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OP-ED COLUMNIST

Something for Nothing

By DAVID BROOKS

On May 12, the Senate Finance Committee held a hearing on health care reform. There was a long table of 13 experts, and a vast majority agreed that ending the tax exemption on employer-provided health benefits should be part of a reform package.

They gave the reasons that experts — on right or left — always give for supporting this idea. The exemption is a giant subsidy to the affluent. It drives up health care costs by encouraging luxurious plans and by separating people from the consequences of their decisions. Furthermore, repealing the exemption could raise hundreds of billions of dollars, which could be used to expand coverage to the uninsured.

Democratic Senator Ron Wyden piped up and noted that he and Republican Senator Robert Bennett have a plan that repeals the exemption and provides universal coverage. The Wyden-Bennett bill has 14 bipartisan co-sponsors and the Congressional Budget Office has found that it would be revenue-neutral.

The Finance Committee's chairman, Senator Max Baucus, looked exasperated. With that haughty and peremptory manner that they teach in Committee Chairman School, he told Wyden and the world that this idea was not going to happen.

In the World's Greatest Deliberative Body, senators don't run things. Chairmen and their staffs run things. During the spring, as the Obama administration faded to invisibility, the finance and health committees separately put together plans. These plans did not alter the employer exemption. They did build on the current system. They did include approaches that have been around since Richard Nixon.

The problem with the committee plans is that they don't do much to change the underlying incentives, and consequently don't do much to control costs. "The single most expensive option is to build on the existing system," says the health care costs guru John Sheils of the Lewin Group.

The C.B.O. measured the plans, and the results were devastating. A successful plan has to be revenue-neutral for the government over the next 10 years, and it has to reduce the total health care burden over the long term so the country doesn't go bankrupt. The Senate committee plans failed both criteria. They would cost the government more than $1 trillion this decade and send total health care costs zooming at least twice as fast as the economy as a whole.

The C.B.O. reports sent shock waves through Washington. Senators and staffs began casting about for a way to get a good C.B.O. score. President Obama redoubled his rhetoric about fundamentally reducing health care costs. Everybody continued looking around for a compromise that could get a bipartisan majority.

Now you might think that in these circumstances someone might take a second look at the ideas incorporated in the Wyden-Bennett plan, which already has a good C.B.O. score, bipartisan support and a recipe for fundamental reform.

If you did think that, you are mistaking the Senate for a rational organism. For while there are brewing efforts to incorporate a few Wyden-Bennett ideas, there is stiff resistance to the aspects that fundamentally change incentives.

The committee staffs don't like the approach because it's not what they've been thinking about all these years. The left is uncomfortable with the language of choice and competition. Unions want to protect the benefits packages in their contracts. Campaign consultants are horrified at the thought of fiddling with a popular special privilege.

So the process is moving along as it has been. There is a great deal of talk about the need to restrain costs. There's discussion about interesting though speculative ideas to bend the cost curve. There are a series of frantic efforts designed to reduce the immediate federal price tag. Some senators and advisers suggest cutting back on universal coverage. Others have come up with a bunch of little cuts in hopes of getting closer to the trillion-dollar tab. The administration has ambitious plans to slash Medicare spending.

But there is almost nothing that gets to the core of the problem. Under the leading approaches, health care providers would still have powerful incentives to provide more and more services and use more expensive technology.

We've built an entire health care system (maybe an entire government) on the illusion of something for nothing. Instead of tackling that basic logic, we've got a reform process that is trying to evade it.

This would be bad enough in normal times. But the country is already careening toward fiscal ruin. We've already passed a nearly $800 billion stimulus package. The public debt is already projected to double over the next 10 years.

Health care reform is important, but it is not worth bankrupting the country over. If this process goes as it has been going — with grand rhetoric and superficial cost containment — then we will be far better off killing this effort and starting over in a few years. Maybe then there will be leaders willing to look at the options staring them in the face.