

# Election-Year Health Care Debate

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# Things are not as they seem.

- ❑ The SCHIP debate of 2007
- ❑ The ongoing debate over the so-called Medicare physician payment cuts
- ❑ **The real fight**



# The SCHIP debate of 2007



# The SCHIP budget in perspective



# Okay, let's see...

- SCHIP is a relatively small program that has done a lot of good
- Many of the issues and concerns about the proposed expansion have been addressed.
- So,...



# What's the fuss!



# The annual ritual of physician payment cuts

- ❑ Each year, the two sides in Congress bicker over the scheduled cut in physician payments
- ❑ So much rhetoric and double talks
- ❑ **Payment cuts are not the real fight**





# Congressional actions in July 2008

- ❑ The House voted overwhelmingly to rescind the cuts but the bill, Medicare Improvements for Patients and Providers Act of 2008, stalled in the Senate.
- ❑ Finally, the Senate voted 69-30 on July 9 to halt a 10.6% cut in payments to physicians, and instead instituted a 1.1% payment increase in 2009
- ❑ President GW Bush vetoed the bill and it was overridden by both houses on July 15, 2008





# The real fight in the case of physician payment cut

- The future of “Medicare Advantage” and the privatization of Medicare
  - Should private insurance plans be allowed to continue to expand under “Medicare Advantage?”



## The real fight - the case of SCHIP

1. Cover all kids (and then adults)?  
- Yes, but how to get there?
2. What's the proper role of federal government in health care?
3. The political economy of the left and right



## The left -

- ❑ Health care **should be** a right, and the private market fails to achieve universal access to health care.
- ❑ The market, though efficient, must be tempered with government policies; the government must guarantee equal access to health care and play “referee.”



## The right -

- ❑ Health care is not a right; the Constitution only obligates the feds to promote the general welfare for all persons and their posterity.
- ❑ Should minimize the role of government and take full advantage of the efficiency of the market. (Do you want post office style of medicine and pay Pentagon prices?)
- ❑ Will help those who cannot help themselves, but we should only provide the means to help the poor to become meaningful participants in market activities.

# How to achieve universal coverage?

	Market	Government	Form of Intervention
Left	Market fails to deliver a fair distribution of health care to those who need it.	Must level the playing field and guarantee equal access	Direct provision (UK), single payer (Canada), coverage mandates, expansion of Medicare or Medicaid to gradually achieve universal coverage, etc.
Right	Market is not perfect but government fails, too	Insurance reform and minimal government subsidies for the truly needy	Tax credits as incentives, insurance reforms, consumer information, consumer-driven health plans

# Obama vs. McCain

First, need a big-picture,  
conceptual view of the Issues  
that should drive the debate  
- aka the check list of health  
care reform



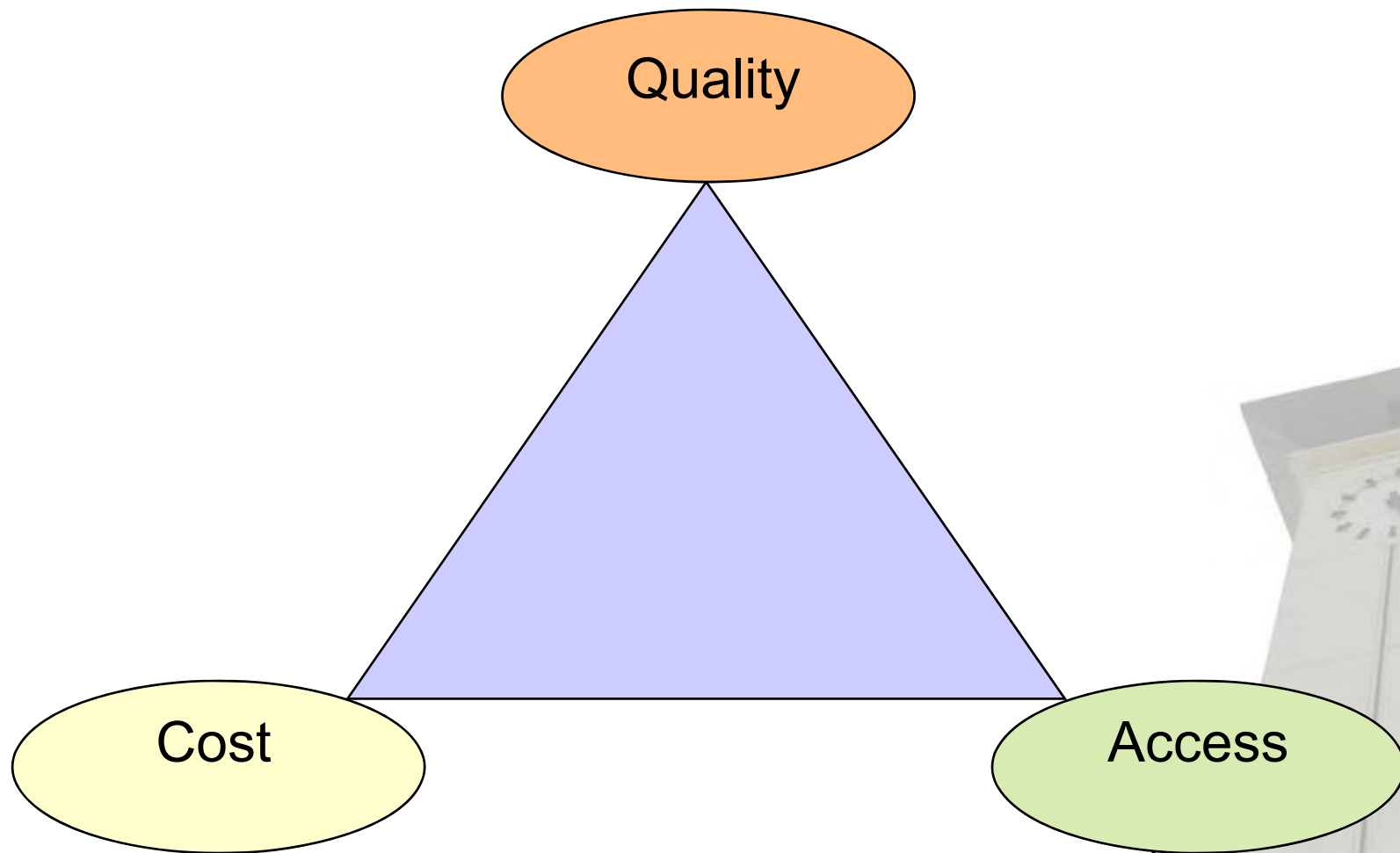
# Reform check list -

- Eligibility (Who to cover ?)
- Financing (Who pays?)
- Reimbursement (How to pay doctors and hospitals)
- Production (How to deliver cost-effective and appropriate care?)

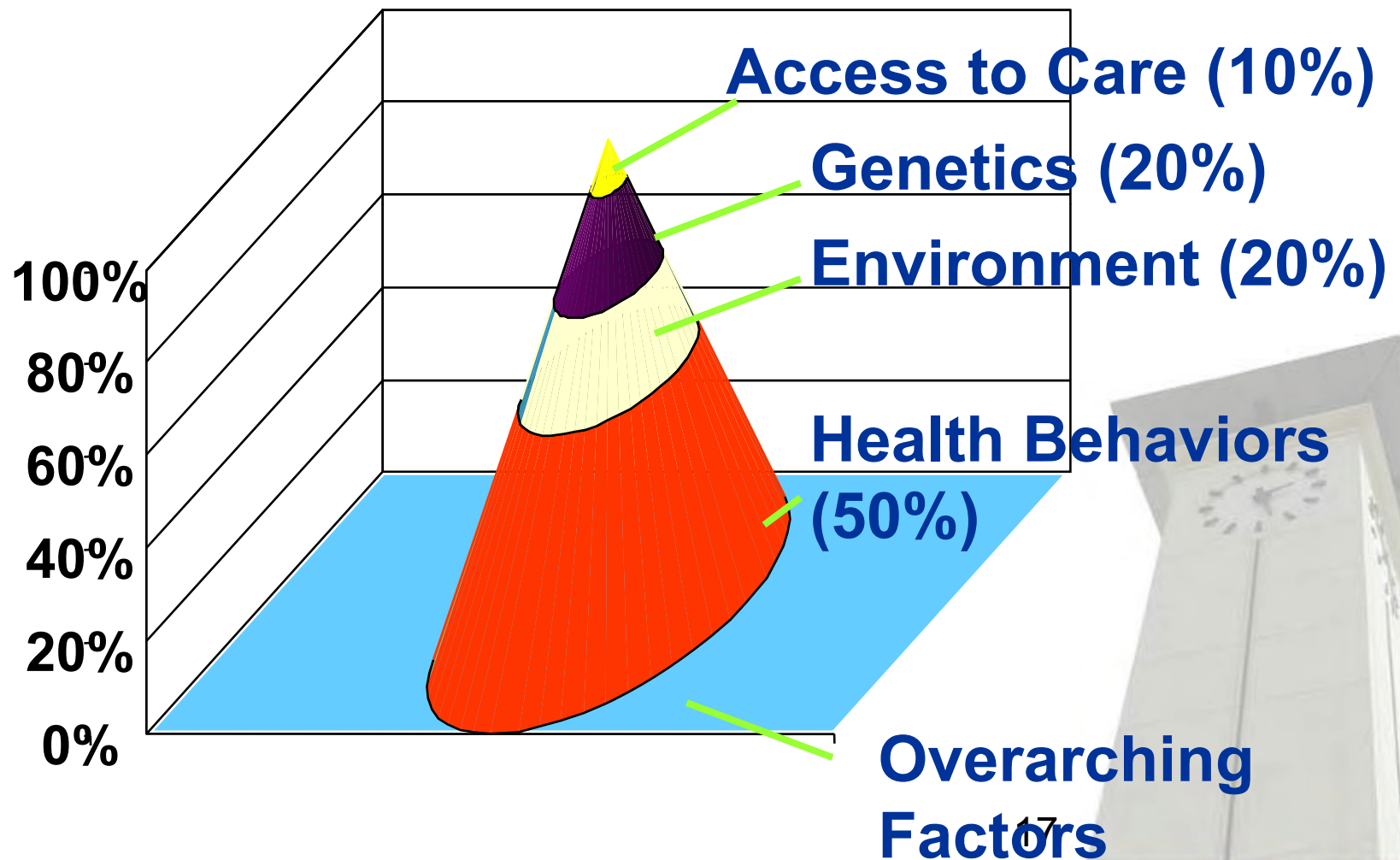




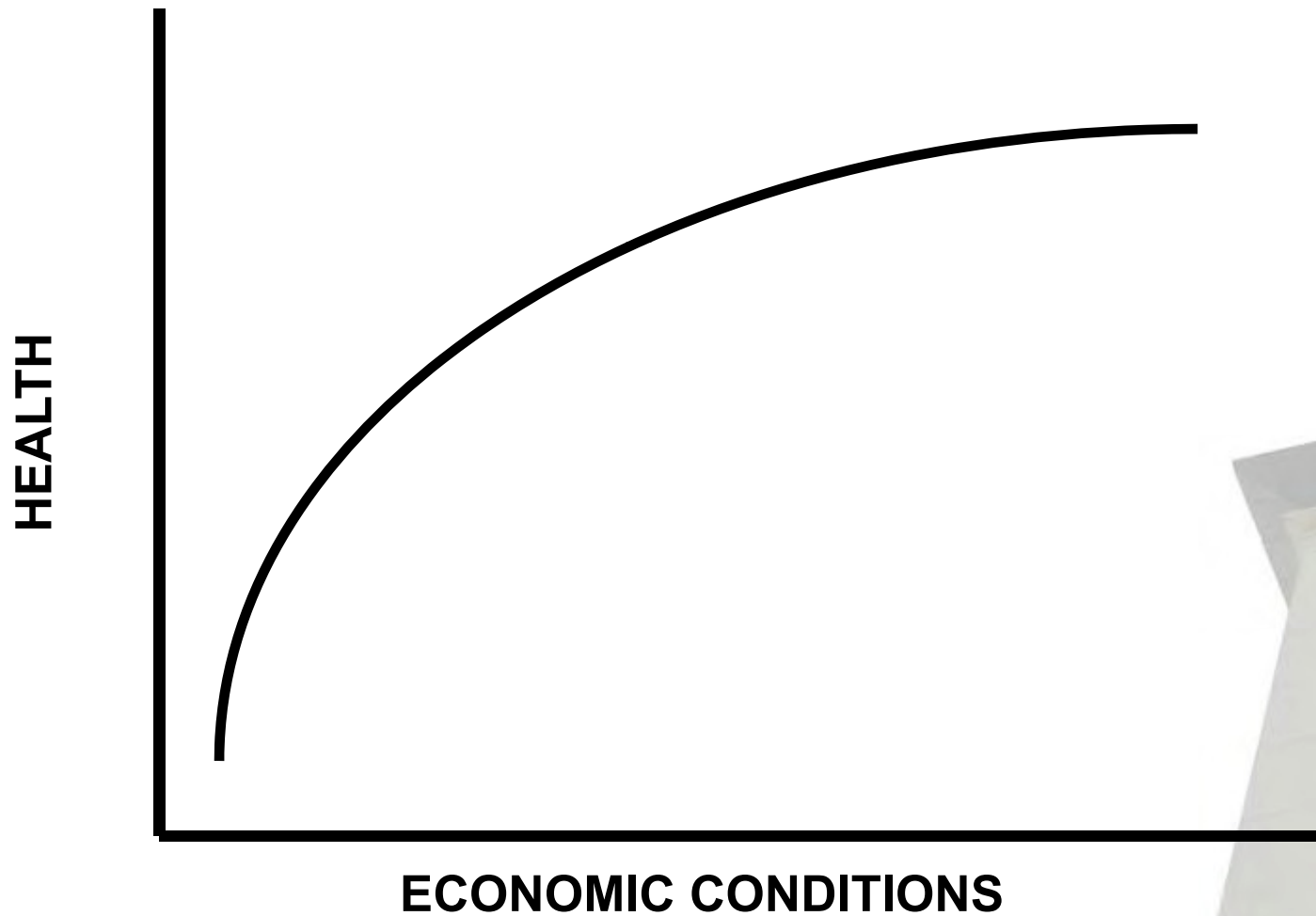
# The Iron Triangle of Health Care



# DETERMINANTS OF HEALTH



↑ECONOMIC CONDITIONS  
↑HEALTH STATUS



# Barack Obama -

- Comprehensive benefits
- Insurance coverage mandate for children
- Pay or play
- A new public plan and a new agency serving as an insurance connector
- Portability and choice
- Quality and efficiency



# John McCain -

- ❑ **Reform tax code** to make employer-sponsored health benefits taxable and give an offset of \$2,500 tax credit to all individuals; families will receive \$5,000.
- ❑ **Insurance reform** allowing families to purchase health care insurance nationwide and insurers to offer a wide variety of insurance products.
- ❑ Requiring states with Medicaid to **develop a financial risk adjustment** bonus to high-cost and low income families that will supplement tax credits and funds for Medicaid.
- ❑ **Allowing people to purchase insurance** through any organization or association of choice (i.e. churches, employers, individual purchases, and professional associations).



# The reality - The Obama Plan

- ❑ Very similar to the Massachusetts plan (aka Romney Care)
- ❑ Initial evidence shows that the Mass Plan has indeed thinned the ranks of the uninsured and has not crowded private insurance.
- ❑ Jury is out on long-term quality and, most important, the overall cost of the program.



# The reality - The McCain Plan

- The more radical reform of the two.
- Will not reduce the ranks of the uninsured quickly.
- A better chance of slowing down the growth of costs.
- Greater role of private sector
- Greater resistance from a cross-section of interest groups.



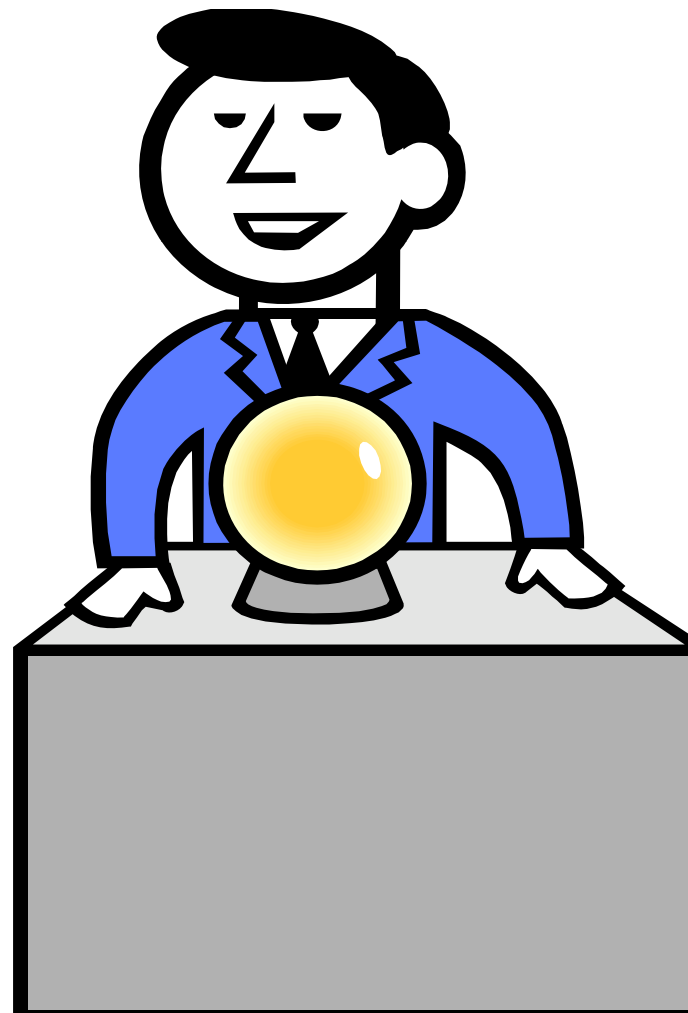


# Flaws of both plans

- Neither addresses the question of how to increase efficiency of delivery and reduce unnecessary care and medical errors.
- Both emphasize health care IT and medical records. But there is no scientific evidence that IT and medical records will save cost.



# Health care reform in 2008?



# Questions



# It's been a pleasure!

And see you again.

