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WE URGE PRESIDENT OBAMA TO DETAIL COST CONTROLS

By

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Whether Congress passes health care reform with a public option or a cooperative, it cannot simply assume meaningful cost control with either. Americans will suffer from any health care reform bill that expands coverage but fails to control costs. Health care is already by far the largest unfunded obligation on our government's balance sheet and it is the fastest growing expense.

That's why the President must weigh in now with clear targets for cost control, specific policies for achieving them, and a back-up mechanism to ensure results. The usual critics of cost control efforts are already lining up to oppose such an effort now. Their opposition should be seen for what it is: a self-serving commitment to the status quo.

A broad consensus already exists that federal health care spending is on an unsustainable path. The President has been very clear that cost control, or "bending the curve," is essential. However, his specific proposals -- such as tax increases and reductions in Medicare reimbursements -- have focused on making reform deficit-neutral only for the next 10 years.

This is an important goal, but not sufficient. Ten years is a Congressional artifice created by the badly flawed budget rules that got us into this mess to begin with.

Under these rules Congress may produce a bill that is "paid for" over 10 years by using scoring gimmicks that would not effectively restrain costs over a longer period. Savings that are spent on new commitments will not be available to bend the curve or achieve broader deficit reduction.

Even a legitimately paid-for 10-year bill could leave health care on an unsustainable track. It is therefore important for the President and Congress to focus as much on the estimated costs and savings of reform in the second 10 years as they do on the first.

So far, the bills in Congress do a better job of achieving near-universal coverage than of showing much promise of long-term cost control.

The Congressional Budget Office (CBO) has stated that one of the main proposals (H.R. 3200) "would probably generate substantial increases in federal deficits during the decade beyond the current 10-year budget window."

Bending the cost curve will not come from expanding benefits and raising taxes to pay for them. It will come from hard choices about the things that drive health care costs higher.

If the President wants to ensure that Congress sends him a bill that will truly restrain costs over the long run he should insist on policies to address the following:

- 1. Budgetary restraint.** Unlike many other nations, we do not budget for health care. Yet all of our nation's commitments need to be evaluated and prioritized. That's impossible without long-term budgeting for one of the largest spending categories. A health care budget would force politicians, providers and the public to do the necessary prioritizing for responsible health care spending.
- 2. Perverse payment incentives.** Fee-for-service payment — reimbursing providers for each individual service — raises costs in two ways. It rewards providers who do more, regardless of whether that contributes to better health. And it encourages fragmented care rather than a coordinated approach in which providers are jointly accountable for a patient's health. That, combined with third-party insurance coverage and open-ended budgets for public programs such as Medicare, means no one has an incentive to minimize costs.
- 3. Evidence-based practices.** Extraordinary variation exists across the country in health care costs, with no difference in the quality of care. This results, in part, from lack of knowledge about the effectiveness of treatments and from insufficient evidence-based practice guidelines. It leads to widespread use of ineffective treatments while effective treatments are under-utilized. Ultimately, we need to decide which treatments are worth paying for and which are not.
- 4. Tax incentives.** Tax preferences for health insurance allow employers to provide unlimited benefits tax-free. This creates another perverse incentive that encourages higher health care spending. It is also regressive and unfair to those attempting to purchase their own insurance.
- 5. Enforcement mechanism.** There will be an ongoing need to ensure that assumed savings are realized, guard against unintended consequences and provide a means to implement future “curve bending” reforms. A permanent review mechanism is needed to make recommendations that must be considered by Congress.

Reforming our health care system is a top priority for the country. However, it is a lot easier to expand health care coverage than it is to find ways of paying for it.

Failing to budget responsibly for the necessary changes may make the patient feel better in the short term. Long term it will make us sicker.

Former U.S. senators Warren B. Rudman and Bob Kerrey are co-chairs of The Concord Coalition, a grassroots non-partisan advocate of fiscal responsibility.