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Health Care Reform

A Grim Diagnosis: Pressure Needed To Pass Meaningful Reform

The Only Real Solution Will Be A Bitter Pill For Lawmakers To Swallow

By ROBERT A. LEVINE
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Conflict between **Republicans** and **Democrats**, and within the Democratic Party, makes it unlikely that an effective program of health care reform will be enacted in this session of Congress. Even with **President Barack Obama** now more involved in the specifics, a watered-down plan of some sort, which enables the Democrats to herald the passage of reform legislation, is the best that can be hoped for.

Notwithstanding the hype, all the proposals being considered by Congress fail in terms of the most important aspect of reform — getting escalating costs under control. Although universal coverage is an important goal, runaway health care spending is a major threat to the American economy with a potentially disastrous effect if it is not addressed.

The federal government and taxpayers are responsible for tens of trillions of dollars in unfunded liabilities for **Medicare** and **Medicaid**, which our children and grandchildren might have to deal with in the future. Medicare's hospital trust fund is projected to go bankrupt within eight years, if there is no intervention. More than 17 percent of America's gross domestic product is now devoted to health care (\$2.5 trillion this year), up from 7 percent in 1970, and expected to go to 25 percent in 2025. More than 60 percent of personal bankruptcies are the result of medical debt. These numbers appear to be unsustainable, but politicians keep their heads in the sand, unwilling to deliver the bad news to their constituents.

Whether there is a public option for health insurance, an "insurance cooperative" to provide coverage or new regulations for insurance companies does not matter if serious cost constraints are not included as part of legislation. In fact, if 45 million uninsured Americans acquire health care coverage, spending is bound to accelerate further.

To date, the Republicans have not offered any realistic program to rein in rising health care costs and the Democrats have offered pie in the sky, saying that electronic health records and preventive care will produce significant savings. Though these initiatives might improve care, potential savings, if any, are far down the road. (Some analysts believe that preventive care will not reduce costs, but will stretch them out over patients' increased lifetimes.)

Use of a Medicare Advisory Board to cull major savings from Medicare and Medicaid is also not an answer, as it would likely have to cut flesh rather than fat from these programs to deliver the sums that are needed. It would also generate considerable political fallout, making it difficult to achieve substantial savings.

Another option, taxing the wealthy to fund reform, is not a course many politicians are eager to embrace, as it would require a large increase to pay for universal coverage, or levies on the middle class. Other suggestions include taxing high-end health care benefits and imposing a fee on insurance companies, neither of which would produce adequate funds.

There is, however, a fiscally responsible way to shape health care reform; a path that would not require any new government spending or increase in taxes, and that would not add to the budget deficit or

national debt. But for this to occur, members of Congress would have to take on key stakeholders in the health care system — the insurance industry, organized medicine and the trial lawyers. It would likely entail bloody combat, with threats, withdrawal of campaign funds and negative advertisements, which is why politicians have been reluctant to go this route.

Administrative costs for the current market-based system of health insurance coverage are estimated to consume 15 percent to 25 percent of health care spending — \$500 billion this year at 20 percent. (Medicare's administrative costs are in the single digits.) The Congressional Budget Office in June 2008 projected unnecessary medical care at about 30 percent of health care expenditures, or more than \$800 billion this year. (Physicians' financial incentives to increase services is the main driver of unnecessary care. In the fee-for-service model of reimbursement, the more procedures, operations and tests physicians do, the higher their incomes. Defensive medicine, to protect against malpractice suits also plays a role.)

Even if the financial projections are off by 10 percent or 20 percent, there is still a huge amount of money within the health care system not being used for appropriate patient care. If this could be harvested by significantly reducing administrative costs and unnecessary care, the money saved could fund reform with universal coverage and reduce health care cost inflation, without any new taxes or additional government spending.

There are a number of ways this could be done, but it would necessitate a restructuring of the established system. It will take strong grass-roots pressure and political courage from **Washington** legislators to bring about the required changes, given the fierce opposition that would come from the stakeholders.

Our children and grandchildren would benefit greatly from this fiscally responsible course of action.

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