

## JAMA Forum: Mitt Romney on Health Care: No, We Can't

BY [DAVID CUTLER, PHD](#) on [APRIL 27, 2012](#)

Now that Mitt Romney is the presumptive Republican presidential nominee, it is worth paying more attention to his health care proposals. Governor Romney has said many things about health care—mostly negative. He wants to repeal the Affordable Care Act (ACA), cut Medicaid, and fundamentally restructure Medicare. For the privately insured, he pushes a vision where employers are less involved in insurance and government support is reduced.



David Cutler, PhD

The philosophical principles of the Romney plan are profound and worrying.

### **Romney Plan: Repeal ACA**

Mitt Romney's major health care proposal is to repeal the ACA. Philosophically, he believes the ACA is a federal takeover of health care. Fiscally, he calls it a "[disaster for the federal budget](#)." Of course, the ACA reduces the deficit overall. But Romney says that because the act has Medicare savings so severe that they would "end Medicare as we know it," we have to dump the whole thing.

According to the [Congressional Budget Office](#), repealing the ACA would cause 30 million people to lose coverage and worsen the federal budget. Along the way, it would reinstate the "doughnut hole" gap in Medicare's coverage for prescription drugs and eliminate the requirement that insurers

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spend a certain percentage of their revenues on medical care.

As for Medicaid, Romney says he wants to restrain its spending and transform it into a program in which a block grant of a fixed sum is given to states.

“Restrain” is a euphemism here; amputate is more accurate. Romney proposes to cut Medicaid growth more than in half, even after repealing the ACA. The stated rationale for this, [according to Rep Paul Ryan \(R, Wis\)](#), the architect of the Republican budget proposal, is to avoid “turn[ing] the safety net into a hammock that lulls able-bodied people to lives of dependency and complacency.” I know many physicians who treat patients covered by Medicaid, and as far as I know, none of them would agree with that description of the program.

To be sure, Medicaid spends more on medical care than it needs to—as all health care programs do. But a meat cleaver is rarely appropriate for open heart surgery. The cumulative reduction in Medicaid spending that Romney proposes is substantially greater than the savings that he said would “end Medicare as we know it.” Even assuming that states could significantly increase the efficiency of Medicaid, Medicaid payment rates would have to be cut, and people would be thrown off the rolls. [Researchers at the Urban Institute](#) estimate that the net effect will be 14 to 27 million people removed from the program, on top of the 30 million who would lose coverage in the repeal of the ACA. Romney has not said whether the lower coverage should come from seniors in need of long-term care, blind or disabled people, pregnant women, or kids.

Medicare would be restructured, too, although it is spared for a while. A decade hence, eligibility for Medicare would begin an increase from 65 to 67. At current rates of uninsurance for those near age 65, this would mean an additional 600 000 Americans without insurance coverage. In addition, Romney proposes to turn the Medicare program into a voucher system. If Romney follows the Ryan plan, seniors would have to pay hundreds or thousands more per year to stay in the current Medicare program. The argument for the voucher is that private insurers will figure out how to be more efficient than traditional Medicare. The only problem with this argument is that [there is no evidence to support it](#). Call it belief in the competition fairy; Romney’s plan makes sense only if the fairy sprinkles her pixie dust on the system.

### **Romney Plan: Replace ACA**

Republicans famously promised to “repeal and replace” the ACA. After paring down the major federal health care programs, what does Romney propose as replacement?

Romney [says](#) his conception is to “harness the power of markets to drive positive change in health insurance and health care.” There are several components to this: allowing individuals a deduction for direct purchase of health insurance, where only employers receive one now; removing state

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regulations on insurers, such as minimum coverage requirements and limits on what the sick can be charged; capping noneconomic damages in medical malpractice; and removing restrictions on health savings accounts.

I like the focus on malpractice reform, which we do need. Romney's proposed caps on damages are not the right way to go ([disclosure and apology laws work much better](#)), but there could be common ground here.

More problematic, however, is that in the consumer-empowered system Romney proposes, his tax changes will likely cause [millions of people](#) to be dropped from their current employer policy as employers realize there is no value to them providing insurance. Letting people roam free to make purchasing decisions on their own is fine if markets work well. But health insurance markets don't, as any economist (or consumer!) knows. In the individual market Romney envisions, people will not be guaranteed coverage; insurance premiums can increase without limit when a person gets sick; and basic benefits for mental health care, maternity care, and countless other services will be eliminated. Not even the competition fairy can make this market work in this environment.

### **The Bottom Line of the Romney Plan**

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## Mitt Romney on Health Care

Provision	Effect
Repeal the Affordable Care Act	30 Million lose coverage Reestablish "doughnut hole" in prescription drug coverage
Transform Medicaid into a block-grant program	14-27 Million elderly persons, blind or disabled individuals, children, and pregnant women lose coverage Lower payments to providers
<p>Add up the components and the bottom line is staggering: 45 to 58 million additional uninsured, millions more losing employer-based insurance, significantly lower payments to doctors, and insurers back in charge. Follow the money and it gets worse: the Medicaid and Medicare savings are used not to strengthen the system, but instead to backfill tax cuts targeted to the high end of the income distribution. Every tax that high-income people pay, more or less, is lowered in the <b>Romney tax plan</b>, to the tune of trillions of dollars; only the earned income tax credit and child tax credit get reduced. In the Romney vision, health insurance is an unaffordable luxury, but tax cuts combined</p>	
All provisions listed above combined	45-58 Million more uninsured Millions lose employer coverage Lower provider payments Money saved devoted to high-income tax cuts

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are just what the doctor ordered.

As a policy analyst, what strikes me most is not the unsurprising regressivity of Romney's proposals but the negativity of it all. Never before in history has a candidate run for President with the idea that too many people have insurance coverage.

And what a transformation this is. When Romney was governor of Massachusetts, he argued that such mechanisms as a high-risk pool for the uninsurable sick were inferior to universal coverage. Now, he pushes the reverse. The reversal is even more ironic since Romney has effectively proposed the elimination of the Massachusetts plan he once touted. Without the ability to require that insurers cover the sick with the healthy together, and after the cutbacks in Medicaid, Massachusetts will have no choice but to repeal the law. How ironic indeed that Romney was nearly denied his party's nomination because he defended the Massachusetts plan, when he was actually promising to repeal it all along!

It is safe to say that the public is split on the ACA. But Romney's plan will heal neither divisions nor sick Americans. Indeed, Romney's health care ideas are the most radical and divisive of any candidate ever to run for President.

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**About the author:** David M. Cutler, PhD, is the Otto Eckstein Professor of Applied Economics in the Department of Economics and Kennedy School of Government at Harvard University and a member of the Institute of Medicine. He served on the Council of Economic Advisers and the National

Economic Council during the Clinton Administration and was senior health care advisor to Barack Obama's presidential campaign.

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