



John C. Goodman Speaks to Students About Health Care

This lecture was sponsored by BB&T Center for Advancement of American Capitalism and was part of a Marshall class on health care law and policy.

By Andrea Lannom
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CHARLESTON -- Economist John Goodman said Thursday he has five major issues with the nation's new health care legislation.

Goodman, who is president and CEO of the National Center for Policy Analysis in Dallas, made a special appearance Thursday at The Embassy Suites in Charleston to speak to select Marshall University students about problems he foresees with the new health care plan as proposed by President Barack Obama. This lecture was sponsored by BB&T Center for Advancement of American Capitalism and was part of a Marshall class on health care law and policy. Cal Kent, Marshall University's vice president for business and economic research, said the class usually meets at CAMC, but it was moved to the Embassy for the morning session.

Kent said the class on health care law is unique because it has accreditation from both the business and nursing ends. A few students selected for this program will graduate with two designations: a doctorate of management practice and a certified registered nurse anesthetist.

Goodman started his speech by talking about people being denied for health insurance because of pre-existing conditions.

Goodman said 90 percent of Americans could not be denied health care insurance for this reason. People who fall into that 10 percent who would be denied coverage would be allowed to enter the federally funded risk pool insurance plan.

“And they would pay no more than a healthy person would for that,” he said.

That point lead into Goodman’s first problem with Obama’s health care plan. Goodman said the plan forces people to have an insurance plan with premiums that are rising “twice as fast as the annual income.”

“Obama did not create this problem,” he said. “It’s been four decades of spending on health care.

“Today’s college students will reach retirement age and won’t have anything to eat, but they will

have great health care. That's the path we're on."

He said the law as it is now will take away the defenses, meaning that any insurance policies will take limited coverage in the face of these rising costs.

His second problem with the health care bill deals with subsidies.

"We have a bizarre system of subsidies in this law, and under the new law it will be more arbitrary and more unfair than what we have today," he said.

The example he gave dealt with employees who earn roughly \$30,000 a year. Those employees would be required to have the health care plan.

The employer would buy the plan for the fictitious employee at an estimated cost of \$15,000. If employer failed to do that or if the employee decided to get his or her own health insurance, the employee would get a huge subsidy, he said.

The subsidy is a federal tax credit, and it would reimburse people based on their income level for out-of-pocket costs, he said.

"Their total subsidy would be \$19,000 a year for families making \$30,000," he said.

However, if the business buys the insurance policy it would not be eligible for any additional subsidies other than what is in current law, he said. Because of that, he predicted a huge migration of people to the exchange, which is where insurers would put the plan on the table and charge the same premium whether one is healthy or sick, Goodman explained.

"You could be really sick and anticipate high health care costs but pay the same cost as someone healthy," he said.

"For the higher income, at let's say \$90,000 to \$100,000, ... if they go over to the exchange, then they get nothing," he said. "They have to buy that \$15,000 plan and get no help from the federal government at all."

Since the tax subsidy is so large, higher income individuals will want the employer to buy the insurance, he said. Yet, lower income individuals will move to the exchange in Goodman's prediction.

"These differences are so great that we can conceive of businesses dissolving and reforming and the whole economy changing because of these costs," he said. "We don't want businesses to dissolve and reform based on arbitrary laws."

The third problem deals with the exchange itself. Goodman said since healthy and sick people pay the same premiums, which is what he says happens already with federal and state employees, it all comes down to competition.

“Insurers want to attract healthy people, not the sick, because they make a profit on people who are healthy and (take) a loss on people who are sick,” he said.

Yet even when sick people are enrolled, the problems continue, he said.

“They want to over-provide for healthy members because they want to attract more, but they also want to under-provide for sick ones because they don’t want to attract anymore,” he said.

“This is what we’re about to set up for in this health care system.”

His fourth problem dealt with the buyer’s side. In Goodman’s prediction, this system will allow for individuals who wait to get sick to enroll and then drop coverage later.

“If that happens with individuals who are encouraged to do this when they get sick, premiums will get high, and it will be chasing the costs,” he said. “It won’t be able to catch up.”

The last problem he mentioned with the bill is the fact that he believes the American public was “way over-promised.” He said 32 million additional people will be added to the insurance pool, and these people will get “twice as much health care” as they were consuming. He added they will have more insurance than they wanted.

“Yet they’re not doing anything over in the supply side of the market,” he said. “Those who could afford it are forced to take more coverage than they wanted,” he said.

He also described the shift in demand saying that there will be a “severe rationing problem” and emergency room traffic will increase.

The bill will also create a problem for senior citizens, according to Goodman.

“More than half the cost of the bill was cutting cost from Medicare,” he said. “What that means is that Medicare will pay progressively less than what everyone else is paying.”

“We’re going to hear from all senior voters telling us they can’t find a doctor, and it will be worse in magnitude in three years,” he said.