



EDITORIALS

Benefits in a bind

A recent Courier-Journal story underlined the hard choices facing state and local leaders as they struggle to maintain generous benefit packages for public workers and retirees despite stagnant revenue and increasing costs. The paper reported the Kentucky Teachers' Retirement System wants the state to stop borrowing from its pension fund and instead find some other way to pay the bills for retirees' health insurance.

Already, state government owes the retirement system more than half a billion dollars — lent at 7.5 percent interest — so that retired teachers can have health coverage at little or no cost to them. Although the return on the cash is higher than most people have seen on their individual retirement accounts over the past two years, teacher advocates believe it would be better if the money were kept in the retirement system and invested more wisely.

This situation poses a dilemma both for teachers, who obviously would like to keep their enviable retirement benefits, and for elected leaders who may be asked to explain why educators should collect more than many if not most of their constituents employed in the private sector.

The security of teachers' pensions apparently is not at issue. Like state workers and others in the Kentucky Retirement Systems, they're guaranteed to get every penny they were promised, whether or not the systems' investments succeed. Taxpayers are required to make up the difference if funds fall short. Although retiree health coverage comes with no such assurance, most believe that state legislators would find it politically difficult to renege on the program, which is carried out with no contributions from retirees under 65 or from local school districts.

Active teachers, who like state employees have received minuscule pay raises each of the past two years, might be reluctant to pay more into the health insurance fund for their retired brethren. The retirees themselves want the state to keep its promise of coverage in their twilight years. And local school boards are finding taxpayers increasingly unwilling to insulate public workers from the economic vicissitudes with which the general population must cope daily.

Meanwhile, the General Assembly, already in the hole because of declining General Fund revenue, will need to decide in the upcoming session whether it can afford to put at least \$74 million more into the pension funds over the next two years as part of its effort to work toward erasing a multi-billion-dollar shortfall by 2025.

The most compelling argument on behalf of the retirees is that government should keep its promises, even those made outside the supposedly "inviolable contract" protecting public pensions. Professionals who've devoted their lives to low-paying careers believe the state has a moral obligation to stand by its health care commitment. The trouble is that implied promises are easier to keep in prosperous times. In a financial pinch, there's always the risk that morality will fall by the wayside.

Jerusalem's time bomb

Oct. 28
Jordan Times, Amman, Jordan, on Jerusalem:

Tension flared up again recently in Al Aqsa Mosque compound, in the Holy City of Jerusalem, when Israeli security forces clashed with Palestinian worshippers, injuring some and forcing scores of others to take refuge in the mosque.

News that some ultra-orthodox Jewish groups plan to worship in the Noble Sanctuary that houses one of Islam's holiest places, in a bid to lay claim to the Islamic holy sites, no doubt angers the Palestinians.

Continued Israeli excavations in and around the Islamic holy places is only adding to the tension and threatens the eruption of another bloody wave of clashes like the Intifada that was ignited by the visit of former Israeli prime minister Ariel Sharon to Al Aqsa compound almost nine years ago.

Under these circumstances, convening a special international conference on Jerusalem would be the right thing to do. ...

The Arab League should spearhead calls for a meeting on Jerusalem before the situation there gets out of control. ...

Solving the crisis in the Holy City could be the key to solving the Israeli-Palestinian conflict. The sooner the international community takes affirmative action on it the closer the parties could get to a peaceful resolution of their broader conflict.



Beware 'public option'

Government won't be able to control costs, uphold care

The following editorial appeared in the Chicago Tribune on Friday, Oct. 30:

For months, it wasn't clear what was in or out of the massive and expensive health care bills moving through the U.S. House and Senate. Now it is.

House Speaker Nancy Pelosi unveiled an \$894 billion measure on Thursday that would dramatically reshape health care in America.

You don't have to read all 1,990 pages to know what's wrong: This bill, like a similar Senate measure unveiled earlier this week by Senate Majority Leader Harry Reid, would put the government in direct competition with your health insurance company. It creates a new government-operated health insurance plan, going head-to-head with coverage from private insurers.

That's what the policy wonks call a "public option," as in, certain citizens would have the option of buying insurance from a public source.

It's a deal-breaker. Both bills should be rejected.

Pelosi & Co. say their proposal won't drive private insurers out of business because — ta da! — doctors and hospitals will be able to negotiate their rates with the government plan. She says the government won't bigfoot them, as it does in Medicare, paying bare-bones reimbursements to health providers.

Please. Medicare chisels doctors and hospitals. They make up the difference by charging higher prices to people cov-

ered by private insurance. So you — or you and your employer — pay high premiums for that private insurance. One industry exec estimates the cost shift at \$89 billion a year.

If a new government-backed plan tries the same dodge, then why would any doctors or hospitals sign up to treat government-insured patients? No doctors no patients no citizens choosing the public option.

If the government pays the same rates as private insurers, it loses its competitive edge against private carriers. Again, why would citizens choose public insurance?

That's why it is far more likely that Democratic leaders and President Barack Obama will make sure a government plan enjoys a huge advantage over private companies. The federal government will find ways to control health prices or regulate private insurers. The bigger the advantage the government creates for a federal plan, the more likely it will undercut private carriers and force them out of business.

If this plan were to morph into something like Medicare, as many as 119 million of the 172 million Americans who are privately insured would switch from private to public coverage, according to an analysis by The Lewin Group, a health care consulting firm. R.I.P., private insurance.

Obama and Democratic leaders promise, implausibly, that a new government plan will increase competition and keep private insurers honest.

But government doesn't compete.

It overwhelms. It has the power to set prices, control costs, and squelch innovation and competition. And if it goes over budget? Well, just watch what happens with Medicare. One part of Medicare will be insolvent in 2017 if nothing is done.

Something will be done. Keep an eye on your wallet, taxpayer.

Ditto a new public plan. If it gets into trouble by charging too little to cover its expenses, the execs running the plan probably won't hike rates on customers. They'll go running to Uncle Sam.

The government has shown over the past decades that it can spend prodigious amounts of money for health care. But it hasn't shown that it can update and streamline its plodding fee-for-service system.

Or stop losing billions to fraud and waste.

Or resist political pressure to spend even more.

Case in point: For the last several years, Medicare has tried to impose Congress-mandated cuts to doctors' fees. But then the doctors howl. And Congress buckles. And the cuts get rescinded.

Creating another federal health care program is a huge — and expensive — step toward handing the government complete control of Americans' health care.

Health care costs do need to be tamed. But this is the wrong prescription. We urge both houses of Congress to vote against a public option sure to limit Americans' options.

Regulators have their limits

The following editorial appeared in the Seattle Times on Friday, Oct. 30:

Congress now proposes to create a Consumer Financial Protection Agency. If it will actually do something to oversee mortgages and other financial products, we are for it.

An agency whose central goal is regulating consumer financial products is needed. But let us go into the venture with some skepticism about how this will promote stability and safety of the system as a whole.

Most regulators didn't see the crash coming.

PBS's "Frontline" recently told the story of one who did, Brooksley Born of the Commodity Futures Trading Com-

mission. She raised the alarm about derivatives back in the Clinton administration. More powerful regulators told her she was wrong.

During the Bush administration, Simon Johnson of the International Monetary Fund raised an alarm about financial risk. He was ignored. He went to talk to the French and Germans — and they ignored him.

We hear these stories and we imagine the good the regulators could have done if given their way. But in each case, regulators were given their way. They were just the wrong ones.

Regulators can try to do better. They should. But in the financial world, they will never be as close to the action as the people they regulate, nor as well-paid. Always there will be a risk of inattention

and error — and also of lobbying.

Regulation is an effort, not a guarantee.

Rob McKenna, Washington state's attorney general, stresses that point. He notes that the Securities and Exchange Commission investigated Bernie Madoff several times. Madoff was engaging in a multibillion-dollar fraud, and the SEC didn't see it.

Alan Hess, professor of finance at the University of Washington, tells the story of two guests who spoke in a class he had at Berkeley. One was a risk manager from Bank of America. One was a regulator from the Federal Reserve Bank of San Francisco. The Bo A guy "was incredibly more advanced." Hess recalls.

Hire regulators — yes. But that is not enough. Finance requires fixed rules.