



Deficit Panel Tackles Health Care Costs

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The health care cuts proposed by President Barack Obama's deficit commission would reach virtually every corner of society, making cost curbs in the new overhaul law look tame by comparison.

Workers with solid coverage on the job, seniors, drug companies, trial lawyers, hospitals, doctors, state governments and federal employees would all feel the effects. For Medicare recipients, the biggest change would be an increase in cost-sharing.

The proposals from commission co-chairmen Erskine Bowles and Alan Simpson were strongly criticized Wednesday by groups ranging from AARP to hospitals and labor unions. At the same time, there was recognition that drastic measures may be needed to confront spiraling health care costs.

The plan leaves in place the president's signature health care law expanding coverage to more than 30 million uninsured, but it would repeal a new long-term care program included in the legislation, calling it "financially unsound."

It would gradually phase out the federal tax break for job-based health plans, a change that would force workers and their families to seek out cost-conscious insurance. Labor unions, which have given up wage increases to secure better coverage, are adamantly opposed.

For the first time, the government would set -- and enforce -- an overall budget for Medicare, Medicaid and other federal programs that cover more than 100 million people, from Alzheimer's patients in nursing homes to premature babies in hospital intensive care.

Overall, the nation will spend about \$2.6 trillion this year on medical care, and some experts believe a significant share of that is for procedures and tests that are of little benefit to patients. Americans are no healthier than citizens of other countries that spend much less.

The new health care law laid the groundwork for expanding coverage but dabbled around the edges when it came to curbing costs. That left a major piece of unfinished business that the deficit commission took on.

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"It adds a lot of muscle on the cost-saving equation that was considered in conjunction with the health care reform act, but didn't find its way in," said Syracuse University economist John Palmer, a former trustee overseeing Medicare finances. "It more aggressively pursues things, where there was a toe in the water on health reform."

Prospects for action in Congress any time soon are dim -- but the problem isn't going away.

"My personal perspective is that we are going to see all of these things on the table over the next couple of years as we really struggle with the deficit," said Christine Ferguson, a former senior Republican congressional aide and top state health official.

"Unless the economy turns around, these are the kinds of the proposals that are going to be debated," added Ferguson, a professor at George Washington University. She called some of the specific ideas "pretty draconian."

If they also prove politically untouchable, Medicare will be a big part of the reason.

Newly elected Republicans campaigned against the Medicare cuts in the health care law, and the commission proposal would slice deeper while also making significant changes in how the program works.

Many seniors already in the program would face an increase in cost-sharing for medical services.

The deficit commission found that co-payments in most cases are low, encouraging overtreatment and overuse. Revamping Medicare's cost-sharing would raise \$110 billion through 2020. In return, seniors would get an annual cost-sharing limit of \$7,500, stop-loss protection that isn't currently offered under traditional Medicare.

The proposal would also take on supplemental insurance plans that many seniors purchase to plug holes in Medicare. So-called Medigap plans would no longer be able to offer wraparound coverage that shields beneficiaries from most cost-sharing in traditional Medicare. That would raise an additional \$38 billion through 2020.

"They are asking sick people to pay more in terms of cost-sharing," said John Rother, AARP's top health policy expert. "You are a Social Security beneficiary living on \$15,000 a year, and they want you to pay up to \$7,500? We are talking about bankrupting people. This doesn't fly in the real world."

Other Medicare changes include instituting a new payment system for doctors that would reward quality outcomes instead of sheer numbers of visits, tests and procedures. And a board created by the new health care law to force Congress to cut questionable Medicare spending would get broader reach.

Federal workers --hit with a pay freeze by Obama -- would become guinea pigs in a health insurance experiment. The federal employee plan would be replaced with a fixed payment to purchase private health insurance. The concept could later be extended to Medicare.

Validating a goal Republicans have long pursued, the commission also tackled malpractice litigation, recommending a series of limits on jury awards and the creation of specialized courts to try such cases. That's another area that Obama's health care law tiptoed around. While the law expanded coverage without adding to government red ink, it's a different story when it comes to the nation's overall health care tab -- both public and private. Estimates by the government's own experts found that the nation's total costs would go up slightly.

"Federal health care spending represents our single largest fiscal challenge over the long run," the commission's report said.

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