional \$512 for every person in Minnesota due to \$2.7 billion more in state spending for a total cost of \$4,412 for every state resident (\$3,900 + \$512=\$4,412)
- Reduce Minnesota's economic growth 4.8 percent in 2019
- Increase national health care spending by an additional 8.9 percent above expectations by 2019
- Increase total federal spending 5.6 percent more than otherwise projected, adding \$285.6 billion to the deficit in 2019
- Increase medical price inflation by 5.2 percent above projected increases by 2019
- Cost \$62,500 per person to cover 16 million more Americans, while leaving 30 million uninsured
- Possibly cost Minnesotans even more if the federal government pushes the burden for expanding Medicaid coverage off on the states.

The report emphasizes the need for patient-centered solutions. "By empowering patients and doctors to manage health care decisions, a patient-centered health care reform would directly address the distortions weakening our current health care system and would simultaneously control costs, increase health outcomes, and improve the overall efficiency of the health care system," according to the report.

The study recommends that reforms should focus on reducing costs by closing the "health care wedge" – a separation of effort and reward by which a patient understands the true costs of their health care and is therefore driven to be more efficient in his or her spending.

"When the government spends money on health care, the patient does not," the report states. "The patient is then separated from the transaction in the sense that costs are no longer his concern. Health care reform should be based on policies that diminish this wedge rather than increase it."

The authors urge Congress to work toward a solution that will not penalize the seventy percent of Americans who currently are happy with their health care arrangements.

The report's recommendations include:

- Provide for individual ownership of insurance policies. The tax deduction that allows employers to purchase your insurance should instead be given to the individual;
- Better leverage Health Savings Accounts (HSAs) to empower individuals to monitor their health care costs and create incentives for individuals to use on necessary services;
- Allow interstate purchasing of insurance. Policies in some states are more affordable because they include fewer "bells and whistles". Consumers should be empowered to decide which benefits they need and what prices they are willing to pay;
- Reduce the number of mandated benefits insurers must cover, empowering consumers to choose which benefits they need is only effective if insurers are able to fill these needs;
- Reallocate the majority of Medicaid spending into simple vouchers for low-income individuals to purchase their own insurance. An income-based sliding scale voucher program would eliminate much of the massive bureaucracy that is needed to implement today's complex and burdensome Medicaid system and produce considerable cost savings;
- Eliminate unnecessary scope-of-practice laws and allow non-physician health care professionals to practice to the extent of their education and training. Retail clinics have shown that increasing the provider pool safely increases competition and access to care and empowers the patient to decide from whom they receive their care; and
- Reform tort liability laws. Defensive medicine needlessly drives up medical costs and creates an adversarial relationship between doctors and patients.

The full report may be downloaded at www.freedomfoundationofminnesota.com.

The Freedom Foundation of Minnesota is an independent, non-profit 501(c)3 educational and research organization that advocates the principles of individual freedom, personal responsibility, economic freedom, and limited government. Founded in 2006, we hope to create a better and more vibrant future for every Minnesotan by helping shape sound public policy. We tackle issues important to every Minnesotan and provide real-time, proven research and policy alternatives to help further the debate among leaders in government, the media, and the citizenry.