

Can Health Insurers Be Cost-Cutters?

Larry Cohen, Executive Director of the Prevention Institute, Oakland
(New York Times, May 13, 2009, page A30)

Paul Krugman (“Harry, Louise and Barack,” column, May 11) is absolutely right: the Obama administration should always remember the self-serving profit motives of the health care industry.

But this is not 1993, and most Americans are now clamoring for health reform. The administration is not without leverage at the bargaining table; in fact, it comes with a strong hand. If industry is endorsing quality, efficiency and best of all, prevention, let’s make it walk the talk.

The administration can (and should) demand that a reformed approach to health include substantial investments in prevention. This may be America’s chance to create a health system that truly protects and promotes our health; old villains cannot stand in the way.

Original article

“Harry, Louise and Barack”

Paul Krugman

(New York Times, May 11, 2009, page A23)

Harry and Louise were the fictional couple who appeared in advertisements run by the insurance industry in 1993, fretting about what would happen if “government bureaucrats” started making health care decisions. The ads helped kill the Clinton health care plan, and have stood, ever since, as a symbol of the ability of powerful special interests to block health care reform.

But on Saturday, excited administration officials called me to say that this time the medical-industrial complex (their term, not mine) is offering to be helpful.

Six major industry players — including America’s Health Insurance Plans (AHIP), a descendant of the lobbying group that spawned Harry and Louise — have sent a letter to President Obama sketching out a plan to control health care costs. What’s more, the letter implicitly endorses much of what administration officials have been saying about health economics.

Are there reasons to be suspicious about this gift? You bet — and I’ll get to that in a bit. But first things first: on the face of it, this is tremendously good news.

The signatories of the letter say that they’re developing proposals to help the administration achieve its goal of shaving 1.5 percentage points off the growth rate of health care spending. That may not sound like much, but it’s actually huge: achieving that goal would save \$2 trillion over the next decade.

How are costs to be contained? There are few details, but the industry has clearly been reading Peter Orszag, the budget director.

In his previous job, as the director of the Congressional Budget Office, Mr. Orszag argued that America spends far too much on some types of health care with little or no medical benefit, even as it spends too little on other types of care, like prevention and treatment of chronic conditions. Putting these together, he concluded that “substantial opportunities exist to reduce costs without harming health over all.”

Sure enough, the health industry letter talks of “reducing over-use and under-use of health care by aligning quality and efficiency incentives.” It also picks up a related favorite Orszag theme, calling for “adherence to evidence-based best practices and therapies.” All in all, it’s just what the doctor, er, budget director ordered.

Before we start celebrating, however, we have to ask the obvious question. Is this gift a Trojan horse? After all, several of the organizations that sent that letter have in the past been major villains when it comes to health care policy.

I’ve already mentioned AHIP. There’s also the Pharmaceutical Research and Manufacturers of America (PhRMA), the lobbying group that helped push through the Medicare Modernization Act of 2003 — a bill that both prevented Medicare from bargaining over drug prices and locked in huge overpayments to private insurers. Indeed, one of the new letter’s signatories is former Representative Billy Tauzin, who shepherded that bill through Congress then immediately left public office to become PhRMA’s lavishly paid president.

The point is that there’s every reason to be cynical about these players’ motives. Remember that what the rest of us call health care costs, they call income.

What’s presumably going on here is that key interest groups have realized that health care reform is going to happen no matter what they do, and that aligning themselves with the Party of No will just deny them a seat at the table. (Republicans, after all, still denounce research into which medical procedures are effective and which are not as a dastardly plot to deprive Americans of their freedom to choose.)

I would strongly urge the Obama administration to hang tough in the bargaining ahead. In particular, AHIP will surely try to use the good will created by its stance on cost control to kill an important part of health reform: giving Americans the choice of buying into a public insurance plan as an alternative to private insurers. The administration should not give in on this point.

But let me not be too negative. The fact that the medical-industrial complex is trying to shape health care reform rather than block it is a tremendously good omen. It looks as if America may finally get what every other advanced country already has: a system that guarantees essential health care to all its citizens.

And serious cost control would change everything, not just for health care, but for America’s fiscal future. As Mr. Orszag has emphasized, rising health care costs are the

main reason long-run budget projections look so grim. Slow the rate at which those costs rise, and the future will look far brighter.

I still won't count my health care chickens until they're hatched. But this is some of the best policy news I've heard in a long time.