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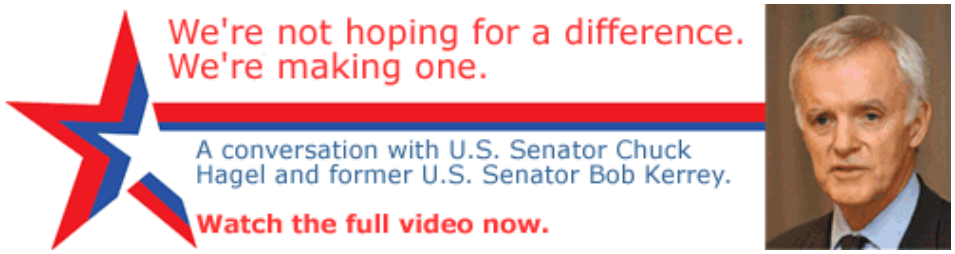

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By Bob Kerrey

Debates about health care wear me out. I cannot remember a single debate or panel discussion I have either participated in or attended that caused me to say, "Boy, that was a good use of my time!"

I have agreed to this one because it gives me a chance to join Senator Hagel, a friend and a man I admire greatly. I figure the two of us ought to be able to stir things up enough to make the exercise worthwhile. We'll see if that naive calculation comes true soon enough.

The reason these events are typically disappointing is that, for most, reason is an undervalued behavior. Audiences are bored by facts. They are much more apt to get worked up over an emotional, traumatic story told by someone who is uninsured, who

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cannot figure out how Medicare works, who was denied payment by their insurance company or who discovered too late how expensive our system has become.

Sadly, we are also much more apt to respond to carefully calculated and delivered applause lines that say nothing other than the speaker is smart enough to know our prejudices. Here are a few of the most common:

"Did you know that the two million men and women who are in prison today have a right to quality health care? Well, I believe that every American who is not in prison should have that same right."

"The federal government can't run a two-car parade. And I will do everything I can to oppose a big government takeover of health care."

"You've worked all your lives and have paid for your Social Security and Medicare. Congress needs to keep its hands off those trust funds. Your security should be at least as good as theirs."

Every time I hear an audience respond with rounds of boisterous applause to such statements, I become despondent about the possibility that democratic decision making can solve the current set of health care challenges we face. Paul Fell's cartoon grimly captures the intent of the political rhetoric: To trick voters into thinking the speaker is on their side.

Among the favorite phrases of all capable candidates is to talk about a future that is brighter for our children and our grandchildren. Well, when this year's class of high school seniors was born, health care spending was consuming 11 percent of gross

domestic product. This year, health care spending is 16 percent of GDP with no end to the increases in sight.

Improved quality, increased utilization, litigation and technology account for most of these increases. However, the most worrisome factor is one we have yet to experience. That change is a demographic shift that will result in a doubling of the eligible beneficiaries with no change in the number of men and women in the workforce. And these demographic changes take us right to Medicare, the federal program that has done more to improve the lives for America's seniors than any other.

Here are the numbers for 2007. Average Medicare spending per senior beneficiary last year was $13,105. This compares to $13,184 for the average benefit for Social Security. Over the past seven years, annual federal spending on just these two programs increased from $601 billion to $952 billion. And this with no change in the number of beneficiaries. Beginning in 2011, the first of 79 million baby boomers will reach 65. Over the next 20 years, the current ratio of three and a half workers per beneficiary will decline to two to one.

The consequences of this demographic change coupled with rising prices and consumer demand will put such pressure on the federal budget that we are not going to be able to afford much more than to collect taxes from one group of Americans and transfer it to another. This isn't senior bashing. This is the uncomfortable truth.

Uncomfortable does not mean unsolvable. There are solutions, but our politicians are going to need us to face the truth. Among the most important truth is that when it

comes to health care spending, most of us are already on the dole. That is, most of us receive some kind of subsidy to pay our bills. Even when we pay premiums on insurance policies that include out-of-pocket deductibles and copayments, some of our costs are being paid by somebody's payroll, property, income or sales taxes.

It wasn't always this way, of course. In just three generations the number of uninsured Americans who pay cash for all their health care needs or who purchase an individual insurance policy has diminished to almost zero. For all the rest of us—who get our insurance through our employer or who work for the government (local, state or federal), or are Medicare beneficiaries, Medicaid recipients, veterans or retirees of a U.S. military service—all of us in these statutory categories are being subsidized.

In fact, the economics of health care are unlike any other in one very important way: Someone other than the customer pays most of the bills. We have come to expect it. When a receptionist asks us how we are going to pay or, worse, asks us to pay before we leave, we are offended. Indeed, unless it is for a procedure not covered by private or public insurance, it is the exceptional patient who even knows the price of the goods and services they receive.

Now, to my remedies. I have six.

First, create a simple, single category of eligibility for coverage: Prove that you are a citizen or a legal resident. If you want to create a special program for veterans, seniors or others, that's fine with me. But unless and until all Americans become a part of the same insurable group, we can never claim to have anything resembling a system, cannot expect to control costs and should not think that the problem of the uninsured will ever go away.

This means that the link between insurance and employment will be broken. This means that American entrepreneurs and managers can worry about meeting market competition and stop worrying about how they are going to insure their employees.

Second, break the federal monopoly currently known as the Center for Medicare and Medicaid Services, a federal agency. Rather than gradually expanding their authority over health care spending, I would break up their payment authority into regions and allow the private sector to compete for the business. Putting all of us into the same group does not mean we have to have a single payer.

Third, Congress should create a budget for all federal health care spending and should have to vote on it every year. Annual spending increases that are for the most part automatic are bad policy with the baby boomers in the taxable workforce. When the boomers become beneficiaries, bad policy will become much, much worse.

Fourth, Congress and the administration should write the rules so that competition among providers produces healthier Americans and higher quality. Our current payment and regulatory system tends to do the opposite. One of the biggest mistakes made in the health care debate is to proceed under the presumption that we must choose between the benefits of competition and the mandates of the government. Part D Medicare has shown us how a big government program can create a whole lot of private-sector competition.

Fifth, change the Congressional Budget Act so that the federal government can increase the public commitment to research and expand the deployment of health

information technology and electronic patient records. Each of these requires offsets under the budget rules. And each of these is the key to making certain that the international competitive advantage we have in health care is maintained.

Sixth, create mandatory retirement savings accounts for all Americans beginning at birth. If we made this one change today, we would guarantee that in 50 years every American born this year will have enough savings to pay for some of their own out-of-pocket health care needs. It would reduce the cost of welfare programs that are currently used by a growing number of retirees. Most of all, it would make our collective concern for the future much more honest.

In the end I choose to remain an optimist. It is good news that we are living longer. It is good news that medical discoveries and individual choice have made us healthier. It is good news that our best and brightest young people still want to be physicians. It is good news that innovation is occurring everywhere you look in health care.

Our problem is not a shortage of talent or commitment among our health professionals and leaders. Our problem is the understandable political tendency to avoid telling us the truth when a round of applause can be achieved with considerably less. So, my most sincere advice to my fellow members of the audience is this: Be stingy and more discriminating with your applause. Our political leaders will not lead us unless we do.

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7312 Sherman Street
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