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Candidates' Health-Care Ideas May Not Offer Immediate Cure

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Sen. John McCain kicks off a week of health-care pegged events Monday with a simple message: The fundamental problem facing the health-care system is spiraling costs that must be brought under control.

It is an idea that Democrats and Republicans agree on. Sens. Hillary Clinton and Barack Obama are proposing many of the same things that Sen. McCain supports. But health-care experts say it is unclear how many of the candidates' ideas could actually make a dent in the rising cost of care, particularly in the short term.

- **Where They Agree:** All three major presidential candidates support measures to help bring health-care costs under control, including greater use of generic medicines and information technology, and tort reform.
- **Where They Differ:** Sen. John McCain wants to change the tax treatment of health benefits and allow people to buy health insurance across state lines. Democrats oppose those ideas.

"Everybody is talking about the same kinds of things, but they are very difficult to do," said Robert Reischauer, president of the Urban Institute and a former director of the Congressional Budget Office. "If we started on a campaign right now, you'd be lucky to see the product of that in seven to 10 years, if everything was meshing right."

It is a lot simpler to spend more money -- like the Democrats want to do -- than it is to stop spending money. To provide health insurance to all Americans, Sens. Clinton and Obama would spend about \$110 billion a year, relying on cost-cutting to help pay the bill.

Sen. McCain hasn't made similar promises about what he would do with health-care savings, should he achieve them, though he has proposed a series of large tax cuts, and any savings from federal spending on health care would help offset that

lost revenue. He says if health care were less expensive, more people could afford to buy it.

Either way, with annual health spending close to \$2 trillion in 2005, experts agree that controlling costs is urgent. If successful, cost controls would benefit every business, consumer and, dramatically, the federal government, which spends more than \$400 billion a year on health care. State and local governments kick in another \$300 billion-plus every year.

Health-care spending made up 16% of the nation's gross national product in 2005, up from 12.3% of GDP in 1990. Since 1970, health-care costs have grown an average of 2.5 percentage points faster than GDP.

"We are paying far too much for the outcomes we get," Douglas Holtz-Eakin, Sen. McCain's senior policy adviser, said at a forum last week.

In the fall, Sen. McCain proposed a slate of ideas for controlling costs, some controversial but many that enjoy widespread support. He may add to that list this week. Like his Democratic counterparts, he wants to give consumers more information so they can consider cost and quality of care in making decisions.

All three candidates would promote use of generic medicines, including the introduction of generic versions of biotech drugs. All three say some sort of tort reform is needed to prevent doctors from ordering unneeded tests and procedures because they fear lawsuits if they don't, though the candidates disagree on the scope of the solution.

And all three candidates support more widespread use of information technology, though outside experts say the predicted savings, based largely on one study from the Rand Corp., which estimated savings of \$77 billion a year, have been vastly overstated. The Congressional Budget Office is expected to release a study soon with much more-modest estimates.

Some of Sen. McCain's other ideas are more controversial. He would change the tax treatment of health benefits so that people wouldn't need to go through an employer to get a tax break on their premiums. That could promote competition based on price, whereas most employees today have no idea how much their insurance costs.

The idea is opposed by many Democrats for fear that older, unhealthy people will be pushed into buying insurance on their own and won't be able to get it or to afford it.

Sen. McCain would also allow people to buy insurance across state lines, creating a national market where competition based on price could occur. Democrats also oppose that because the same state regulations that can increase the price are also

needed, they believe, to protect consumers.

Implementing even proven, bipartisan solutions can be difficult.

Mr. Reischauer, who serves on a Medicare advisory panel, pointed to a demonstration project that showed competitive bidding for durable medical equipment, such as oxygen tanks or wheelchairs, lowered Medicare costs without compromising quality. But he said spreading that practice to the rest of the country is meeting resistance in Congress because some equipment makers will lose business.

Sen. McCain is proposing bundled payments for providing care to Medicare patients with chronic conditions, with the doctors and hospitals involved forced to divide up the money on their own. That would allow reimbursement for cheap but effective activities such as talking with a patient about how to manage his or her condition and would discourage extra visits and procedures that are now paid a la carte. Sens. Clinton and Obama have similar ideas.

But this kind of change can be threatening to health-care providers, said Gail Wilensky, who ran the Medicare program under former President Bush and is now advising Sen. McCain. "It's a big power shift as to where the money goes and how it is divided up."

Even if the candidates' cost-cutting agenda were implemented, Ms. Wilensky said, it's unclear how successful it would be at lowering costs, or even at slowing the increases.

"The real answer is we don't know," she said. But if these ideas don't work, she said, the alternatives are largely disturbing: price controls, stifled innovation and stemming the spread of new technology. "It gets real ugly real fast."