

The Department of Economics welcomes students, faculty,
and staff to:

Current Issues in Economics: McCain and Obama on Health Care

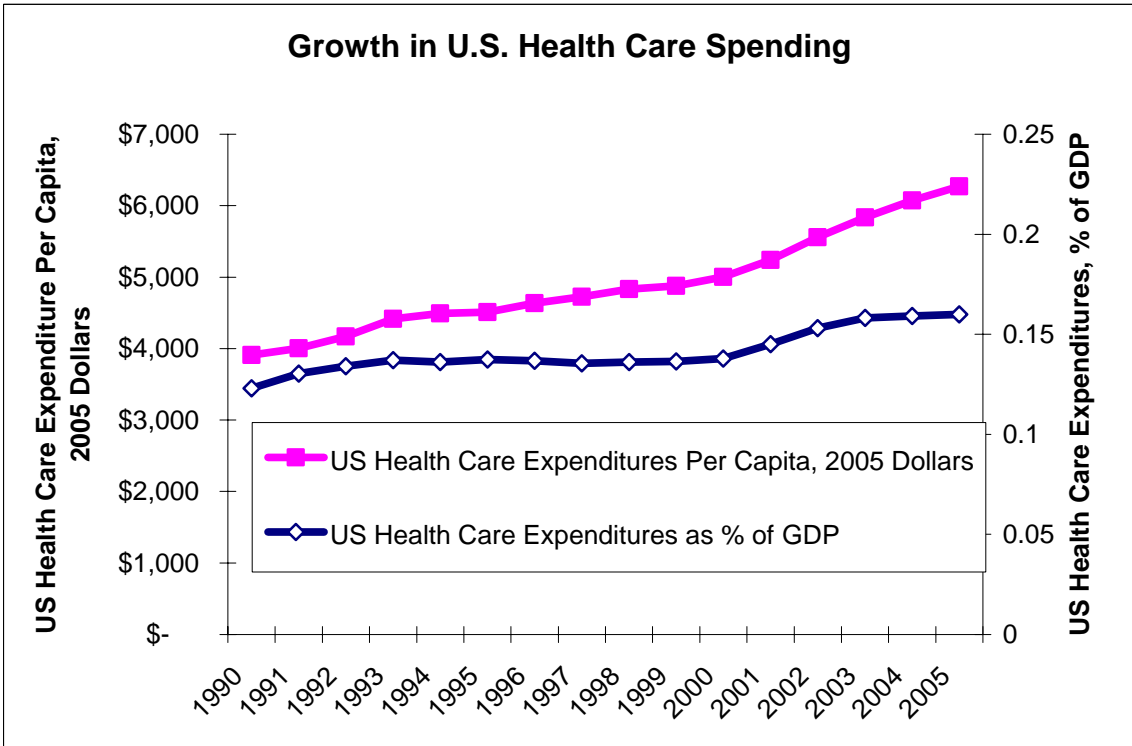
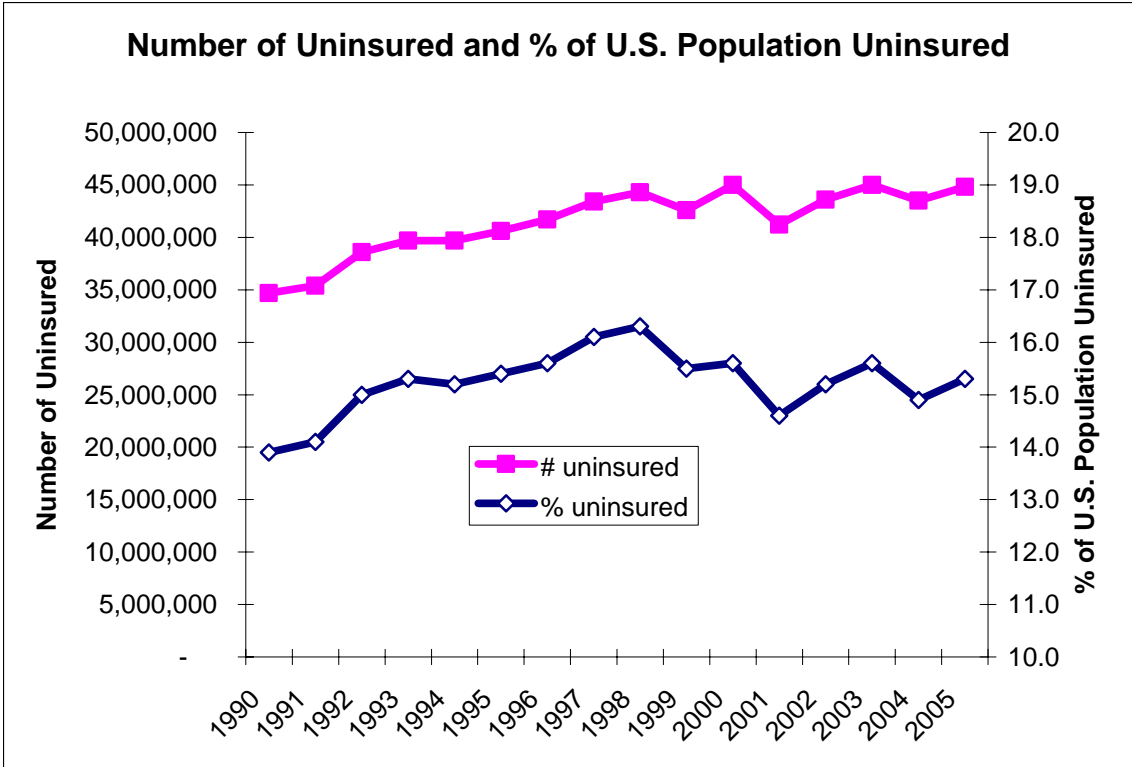
Tuesday, Sept. 30

4:30- 6:00

Farrell Room, St. Edmund's Hall

Health care – both its cost and its availability – has become an increasingly important issue in the 2008 election. How do the presidential candidates differ on their approaches to solving the problems of our health care system? Are there points of agreement? Are there aspects of the health care issue that neither candidate addresses?

Join in a panel discussion with Professor Patricia Siplon of the Political Science Department, Assistant Professor Patrick Walsh of the Economics Department, and Cara Tunney '09.



Summary of the Candidates' Health Care Platforms:

McCain

Access:

- End tax-exemption for employer-provided health insurance, moving system away from employment-based insurance towards a more consumer-oriented model
- Increase portability with a tax credit (\$2,500 individual, \$5,000 family) to buy private health insurance, so don't have to rely on their employer
- Expand tax-preferred Health Savings Accounts (HSAs), which allows people to save for health expenses and encourages "shopping around"
- Encourage states to develop plans for the uninsured

Cost:

- Encourage managing or preventing costly chronic conditions
- Push for faster introduction of cheaper generic pharmaceuticals
- Encourage "coordinated care"
- Change reimbursement systems for Medicare and Medicaid to discourage waste
- Pass medical liability tort reform

Obama

Access:

- Extend coverage by setting up an insurance market for the uninsured, modeled after the plan used by Federal employees
- Insurance companies compete for individuals in government plan
- Federal government pays for individuals who cannot afford to join these plans but who don't qualify for Medicaid
- Employers must either provide health insurance for their employees, or pay into the government system (tax breaks provided to small businesses)
- Expand Medicaid and SCHIP

Cost:

- Federal government will pay for catastrophic health costs, reducing costs in the private health insurance pool and ideally lowering premiums for private insurance
- In the new government plan, Medicare, and Medicaid, encourage prevention and integrated care
- In the new government plan, Medicare, and Medicaid, change reimbursements to reward doctors for patients health, not for simply performing procedures
- Invest \$10 billion to accelerate adoption of electronic health records
- Increase competition in the pharmaceutical and health insurance markets

Health-Care Realism

By Robert J. Samuelson

Washington Post, Wednesday, 9-10-08

Unless you've been living in the Himalayas, you know that huge numbers of Americans -- 46 million last year -- lack health insurance. By impressive majorities, Americans regard this as a moral stain. At the [Democratic National Convention](#), [Sen. Ted Kennedy](#) echoed the view of many that health care is a "right" that demands universal insurance. This completely understandable view is, I think, utterly wrong. Take note, [Barack Obama](#) and [John McCain](#).

The central health-care problem is not improving coverage. It's controlling costs. In 1960, health care accounted for \$1 of every \$20 spent in the U.S. economy; now that's \$1 of every \$6, and the [Congressional Budget Office](#) projects that it could be \$1 of every \$4 by 2025. Ponder that: a quarter of the U.S. economy devoted to health care. Would we be better off? Probably not. Countless studies have shown that many tests, surgeries and medical devices are either ineffective or unneeded. Greater health-care spending forfeits any superior moral claim on our wealth by slowly crowding out other national needs. For government, higher health costs threaten other programs -- schools, roads, defense, scientific research -- and put upward pressure on taxes. For workers, increasingly expensive insurance depresses take-home pay as employers funnel more compensation dollars into coverage. There's also a massive and undesirable income transfer from the young to the old, accomplished through taxes and the cross-subsidies of private insurance, because the old are the biggest users of medical care.

It is widely assumed that health care, like most aspects of American life, shamefully shortchanges the poor. This is less true than it seems. Economist Gary Burtless of the [Brookings Institution](#) recently discovered these astonishing data: On average, annual health spending per person -- from all private and government sources -- is equal for the poorest and the richest Americans. In 2003, it was \$4,477 for the poorest fifth and \$4,451 for the richest (see table).

Probably in no other area, notes Burtless, is spending so equal -- not in housing, clothes, transportation or anything. Why? One reason: Government already insures more than a quarter of the population, including many poor. [Medicare](#) covers the elderly; [Medicaid](#), many of the poor and their children; SCHIP (State Children's Health Insurance Program), more children. Another reason is the skewing of health spending toward the very sick; 10 percent of patients account for two-thirds of spending. Regardless of income, people get thrust onto a conveyor belt of costly care: long hospital stays, tests, and surgeries.

That includes the uninsured. In 2008, their care will cost about \$86 billion, estimates a study for the [Kaiser Family Foundation](#). The uninsured pay about \$30 billion themselves; the rest is uncompensated. Of course, no sane person wants to be without health insurance, and the uninsured receive less care and, by some studies, suffer abnormally high death rates. But other studies suggest only minor disadvantages for the uninsured. One study compared the insured and uninsured after the onset of a chronic illness -- say, heart disease or diabetes. Outcomes differed little. After about six months, 20.4 percent

of the insured and 20.9 percent of the uninsured judged themselves "better"; 32.2 percent of the insured and 35.2 percent of the uninsured rated themselves "worse." The rest saw no change.

The trouble with casting medical care as a "right" is that this ignores how open-ended the "right" should be and how fulfilling it might compromise other "rights" and needs. What makes people healthy or unhealthy are personal habits, good or bad (diet, exercise, alcohol and drug use); genetic makeup, lucky or unlucky; and age. Health care, no matter how lavishly provided, can only partly compensate for these individual differences.

There is a basic dilemma that most Americans refuse to acknowledge. What we all want for ourselves and our families -- access to unlimited care paid for by someone else -- may be ruinous for us as a society. The crying need now is not to insure all the uninsured. This would be expensive (an additional \$123 billion a year, estimates the Kaiser study) and would provide modest health gains at best. Two-fifths of the uninsured are young (19 to 34) and relatively healthy.

The McCain and Obama health-care proposals, either impractical or undesirable, largely ignore the existing challenge of Medicare. By some studies, 30 percent of its spending may go to unneeded services. Medicare is so large that by altering how it operates, government can reshape the entire health-care system. This would require changes to encourage more electronic record-keeping, better case management, fewer dubious tests and procedures, and a fairer sharing of costs between the young and the old. The work would be unglamorous and probably unpopular. But if the next president can't do it, his presidency will fail in one fateful way.

Other Sources of info for Health Care:

Kaiser Foundation side-by-side comparison of Obama & McCain health plans:
<http://www.health08.org/sidebyside.cfm> (specific health plans)
http://www.health08.org/healthissues_sidebyside.cfm (broader health issues)

Article by Brookings Institution economist Henry Aaron:
<http://healthaffairs.org/blog/2008/08/25/covering-the-uninsured-cheap-at-twice-the-price/print/>

Economist Robert Samuelson article on Health Care:
<http://www.newsweek.com/id/73284>

Tanner, Michael, "McCain's Radical Health Overhaul" *National Post*, May 7, 2008

"The Mandate Debate: Examining the key difference between the Clinton and Obama health plans" *Washington Post*, March 4, 2008

More links from the Kaiser Foundation:
<http://www.health08.org/resources.cfm>