

Candidates' Health Plans Skirt Cost-Cutting Details

BY ALICIA AULT

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WASHINGTON — Although health care has been a key issue in this year's presidential campaign, plans from both Barack Obama and John McCain are light on details when it comes to the most important aspects of the health system, including controlling costs, and improving efficiency and productivity.

The candidates have presented a wish list with very little detail on how they would accomplish the "fundamental change needed for our delivery system," said Paul B. Ginsburg, Ph.D., president of the Center for Studying Health System Change, at a briefing sponsored by the Alliance for

Health Reform. "They could have a debate over how best to do that," he said, adding, "We aren't hearing that."

Economists have estimated that over the next decade, U.S. health spending will double from \$2.2 trillion to \$4.3 trillion. Dr. Ginsburg, along with Princeton University economist Uwe Reinhardt and former Centers for Medicare and Medicaid Services Administrator Dr. Mark McClellan, said that rising costs are largely being driven by variations in practice, growth in volume, and intensity of services.

Senator Obama has said that he favors health information technology, transparency of price, promotion of quality care, chronic care coordination, pay-

ment reforms for value, malpractice reform, and promotion of generics.

Most of these are old, but not worthless, ideas, said Dr. Reinhardt, James Madison Professor of Political Economy at Princeton. "These are not to be laughed off, but they won't get us out of the box."

Dr. Reinhardt called Senator McCain a "true radical" for his proposal to eliminate the tax exemption for employer-provided health insurance. Under Senator McCain's plan, individuals who purchase insurance on their own would instead receive a \$2,500 tax credit; families would receive \$5,000.

"This is almost un-American—to take away a tax preference," said Dr. Reinhardt, adding that it is "a shocking idea and not easy to get through Congress."

Dr. Ginsburg called the proposal "a potentially powerful idea," saying that it could make consumers more sensitive to the cost side of insurance, and thus make them a more potent demand force.

Cost control is important because there will be no new federal money available to increase access to insurance or initiatives aimed at improving quality or productivity, said Dr. McClellan. "Next year is going to be a very tight year fiscally."

He added that new spending will be next to impossible, espe-

cially for a Republican who, politically, would be faced with maintaining the tax cuts instituted in 2001, and continuing to fund the war in Iraq and the war on terrorism.

In fact, tax reform, the Iraq war, and the economy are likely to be higher up on the campaign agenda than health during the general election run-up this fall, said Dr. McClellan and his fellow panelists.

"I'm not personally persuaded that health care, in fact, will drive the campaign in the fall," said Dr. Reinhardt.

But Dr. McClellan said, "My hope is it doesn't get pushed to the back burner," noting that, "it will be a major missed opportunity if we don't have health reform next year." ■



Obama Health Plan Would Leave Employer System Intact

BY MARY ELLEN SCHNEIDER

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With Sen. Barack Obama (D-Ill.) set to become the Democratic Party's presidential nominee this month, health care experts are once again scrutinizing his plans to reform the health care system.

The centerpiece of Sen. Obama's plan is a public-private system that would allow people to remain in their employer-sponsored health plans while offering the uninsured the chance to purchase either a private or government-sponsored plan.

For the government-sponsored plan, the proposal uses as a model the Federal Employees Health Benefits Program—the system available to federal employees and members of Congress. For individuals and families who want to purchase insurance on the private market, Sen. Obama is proposing to create a National Health Insurance Exchange through which they could enroll in either the new government-sponsored plan or purchase a private plan.

All plans offered through the exchange would be required to offer at least the same coverage as the government-sponsored plan and adhere to the same standards for quality and efficiency.

Employers also would have a role to play under the Obama plan. Those employers that do not offer or contribute to employee health coverage would be required to pay a percentage of their payroll toward the cost of the government health plan. There would be an exemption for some small employers under the proposal.

The Obama proposal also calls for expanding eligibility for Medicaid and the State Children's Health Insurance Program.

Under the proposal, the government would offer subsidies to individuals who do not qualify for Medicaid or SCHIP but still needed financial assistance to purchase health insurance.

Sen. Obama also would guarantee that no American could be turned down for

health insurance because of illness or a preexisting condition. However, his proposal stops short of requiring all Americans to purchase coverage. Instead, the plan mandates coverage for children only.

The other half of Sen. Obama's plan is aimed at reducing premiums and decreasing overall health system costs. For example, he would target the catastrophic health expenses that account for a significant portion of the costs incurred by private payers. Under his plan, the federal government would reimburse employer-sponsored health plans for a portion of the cost of catastrophic health events above a certain threshold. In exchange, the plans would have to use the savings to reduce the cost of premiums.

Cost control also is addressed in the Obama plan, with electronic health records playing a big role. The candidate proposes to spend \$10 billion a year for the next 5 years in an effort to encourage widespread adoption of EHRs. The idea is that the investment would reap savings through increased efficiencies since paper records are more costly to store and process than are electronic ones, according to the Obama campaign. The plan also seeks to control costs through greater regulation of insurance companies and by allowing the federal government to negotiate drug prices.

The Obama campaign estimates that, if implemented, the reforms they are proposing would save the average family about \$2,500 a year in medical expenses.

"I want to wake up and know that every single American has health care when they need it, that every senior has prescription drugs they can afford, and that no parents are going to bed at night worrying about how they'll afford medicine for a sick child," Sen. Obama said in June during a health care town hall meeting in Bristol, Va.

If elected, Sen. Obama has pledged to implement his health care proposal by the end of his first term as president.

But the plan continues to face critics on



Sen. Obama is proposing to create a National Health Insurance Exchange.

the left and the right. Grace-Marie Turner, president of the Galen Institute, an organization that favors free-market approaches to health care, said she is concerned that the government-sponsored program would be underpriced and crowd out the private insurance options the same way that Medicare has crowded out private insurance in the over-65 market.

"That is not a level playing field," said Ms. Turner, who also is an adviser to the presidential campaign of Sen. John McCain (R-Ariz.).

Sen. Obama's approach is really a "backdoor" to getting everyone on a government-funded health plan, she said.

Ms. Turner also criticized Sen. Obama's plan to have the federal government take on a portion of the costs of catastrophic health costs in employer-sponsored health plans. This type of approach would require the government to be heavily involved in auditing health care expenditures, she said.

Sen. Obama's plan also faced criticism from the left. Dr. Don McCanne, a senior health policy fellow with Physicians for a National Health Program, said the plan "falls far, far, short." Dr. McCanne said he objects to the plan because it continues to

use the private health insurance industry as part of the structure. His organization favors the elimination of private plans and the creation of a single public program for health care.

The concern with providing a government-sponsored plan in competition with private plans is that it would be subjected to adverse selection and the premiums would become unaffordable, Dr. McCanne said. The only way around that would be to provide additional funding through taxes or to have some method of risk pool transfer, in which the private plans with healthier beneficiaries would shift funds to pay for the higher risk individuals, he said.

But Dr. Jack Lewin, CEO of the American College of Cardiology, said that maintaining the private system is politically smart. One of the drawbacks of Sen. McCain's plan is that it has the potential to destabilize the existing employer-based coverage system, he said. While in the long-term it might be a good idea to move away from that system, that should be a gradual process, he said.

"Employer coverage isn't really broken," Dr. Lewin said. "But we can improve upon it." Dr. Lewin also praised the Obama plan for starting with coverage for children. However, after the mandate for universal coverage of children, the plan's details are somewhat murky, he said. For example, Sen. Obama's plan commits to improving quality and efficiency in the system but doesn't define how it would be done.

Sen. Obama also has been vague about subsidies, requirements on businesses, and the interaction of the public and private plans, said Len Nichols, director of the health policy program at the New America Foundation, a nonpartisan public policy institute. Still, Sen. Obama's plan is likely to get a warm reception in Congress next year, Mr. Nichols predicted. Unlike in 1992, there has been far more "plowing of the ground. ... There's a different environment," Mr. Nichols said. ■