

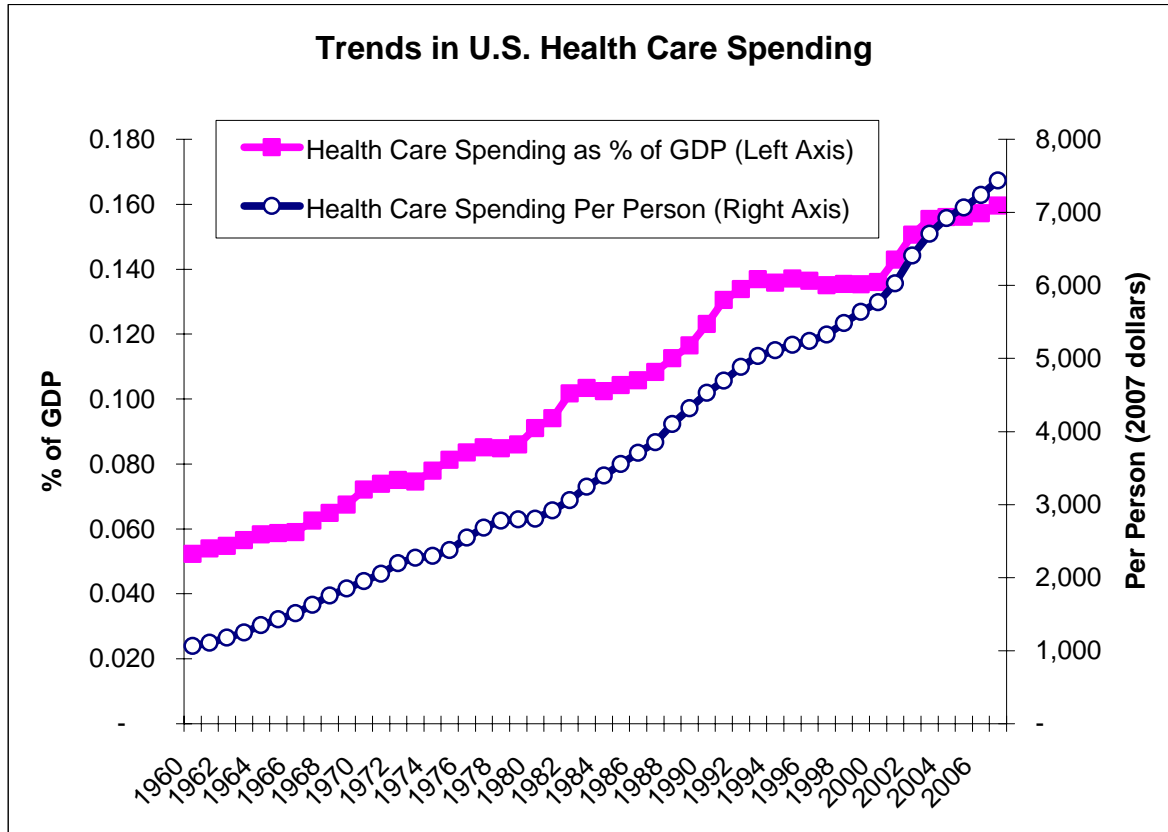
The Department of Economics welcomes
students, faculty, and staff to:

Current Issues in Economics: Health Care Reform

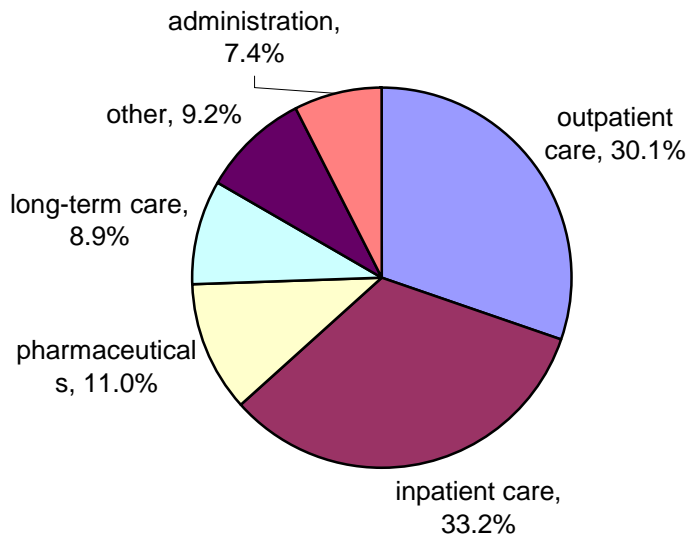
**Thursday, Sept. 10
11:00-12:30
Hoehl Presentation Room**

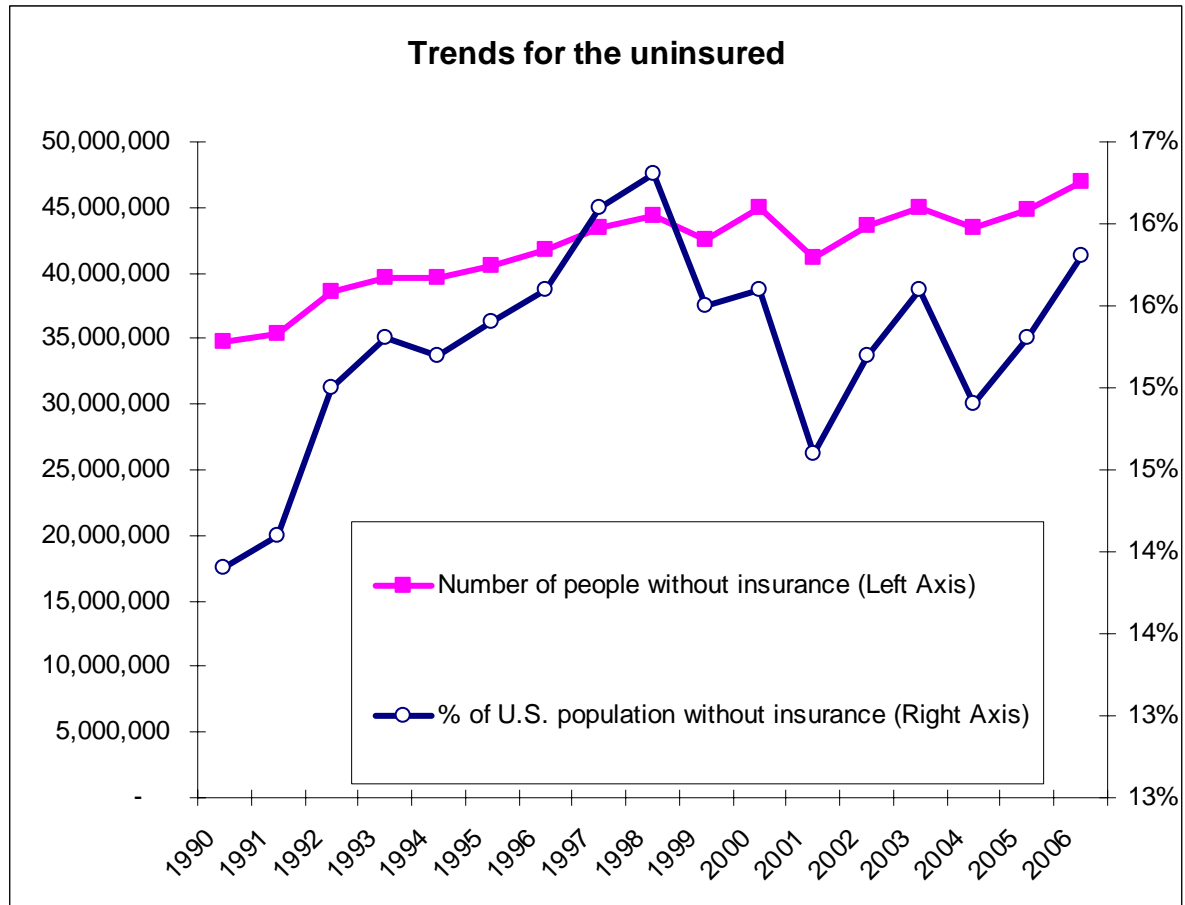
President Obama has made health care reform a key priority. What are the problems with our current health care system? Do various reform proposals address these problems? Can coverage be extended to all Americans? Will health-care costs overburden the economy? Can alternative systems provide access to all while reducing costs?

Join Dr. Marvin Malek, an area physician and health reform advocate, and Assistant Professor Patrick Walsh of the Economics Department in a discussion of these issues. Questions and comments from the audience will be welcome.



Composition of Health Care Costs, 2007:





09 Aug 2009 08:11 pm

Conservatism And Healthcare

Andrew Sullivan

... It was one thing to oppose greater government involvement in healthcare in 1993. It is another to do so in 2009. There are several reasons for this and it is hard to improve on David's summary of them. The status quo means:

(1) flat-lining wages, (2) exploding Medicaid and Medicare costs and thus immense pressure for future tax increases, (3) small businesses and self-employed individuals priced out of the insurance market, and (4) a lot of uninsured or underinsured people imposing costs on hospitals and local governments. We'll have entrenched and perpetuated some of the most irrational features of a hugely costly and under-performing system, at the expense of entrepreneurs and risk-takers, exactly the people the Republican party exists to champion.

I'd add the crippling health costs for the private sector - costs that are slowly killing their global competitiveness. But the deepest reason for reform is fiscal. No serious plan to reduce deficits without hugely increasing taxes excludes healthcare savings. There's no way to get from spiraling debt to stable public finances without tackling the exponentially rising costs of healthcare. So this is a *fiscally conservative issue*.

Health-Care Realism

By Robert J. Samuelson

Wednesday, September 10, 2008; A15

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, many tests, therapies 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.

Posted on May 6, 2009

The Only Humane and Affordable Option: Single Payer Health Care

By Marvin Malek Byrne

Times Argus and Rutland Herald

April 19, 2009

It looks like the federal stimulus money will be bailing out Vermont, so the health care cuts Governor Douglas proposed won't be implemented.

So that will allow us to return to the status quo. Let's all breathe a sigh of relief.

Now we can contentedly return to preexisting condition clauses, businesses unable to afford coverage for their employees, bankruptcies brought on by gaping holes in health coverage, high deductibles, vanishing access to primary care, 50,000 + Vermonters lacking coverage altogether, a dysfunctional system in which no one really knows what their health coverage will be like in 3 years.

A pretty sad state of affairs. Governor Douglas and his legislative collaborators characterize the Catamount program as a major advance. Remarkable, since it barely deserves to be looked on as a finger in the dike—it's insuring only 0.8% of Vermont's population.

The health care crisis is caused primarily by unsustainable levels of medical cost inflation. During Douglas' tenure in office, health costs in Vermont have risen from \$2.8 billion in 2002 to \$4.2 billion in 2007—an unsustainable rate of increase, greater than the US as a whole nearly every year.

This has occurred despite the much touted "Chronic Care Initiative"—the lynchpin of Jim Douglas' health care cost control strategy. This strategy has not and will not control costs. I have yet to meet a single doctor who believes it will control costs. And curiously, BISHCA—the state government's prime financial department—doesn't appear to believe in the chronic care initiative either: BISHCA predicts continued very high increases in health costs as far as the eye can see.

Four years ago, the governor was an unyielding obstacle to the enactment of single payer health care—the one type of health reform that would cover everyone in Vermont while actually reducing health care costs

When you try to tell most Americans that the act of providing quality health coverage to everyone in the population can reduce health costs, their skepticism is overwhelming. How could covering people who aren't

currently covered, while eliminating deductibles, preexisting condition clauses and other insurance company dodges actually reduce costs?

Here's how costs are reduced:

First, when our entire population is in the same insurance pool, we are then in a strong position to negotiate better prices for wheel chairs, drugs, etc. This is why citizens in every other developed country spend so much less than we do for the same drugs.

Second, there is better planning of resources to meet population needs. Throughout the US, there are innumerable examples of proliferation of high cost services adding to overall costs—these includes centers which only perform elective surgery (emergency surgery is a money loser for hospitals), excessive numbers of MRI and CT scanners, etc. On the other hand, the US has allowed basic services to deteriorate—we have a severe deficiency of primary care practitioners, and have seen the closure of emergency departments throughout the country, leading to life threatening crises.

Third, the care of individuals with chronic illnesses is better in the other developed countries: Single-payer systems have truly comprehensive databases to serve as a starting point, and people with chronic illnesses aren't facing huge deductibles, inability to afford their medication, and even periods of no coverage at all as we face in the US. Vermont's Chronic Care Initiative is a mere shadow of what we could have were we to create a single-payer system.

Finally—and most importantly—the absurd level of administrative costs in the US could be brought down to a reasonable level rather than eating up more than 30% of every health care dollar.

The possibility of providing lifelong coverage at far lower cost by bringing everyone into a single risk pool is not some ivory tower theory. Some version of this is the status quo in every other developed country. And that is why every other developed country provides universal health care for every citizen from cradle to grave at half of our per capita spending. And virtually all of these countries have far better health outcomes for their populations. It is also notable that despite fiscal crises as great or greater than what we're facing in the US during the current economic downturn, not one country with a single-payer system is even considering cutting coverage.

Since achieving any health reform would be a massive political undertaking, it is tragic that Obama seems intent on achieving universal health coverage by building on the existing "system". This is an error of historic proportion.

If President Obama implements universal insurance coverage with this model, within 4 - 6 years, we will see levels of federal debt that will make George W Bush's deficits look like a minor car loan. We'll see cuts in coverage, and the re-ascendancy of the Republicans—who will be able to correctly characterize the Democrats as irresponsible, and undoubtedly implement further cut backs (though they will offer no viable alternative approach to achieve universal coverage). We could be set back many years if the public at large develops the impression that universal coverage is inherently too expensive.

Senator Kent Conrad (D- N.D.) correctly refers to health cost inflation as the 800 pound gorilla threatening the long-term stability of our economy, forcing continued unsustainable borrowing from China, Japan, and other countries, leading to debt burdens that threaten our children's and grandchildren's well-being.

If Obama and the Washington Democrats pass universal health care using the existing system, we will all be eaten by the 800 pound gorilla.

Regardless of what health reform legislation is ultimately enacted in Washington, it will doubtless be financed jointly by federal and state governments. And if it actually does provide coverage to every Vermonter, it would do so at a vastly higher cost than the single-payer reform I described in this article. I don't believe that we in Vermont can afford this much redundancy and waste.

Even though it will not be enacted nationally, there is good reason to believe that the Obama administration will adopt a supportive stance toward states attempting to create statewide single payer systems. The president has stated on many occasions that if he could start over creating a health system for the US, it would be a single payer system. Well, let's let the president know that that is exactly what we want as well.

There are now bills in both houses of Vermont's legislature (H100 and S88) and the USCongress (HR 676 and S703) which would give us single-payer health reform. Vermonters should contact their legislators to get them on board.

It's time to broaden our vision and create an affordable and humane health care system.

We've waited long enough.

Other sources of info on health care reform:

NY Times primer on health care debate:

<http://www.nytimes.com/2009/08/10/health/policy/10facts.html?scp=1&sq=health%20care%20reform%20primer&st=cse>

NY Times series of forums on health care reform:

Patients: <http://economix.blogs.nytimes.com/2009/06/23/americas-health-care-priorities-i-consumers-patients-workers/>

Doctors and the quality of care : <http://economix.blogs.nytimes.com/2009/06/23/americas-health-care-priorities-ii-doctors-hospitalsand-the-quality-of-care/>

Insurance: <http://economix.blogs.nytimes.com/2009/06/23/americas-health-care-priorities-iii-insurers-and-insurance-systems/>

Cost to business: <http://economix.blogs.nytimes.com/2009/06/23/americas-health-care-priorities-i-businesses-competition-and-innovation/>

Taxes: <http://economix.blogs.nytimes.com/2009/06/23/americas-health-care-priorities-v-taxes-fees-and-public-health/>

NY Times article on health care and Federal budget:

http://www.nytimes.com/2009/05/13/business/economy/13leonhardt.html?_r=1

Good New Yorker article on health care costs:

http://www.newyorker.com/reporting/2009/06/01/090601fa_fact_gawande

Economist Tyler Cowen on health cost dynamics:

<http://www.nytimes.com/2007/03/22/business/22scene.html?sq=tyler%20cowen%20abolishing&st=nyt&scp=1&pagewanted=print>

Economist Gregory Mankiw on international comparisons:

<http://www.nytimes.com/2007/11/04/business/04view.html>

Mankiw referees a debate between Paul Krugman and Keith Hennessey on whether coverage or cost is more important:

<http://gregmankiw.blogspot.com/2009/08/health-reform-simple-or-not.html>

Journalist Megan McArdle's "Long Post" opposing universal health care:

http://meganmcardle.theatlantic.com/archives/2009/07/a_long_long_post_about_my_reas.php

Long Atlantic Monthly article on healthcare system:

<http://www.theatlantic.com/doc/200909/health-care>