**The health-care squeeze**

*Business is right to be scared by the costs of Obamacare.*


"IT MAY not happen in my lifetime," Bill Clinton joked about Barack Obama's mammoth health-care bill a few days ago, "or Dick Cheney's, but hopefully by Easter." The joke proved prescient: Congress passed the bill the very next day and the president signed it on March 23rd.

It is undoubtedly a momentous achievement—the biggest change in America's welfare state since the 1960s and a determined attempt to bring health-care coverage to the country's 46m uninsured. But amid all the celebration it is worth asking a prosaic question. What does health-care reform mean for the source of the country's prosperity—business?

The answer to the question is not particularly edifying, though not for the reason that the Republicans would have us believe, with their apocalyptic warnings about "nationalisation", "socialisation" and "death panels". The most striking thing about Obamacare is not what it does, but what it fails to do.

Obamacare has taken the most idiosyncratic feature of American health care—the fact that the onus for providing health insurance falls first and foremost on companies rather than on individuals or the government—and set it in concrete. Companies with more than 50 employees will now be legally obliged to provide health insurance for their workers or else face fines.

Critics from both the right and the left have long argued that putting business at the heart of the health-care system is not a must but a bug. Left-wingers point out that employer-provided health care fails to control costs while leaving the government with a huge bill (Uncle Sam pays about half the cost of health care). Conservatives argue that costs would come down if individuals rather than companies were responsible for their own insurance. But Mr Obama insisted from the first that Americans who liked their existing cover would be able to keep it.

America is the only rich country that makes use of this halfway house of a system. It is an historical accident: employers began offering health insurance during the second world war as a way of attracting workers at a time when wages were fixed by the government. It became ever more elaborate and expensive during the post-war boom when big companies ruled the roost and when international competition was muted. Mighty unions added new features to their "Cadillac plans" with the same enthusiasm that Detroit added tail fins to real Cadillacs.

Today that world has vanished: global competition has intensified dramatically, the life expectancy of companies has shrunk, and General Motors complains that providing health care adds $1,500-2,000 to the cost of every car it produces in America. The system seems

designed to inflate costs. Employees feel no compunction about undergoing expensive treatments, since the company pays. The fact that employer-provided insurance is untaxed blunts employers' incentives to control costs.

Researchers at the RAND Corporation have made a brave attempt to gauge the impact of America's health-care system on business. They analysed the performance of 38 industries over the 19 years after 1986. They also compared the performance of America's industries with their Canadian equivalents to make sure that they were not simply measuring global trends. They found that industries with a high proportion of workers enrolled in company-provided health-care schemes grew more slowly than those with a lower proportion.

From Main Street's point of view the Obama administration has done too little to control the costs of this flawed system. True, the non-partisan Congressional Budget Office estimates that the reform will leave the federal budget deficit $143 billion lower in 2020 than it would otherwise have been. The administration has also talked endlessly about "bending the cost curve downward". But the $143 billion estimate is based on the fairy-tale assumption that Congress will not increase the level of reimbursement it pays to doctors for Medicaid. And almost all of the curve-bending measures have been abandoned in the fight to pass the bill.

The most reasonable assumption for Main Street is that health-care costs will either continue to grow at the same pace as for the past decade—or accelerate. This is a looming disaster for American business. The proportion of GDP devoted to health care has grown from 5% in 1962 to 16% today. Rising health-care costs appear to have suppressed wages, as firms seek to make up for the expense. America spends 53% more per head than the next most profligate country and almost two-and-a-half times the rich-country average. With health-care costs rising much faster than general inflation and 500,000 baby-boomers now becoming eligible for Medicaid every day, health-care spending is likely to hit 20% of GDP by 2017 and 25% by 2025.

Small consolation

The health-care reform is not without its merits from business's perspective. The administration has tried hard to lighten the burden on small businesses, the engine of American job-creation. The bill exempts companies with fewer than 50 employees from the obligation to provide health insurance. It also creates insurance exchanges that allow small companies to buy insurance at a discount (because the clubs pool risks and administrative costs). But even such sensible changes hardly make up for the bill's failure to control costs. The share of three- to nine-person companies offering health insurance declined from 58% to 49% between 2002 and 2008 for the simple reason that it was too expensive.

The Republicans are promising to "repeal and replace" the bill. But a glance at the history of big welfare reforms demonstrates two things. The first is that new entitlements are almost impossible to repeal. The second is that overhauls of something as complicated as America's health-care system only come once in a generation. Harried business people will be dealing with the consequences of Obamacare for years to come.

**Fonte: The Economist. Disponível em: <www.economist.com>. Acesso em: 29 mar. 2010.**