

# THE DAILY ASTORIAN

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## OUR VIEW

# Legislature's budget paints bleak picture

Oregon's future looks bleak — at least per the Legislature's budget experts.

The Oregon State Police crime lab in Pendleton and the North Coast Youth Correctional Facility could close. Teachers, counselors and other school employees could lose their jobs; and class sizes could soar. Thousands of low-income Oregonians could lose medical and dental coverage. Justice could move more slowly in the state courts.

The co-chairs of the Legislature's Ways & Means Committee — Democratic Sen. Richard Devlin of Tualatin and Rep. Nancy Nathanson of Eugene — have presented their state budget framework for the next two years. Unlike Gov. Kate Brown's proposed budget, it would rely on existing revenue instead of new taxes. But unless the Legislature does raise taxes, Oregonians across the state would receive fewer services.

That debate — more taxes, cost efficiencies or both — will frame this year's legislative session, which begins Feb. 1.

The irony is that Oregon will have nearly \$1.3 billion more in revenue to spend during 2017-19 than during the current two-year budget period.

However, Oregon faces a \$1.8 billion shortfall between that revenue and what the state would need to keep agencies, programs and schools operating at the same level as today.

This gap was not a surprise. Many lawmakers, especially Republicans, had warned that the state budget was on an unsustainable path even though Oregon — especially urban Oregon — had emerged from the Great Recession.

The reasons have long been known. Federal funds that financed a vast expansion of the Oregon Health Plan are being cut back, leaving Oregon to either pay a larger share of that insurance or take coverage away from some people. Pension bills continue to rise for schools and government agencies. Voters added more costs in the ballot measures they approved this fall.

Meanwhile, too many legislators expected the budget hole would be filled by Oregonians. They counted on voters this fall to pass the largest corporate tax increase in state history. Instead, voters wisely said no.

This budget crisis — this fiscal fiasco — illustrates why Oregon needs a more disciplined and long-term approach to budgeting.

"We're uniquely good at identifying problems and spending money to solve them. We're not as vigorous at looking at efficiencies," state Sen. Betsy Johnson, D-Scappoose, said.

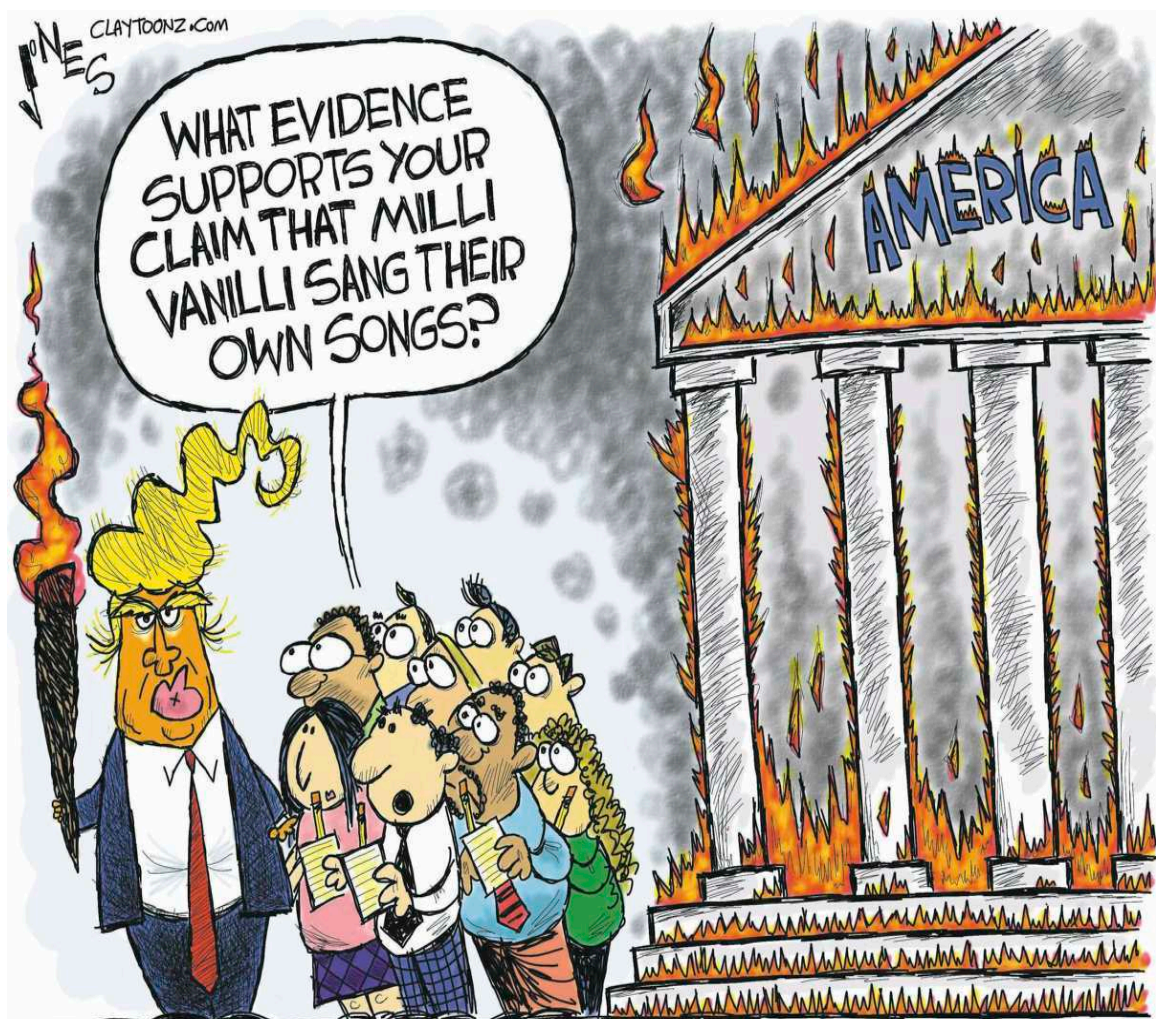
The state lacks a guiding set of priorities of which programs and services are most important and most cost-effective. So interest groups — many of them representing worthy causes — fight to make their case with lawmakers every two years.

"The big challenge always is to provide the services people want and expect with the resources they give you," said Sen. Bill Hansell, R-Athena, who is starting his 35th year as a public official.

The budget framework released last week leaves Hansell fighting to preserve the state police forensics lab in Pendleton and to ensure state funding to deal with wolves that prey on livestock. On our side of the state, Johnson again is trying to save the North Coast Youth Correctional Facility. And throughout the state, legislators and parents are worried the state's financial roller-coaster will hurt schools.

The Legislature's No. 1 responsibility is to pass a balanced budget. That will happen. But will it be a responsible, forward-thinking budget?

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# Repeal and compete

By ROSS DOUTHAT  
*New York Times News Service*

Modern conservatism, at least in its pre-Donald Trump incarnation, evolved to believe in a marriage of Edmund Burke and Milton Friedman, in which the wisdom of tradition and the wisdom of free markets were complementary ideas. Both, in their different ways, delivered a kind of bottom-up democratic wisdom — the first through the cumulative experiments of the human past, the second through the contemporary experiments enabled by choice and competition.



In health care policy, however, conservatives tend to simply favor Friedman over Burke. That is, the right's best health care minds believe that markets and competition can deliver lower costs and better care, and they believe it even though there is no clear example of a modern health care system built along the lines that they desire.

The dominant systems in the developed world, whether government-run or single-payer or Obamacare-esque, are generally statist to degrees that conservatives deplore. A few of them — notably Singapore's, the beau ideal of right-wing health care wonks — do have distinctive elements that conservatives favor. But mostly they tend to be much more heavily regulated and subsidized than the system that conservative health policy wonks and policy-literate Republicans would like to see take over from Obamacare.

Which is not to say that the conservative health policy vision lacks empirical grounding. There is compelling evidence that markets in health care can do more to lower costs and prices than liberals allow, and good reasons to think that free-market competition produces more medical innovation than more socialized systems.

But still — there is no existing system on a national scale that looks like the health care system that Paul Ryan or Tom Price would design, no wisdom of developed-economy experience that proves that such a system would actually keep overall costs low and prevent too many people from being shut out of insurance markets. So embracing even the smartest conservative Obamacare alternative requires a not-precisely-Burkean leap of faith.

And this, in a nutshell, is why Republicans should give serious consideration to the proposal that Sen. Bill Cassidy of Louisiana and Sen. Susan Collins of Maine have just put forward as a possible health care reform alternative.

The essence of Cassidy-Collins, and the reason that many Republicans don't like it, is that it isn't actually a full Obamacare replacement. Instead, it's a federalist compromise. It lets individual state governments decide whether they want to stick with Obamacare or not, which would mean that the law would remain intact in most blue states for the time being, while redder states would have the opportunity to turn roughly the same amount of money (95 percent) to a different end.

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That end would look like one of the more plausible conservative alternatives to Obamacare: a subsidy to cover the cost of a catastrophic health insurance plan, plus a directly funded health savings account to cover primary care.

This system could be layered on top of the existing Medicaid expansion, replacing only the Obamacare subsidies and exchanges, or it could replace the Medicaid expansion as well, offering the poor and near poor the same "catastrophic insurance plus a subsidy" as everyone else in the individual market. Either way the individual mandate would disappear, but people would be auto-enrolled in a catastrophic plan (with the option to opt out), meaning that coverage would be nearly universal (thus fulfilling one of President Donald Trump's various promises) even though its benefits would be less comprehensive than Obamacare's.

Taken as a whole, this approach distills both the promise and the peril of conservative health care policy. The promise is that by having people pay for more of their health care in cash and by giving them more freedom in what plans they're allowed to buy, you would end up with less spending, lower prices and less cost inflation. (And you wouldn't need the heavy, innovation-squashing price controls that single-payer systems use to get there.)

The peril is that there would be too wide a gap between what the money in your health savings account covers and what you need before your catastrophic coverage kicks in. In which case many people with consistent health care costs for chronic problems would rack up impossible medical bills in short order.

Conservatives who want this model to replace Obamacare nationwide believe that the promise outweighs the risk — and this is, again, a reasonable belief. But it's also a belief that hasn't been tested on any kind of sweeping, economywide scale. And this is the advantage of Cassidy-Collins: It encourages governors and legislators to actually put the conservative theory of health care to the test without simply reversing the ideological colors of the great Obamacare experiment and immediately turning the entire U.S. health care system over to the right's technocratic vision.

Of course this would mean that Obamacare's existing problems would persist in the states where it continues. But those problems — the rise in premiums, the fleeing insurers, the risk of a death spiral downstream — are not equally

problematic in every state, and they are not fiscally dangerous, as yet, on the scale that many conservatives initially feared.

As the conservative policy thinker Yuval Levin wrote late last year, the striking thing about Obamacare to date is how much smaller than expected its effect on the overall health care system has been. Fewer people are being insured on the exchanges than liberals hoped, fewer employers are dumping high-cost employees onto the exchanges than conservatives feared, and as a result, he writes:

"The extremely serious problems we are seeing now are within the one system that Obamacare created from scratch, the exchange system. That system may not survive, and its condition has a lot to teach us about the problems with liberal health economics. But it is a much smaller system than anyone thought it would be at this point, about half the size that CBO projected, so that the effects of any failure it suffers are likely to be more contained than anyone might have expected."

This containment means that conservatives have room and time to be more patient, cautious and experimental than were the Obama Democrats before them. If the Obamacare exchanges aren't ultimately going to work out, then allowing them to persist in liberal states while an alternative system gets set up in red states is a reasonable way to gradually transition from the liberal model toward the conservative one. If the right's wonks are right about health policy, the Cassidy-Collins approach should — gradually — enable conservatives to prove it.

And if the right is wrong, if its model doesn't match reality, if people are simply miserable as health care consumers because the system has too much of Friedman and not enough of Burke — well, in that case both the country and conservatism will be better off if we learn that via a voter rebellion in 10 right-leaning states, rather than through a much more widespread backlash against a nationwide health-insurance failure. (Which is something a president with a high self-regard and poor approval ratings might have a particular reason to avoid.)

Between this reasonable case and legislative reality, of course, falls a variety of shadows. But more than for the various repeal-and-replace alternatives? I'm not so sure.

Right now the Cassidy-Collins compromise has few enthusiastic backers. In a few months, however, it might turn into conservative health care reform's best hope.