

TEAM AUTO NEVER TALKED TO TEAM HEALTHCARE REFORM

In Steven Rattner's book, he describes newly elected Barack Obama asking his advisors "Why can't [the US automakers] make a Corolla?" Implicitly, of course, he was asking "why can't they make a Corolla *in the United States*." His economic advisors, according to Rattner, admitted they didn't know: "We wish we knew."

The correct answer to the question would point to a number of things. Executive stupidity would be one important cause. Legacy costs would be another. Market structure and profitability requirements would be another. Weak branding would be another. You could even—pointing to the Ford Focus—argue that one of "them" can make a Corolla, or something reasonably competitive.

But one of the factors that partially explains why American manufacturers can't make a Corolla would be healthcare costs. (With Toyota's move of the Corolla-based Matrix production to Canada, you could even argue that *Toyota* can't make a Corolla anymore, not here, anyway, even putting aside the quality problems the Corolla has had of late.)

Now, back on the campaign trail, Obama admitted that healthcare is one of the things that makes our companies less competitive. And in his big address to Congress on healthcare on September 9, 2009, Obama even singled out the auto industry as one which our exorbitant healthcare costs made less competitive internationally.

Then there's the problem of rising costs. We spend one-and-a-half times more per person on health care than any other country, but we aren't any healthier for it. This is one of the reasons that insurance premiums have gone up three times faster than wages. It's why so many employers – especially

small businesses – are forcing their employees to pay more for insurance, or are dropping their coverage entirely.

It's why so many aspiring entrepreneurs cannot afford to open a business in the first place, and why American businesses that compete internationally – like our automakers – are at a huge disadvantage.

Which is why I was surprised to see no discussion about healthcare (as opposed to VEBA, the fund the UAW now uses to pay for retiree healthcare) in Rattner's entire book.

None.

It seemed odd to me that, at a time when our country was rethinking our healthcare system, and at a time when the government was spending a boatload of money to try to make our auto companies competitive again, the teams pursuing those initiatives wouldn't at least touch base, to test whether healthcare even addressed the problems that contributed to the automakers' difficulties.

So I asked Rattner during the book salon.

emptywheel: Aside from a technical discussion of VEBA (for those not familiar, that's the fund that the Big 2.5 negotiated with the UAW, which the UAW now uses to pay health benefits for retirees, which was a critical issue during negotiations), there was virtually no discussion of health care costs and the way that contributes to profitability (or lack thereof) for car companies that manufacture in the US, as reflected most obviously in Toyota's repeated decisions to source from Canada because it offers the best mix of highly skilled workers and affordable health care.

Is that in fact right? No one talked about the burden health care costs put

on manufacturing in his country during the bailout? I find that particularly shocking given that the bailout took place at the time when all the policy decisions on health care reform took place, and if anything, health care reform will make manufacturing health care costs worse.

Rattner: I wasn't involved in the broader discussions about health care reform, nor am I a health care expert. We were certainly aware of the burden that health care costs put on the Detroit 3, but the creation of the VEBA's solved that problem with respect to the retirees.

emptywheel: Right. But in all your conversations [sic] with Geithner and Summers and Rahm, was there honestly never a discussion about health care? No comment about ways the health care reform could have been formulated to contribute to the success of the bailout (and, more importantly, make sure that the effort ended up keeping the jobs that were saved in the US).

Rattner: No. There simply wasn't time.

I understand the time constraints of all this. Though one of the parts of healthcare reform that will most directly affect the automaker healthcare costs, in a bad way, is the excise tax, and that wasn't finalized until months after Rattner left government, which left five months for him to remind his buddies in the White House that their plan for healthcare was not going to bring down costs for US manufacturing companies, and it might well make them higher. Furthermore, it seems like an important enough issue—given the investment in both programs—to make time to address this issue.

Then again, I guess the healthcare team was too

busy talking to Pharma to make time to talk to manufacturing.