

Math For Dummies, Like Sebelius And Obama

On March 1 Kathleen “no fetus left alive” Sebelius, Obama’s Secretary of Health and Human Services, told the House Energy and Commerce Subcommittee on Health that forcing insurance companies to provide free contraceptives will be cost-free because “The reduction in the number of pregnancies compensates for the cost of contraception.” In other words, if birth control keeps a woman from getting pregnant, the insurance company does not have to pay maternity costs. Because birth control pills are cheaper than maternity expenses, the company will save money—or so she argues.

Sebelius is incorrect, for a variety of reasons. First, the Democrats claim that 98 percent of women already use birth control, which means that unwanted pregnancies will be avoided *only* among the two percent of women who might now start using birth control who were not already doing so. Forcing insurers to provide *all* its female customers of child-bearing age with free birth control pills will not reduce its maternity costs for that entire population, because almost all of its customers were *already* using birth control pills and paying for them out of their own pockets—at least if one believes the 98 percent figure claimed by the Democrats.

The Sebelius argument is the equivalent of claiming that if car insurers were forced to provide all their customers with free tires every year, then the cost of those new tires would be offset by the savings from reduced numbers of accidents caused by bald tires that fail. That cost-saving claim might be valid *if* owners never bought new tires on their own and routinely drove on bald tires. But most owners *do* buy new tires when they need them. If 98 percent of the population does not drive on bald tires, giving free tires to 100 percent of the population will most certainly not be cost effective—because only two percent of the population was likely to have accidents caused by bald tires in the first place.

Thus, if one believes that 98 percent of women of child-bearing age *already* use birth control, then giving 100 percent of them free birth control pills will result in reduced pregnancies *only* among the two percent who now start using it. The cost savings from avoiding pregnancies among that two percent will *not* offset the cost of providing birth control pills for the entire 100 percent.

Further, insurance companies—unlike governments—are not run by idiots. If they believed they could save money by paying for birth control for all their customers they would.

Sebelius’ simplistic argument should only convince non-thinkers. On the surface it makes sense: “Birth control pills prevent pregnancy. Birth control pills are cheaper than maternity costs. Therefore, providing free birth control pills saves the insurance company money.” But, that logic assumes that using birth control pills means *never* having maternity expenses. That is absurd. Sebelius neglects to consider that birth control is

often used only to *delay* pregnancies, *not* to avoid them altogether. A woman using birth control to avoid a pregnancy at age 25 may still generate maternity costs for the insurer if she decides to have children at age 35.

In that case, not only is there *no* cost savings for the insurance company, it will be paying for birth control pills for 10 years when it might not have covered that expense at all prior to the Obama edict. Instead of maternity costs alone, the insurer will incur maternity costs *plus* 10 years (or more) of birth control costs. Sebelius is simply mistaken—or lying.

Even if Sebelius were correct that the cost of birth control pills is offset by reduced maternity expenses—and she is not—avoiding maternity costs in the *future* does nothing to impact the bottom line of the insurer's balance sheets in the *current* year. That is, if an insurer provides 12 months of birth control pills for 50,000 customers in 2013, it is irrelevant that it might save money by avoiding maternity costs in 2014. *The company cannot use expected savings in 2014 to pay expenses in 2013.* As a result, the company must raise premiums in 2013 to cover the cost of birth control pills for those 50,000 customers.

If the company has 50,000 female customers of child-bearing age and does not currently cover birth control, yet 98 percent of them already pay for their own birth control, that means only two percent of those 50,000, or 1,000, have *not* been using birth control. If birth control pills cost the insurer \$300 for each of those 50,000 customers in 2013, the total cost will be \$15 million. Its maternity expenses would arguably not be impacted by the 98 percent—who would not have gotten pregnant anyway because they have been buying their own birth control pills. Therefore, it is only the two percent, or 1,000 customers, whose pregnancies might be avoided. Sebelius is, in effect, arguing that paying out \$15 million per year for birth control pills for 50,000 women will be offset by the reduced pregnancies of 1,000 women. Sebelius is correct *only* if maternity costs for the insurer will equal or exceed \$15 million per year for those 1,000 women.

How likely is that? Not very. If the average cost of maternity benefits is \$15,000 (it varies widely from state to state), the insurer would pay out \$15 million only if all 1,000 women become pregnant. That is an absurd assumption to make. Further, they would have to get pregnant *every year* to offset the \$15 million paid out by the insurer *every year* for birth control pills.

Even if all 1,000 would have a baby if they are not given free birth control pills, the bulk of the maternity expenses come at the end of the pregnancy, at delivery. If a woman becomes pregnant in mid-2013, for example, the insurers costs are mostly in 2014, when the baby is born. Meanwhile, the insurer has to pay for the birth control pills of 50,000 customers in 2013. The insurer needs \$15 million in 2013, regardless of how much it might save in 2014 through the prevention of pregnancies. Thus, if the insurer does not currently cover birth control, Obama's decree has now added a \$15 million expense to its budget.

Where will it get that \$15 million? It will raise its premiums. Sebelius—and Obama—might understand these concepts if they ever ran a business and had to balance their accounts. Sebelius is simply wrong. The Obama edict will not save insurance companies money. It will cost them a fortune, and that expense will be passed on to customers through higher premiums.

But the Obama-Sebelius goal is *not* saving health insurance companies money. Their long-term goal is to put all private health insurers out of business, thereby pushing every American into a “public option,” and making them dependent on government—and turning them into reliable Democrat voters who are unwilling to give up “free stuff” once they have it.

Their short-term goal is, of course, to portray Republicans as “anti-woman” in order to gin up the Democrat vote on November 6. But you already know that...

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Note 1: You may not believe the 98 percent figure being thrown around by Sebelius and many Democrats. They chose a high number to bolster their argument that the Catholic church is being stubborn in its opposition to Obama’s decree. (“*Virtually everyone uses birth control—even Catholics—so how can you possibly be against it?*”) The problem with their use of such a high number—especially if it is accurate—is that it contradicts their argument that “something must be done” to provide birth control to millions of women who are “without access.” If 98 percent of women use birth control, it can hardly be argued that they have a problem with access, and if 98 percent already use it, it cannot be that expensive. There is no pressing need—let alone a Constitutionally-acceptable basis—to suddenly demand that insurance companies provide birth control at no charge to all their customers. Obama and Sebelius should be asked why this was not a pressing concern in 2011, or 2010, or 2009, or 1995. The truth is, of course, that it was not then and is not now. If six months ago someone had asked average American women what were their greatest concerns, virtually none of them would have responded, “I can’t get free birth control pills from my employer.” It has been made a pressing concern by Obama, with the help of the media, because running for reelection against “evil, anti-woman Republicans” is far easier than running on a record of high unemployment, rising gas prices, \$16 trillion of debt, and foreign policy incompetence.

Note 2: There are no doubt some women who will say, “*How dare a man write about this topic! This is about women’s health!*” No, this is *not* about women’s health. It is about exposing an administration’s lies by pointing out the fallacies in their arguments. I do not oppose birth control. I do not oppose replacing bald tires with new tires. But I oppose a government telling private businesses that they must provide their customers with free products and services. If Obama can order insurers to provide free birth control pills,

abortifacients, and sterilization, what else can he order private businesses to do? Can he order oil companies to distribute free gasoline? Can he order supermarkets to give groceries to poor people at no charge?

Note 3: It does not take much imagination to advance from Sebelius' statement, "The reduction in the number of pregnancies compensates for the cost of contraception," to "The reduction in the number of pregnancies compensates for the cost of abortions," or "The reduction in the number of children with Down Syndrome compensates for the cost of aborting them."

Note 4: It is not an exaggeration to state that the Obama administration's goal is to put all private health insurers out of business. On April 18, 2009, Congresswoman Jan Schakowsky (D-IL) addressed a group and stated, "And next to me was a guy from the insurance company who then argued against the public health insurance option saying it wouldn't let private insurance compete, that a public option will put the private insurance industry out of business and lead to single-payer. My single-payer friends, he was right, the man was right." Schakowsky could not be any clearer; the goal is to put all private health insurance companies out of business and place all Americans at the mercy of the federal government for their health care. On July 21, 2009, Jacob Hacker, one of the architects of the "public option," told an audience, "Someone once said to me that this is a Trojan horse for single-payer, and I said 'Well, it's not a Trojan horse, right, it's just right there!' I'm telling you, we're gonna get there. Over time, slowly, but we'll move away from reliance on employment-based health insurance, as we should, but we'll do it in a way that we're not gonna, to, frighten people into thinking they're gonna lose their private insurance, we're gonna give them a choice of public and private insurance when they're in the pool and we're gonna let them [temporarily] keep their private employment-based insurance that their employer continues to provide it." On March 24, 2007, Obama said, "But I don't think we're gonna be able to eliminate employer coverage immediately. There's gonna be potentially some transition process..."