

October 1, 2009

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PLATTE CHAT

A Snapshot View of Health Care Reform's Impact on Nebraska

"In 2009, health care reform is not a luxury. It's a necessity we cannot defer. Soaring health care costs make our current course unsustainable. It is unsustainable for our families ... It is unsustainable for businesses." – President Barack Obama

President Obama is correct when he says that "soaring health care costs make our current course unsustainable." Adjusting for the growing U.S. population, the dollar level of expenditures on health care has exceeded the growth in overall consumer prices in the economy every year for nearly the past 50 years. Such a trend cannot continue forever.

In 1960, the private sector funded over three-quarters of the nation's health care expenditures. Individuals paid nearly one-half of the total nation health care expenditures through out-of-pocket expenditures.

The planned increase in federal government

health subsidies over 10 years based on President Obama's principles will have the following consequences on Nebraska based on research by Arduin, Laffer & Moore Econometrics:

- Nebraska would see reduced economic growth in 2019 by 3.7 percent compared to the baseline scenario.
- In addition to federally-funded expenditures, the net present value of all Nebraska state government expenditures through 2019 that will occur as a result of a federal health care reform is \$0.7 billion, or a \$372 bill for every man, woman, and child in Nebraska.
- The current net present value of funding health care reform based on President Obama's priorities will be \$4,273 for every person in Nebraska. This comes to a total net present value of \$7.6 billion in total costs that Nebraska residents will have to bear.
- The source of funding for Medicaid expansion will have a major impact on the Nebraska state budget. Because Nebraska does not have the option to run trillion dollar deficits, the cost of the additional \$0.15 billion in health care expenditures as a percentage of total tax revenues would increase as well. Nebraska's tax collections would have to be 2.1 percent larger in order to cover the additional \$0.15 billion in health care expenditures in 2019. This number does not include the

additional cost to Nebraska of expanding Medicaid if the federal government fails to pick up the tab.

- The cost on Nebraska could be higher, and the national cost lower, if the federal government pushes the financial responsibility for covering the expansion of lower-income individual's health insurance coverage off to the states. While the federal costs will decline, Nebraska's costs will increase by a total of \$2.1 billion (the net present value being \$1.6 billion).

Reforming the problems with the current U.S. health care system is too important to do incorrectly. Rather than expanding the role of government in the health care market, Congress should implement a patient-centered approach to health care reform. A patient-centered approach focuses on the patient-doctor relationship and empowers the patient and the doctor to make effective and economical health policy choices. A patient-centered health care reform would:

- Begin with individual ownership of insurance policies.
- Leverage Health Savings Accounts (HSAs).
- Allow interstate purchasing of insurance.
- Reduce the number of mandated benefits that insurers are required to cover.
- Reallocate the majority of Medicaid spending into simple vouchers for low-income

individuals to purchase their own insurance.

- Eliminate unnecessary scope-of-practice laws and allow non-physician health care professionals to practice to the extent of their education and training.
- Reform tort liability laws.

To download the complete snapshot look at the impact of the proposed health care reform on Nebraska as done by Arduin, Laffer & Moore, click [HERE](#).

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