The Risk of Partial Health Care Reform: More Expenses, Fewer Cost Controls

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As the White House and congressional leaders rethink health care reform after the Republican upset in the Massachusetts Senate race, there is a growing danger that Congress will jettison comprehensive health care reform altogether. Even worse, they might pass stripped-down measures that eliminate politically difficult cost-containment, while popular but costly provisions are kept.

President Obama has suggested narrowing the focus of national reform, advising that Congress should "try to move quickly to coalesce around those elements of the package that people agree on." Some members of Congress have also expressed support for a limited bill.

However, most policy experts agree that a limited bill is nearly impossible to construct without running into some major issues with short and long-term costs. That is because the easier elements -- the ones that "people agree on" -- are interlocked with elements whose benefits are far less apparent to many voters.

The key reforms for the health insurance industry are popular -- for instance, prohibiting discrimination based on pre-existing conditions. Yet, just doing that would lead to an insurance "death spiral" where only the sick would get insurance when needed, driving up the cost of premiums. The only way around this spiral is to have an individual mandate to purchase insurance. That, in turn, would require subsidies for people who could not afford to buy insurance. The cost of these subsidies would be high, and presumably require either new taxes or significant spending cuts (likely from Medicare). So in the end, we are back to needing to make the hard choices that are addressed in the more comprehensive reform proposals.

Furthermore, both the House and Senate have already passed comprehensive proposals and the Senate health care bill in particular holds promise in terms of its ability to be paid for in the short term and also control costs over the long term. While it is far from perfect, it does contain some critical cost-control strategies -- an excise tax on high-cost health insurance, sensible reductions in Medicare spending, a commission that would monitor Medicare and make recommendations for future improvements, and various pilot projects aimed at improving quality while reducing costs.

Unfortunately, when members of Congress speak of a stripped-down bill, these provisions are the ones most likely to disappear because they represent the most difficult choices politically -- as fiscally responsible decisions often are -- because they are easy for opponents to exaggerate and demagogue. (And as discussed earlier, everything else is intertwined and can't really be scaled back much.)

Although a scaled-back bill could cost less over the next few years, and be paid for by tax increases (like an increase in the income tax on the wealthy) and spending cuts -- if it dropped the Medicare commission and high-cost insurance tax, along with other reforms -- it would still be less fiscally responsible than a more expensive bill that attacks long-term health care inflation.

Sharply rising costs have put the nation's health system, including Medicare and Medicaid, on an unsustainable path. Even limited expansion of access without meaningful cost controls would make the health system -- and in fact the entire federal budget -- more unsustainable. As Concord has pointed out, not even the modest deficit reduction and delivery system reforms in the Senate health care legislation would be sufficient for long-term sustainability.

In its work around the country last year, The Concord Coalition found growing alarm about the federal debt and spiraling health care costs. We also found strong support for broad, systemic reform, as discussed in a report released last month on our Fiscal Stewardship Project. Another report, released by Concord and Viewpoint Learning, Inc., shows that the more people learn about Medicare's financial challenges, the more willing they are to accept significant reforms.

So in considering how to move forward with health reform, Congress and the White House should recognize that while there is no politically easy path towards cost control, inaction and timidity leave the country and future generations worse off. And, politicians may find the public more supportive of bold choices than they had expected.

--Joshua Gordon and Steve Winn