

Pyrrhic victory on health reform?

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By the bizarre, dysfunctional rules of Washington policymaking, Republicans seem poised to score a big win. Either they'll kill health reform or they'll force Democrats to pass such a watered-down mishmash that they will have endless fodder for election-year attacks in 2010 and beyond.

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That would be a Pyrrhic victory. If Republicans really want to stem the expansion of government, they should participate in the health care reform debate before the health care system reaches the crisis that is surely coming without intervention. But if the Republicans effectively kill health reform again, it'll become another third rail, like Social Security - deadly if touched.

Then it will just be a matter of time before the inevitable happens and insurance becomes unaffordable for most middle-class households and businesses - with the crisis perhaps hitting during the next recession. At that point, voters will clamor for "socialized medicine." Just as they were willing to partially nationalize the banks to protect their assets during the current meltdown, they'll happily nationalize health insurance when middle-class families' access to health care is at risk.

Chances are crisis-based health care reform won't be any prettier than crisis financial-market reform. But that's what we're looking at if health care reform crashes and burns again.

In fact, there are good reasons for Republicans to take a seat at the table in the health care reform debate. For one thing, they have at least as much interest as Democrats in slowing the rate of growth of health care costs. If costs continue to follow their historical trajectory, taxes will have to increase dramatically to cover government spending - even with no expansion in coverage.

If Republicans care about small business, health care reform should be a priority. Without reform, small businesses will increasingly find health insurance to be unaffordable. Those who offer health insurance must pay much higher premiums than large firms, which places them at a huge competitive disadvantage. Even if they don't provide coverage, they are at a disadvantage in hiring relative to large firms who can offer more and better fringe benefits at a fraction of the cost.

Republicans like to stress equality of opportunity, but the current system puts people with chronic health conditions at a huge economic disadvantage unless they are lucky enough to hold a job with a large employer. Although small employers cannot legally discriminate against people with disabilities, they must cringe at the cost of hiring someone who could add tens of thousands of dollars to their health insurance bill. And people with health problems who do not get insurance at work face huge premiums for private health insurance, or pre-existing condition exclusions that make it virtually worthless.

Republicans should be talking with Democrats about sensible ways to expand access and limit government spending on health care. I don't underestimate the difficulties of reaching agreement here, but the gains to both parties are potentially enormous. Democrats think that health care markets can do nothing right and favor price controls and mandates. Republicans believe that markets can solve everything if only left alone.

Both parties are wrong. This is a perfect case where compromise could produce much better policy than either party could achieve on its own - limiting health care markets' inherent failures while realigning market incentives so that insurers and health care providers can profit most by providing excellent cost-effective medical care.

But this won't happen if one party can demagogue any limits the other party's health reform plan would impose. For an example, see Republicans' current shameless efforts to frighten seniors about Democrats' proposed limits in Medicare spending. That is why successful health reform must have both parties' fingerprints on it.

There are many other issues where compromise could be a win-win for both parties, if they really care about policy. Former Sen. Bill Bradley, New Jersey Democrat and a hero of the bipartisan Tax Reform Act of 1986, has proposed that Republicans support universal coverage in exchange for tort reform, a long-standing priority that is anathema to many Democrats. I have suggested that health care reform could be paired with a

simpler, fairer, more pro-growth tax system.

With the president's top domestic priority at risk, the Republicans potentially have a very strong bargaining position. They could work with the president and the Democrats to get universal access to health insurance that harnesses market forces to slow the growth of health care costs.

Or they could fiddle while the health care system slowly burns, waiting for bigger government, increased regulation, and higher taxes to arise from the ashes.

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