

Please, let's talk about the cost of health care reform

Reno Gazette-Journal / RGJ.COM

Tuesday, July 28, 2009

With the unveiling of comprehensive health care reform bills by both houses of Congress over the past couple of weeks, opponents of reform have wasted little time assailing the details of proposed delivery and financing provisions, the pace of reform efforts, and, most importantly, the price tag of coverage expansions contained in the proposed legislation.

Critics were buoyed with the release of preliminary estimates prepared by the Congressional Budget Office on the cost of proposed reforms. At first blush, the CBO estimates represent an alarming addition of up to \$1.6 trillion to a federal budget already projecting deficits as far as the eye can see. However, those cost estimates must be put in context.

For starters, the \$1.6 trillion number is not a "one shot" appropriation. Rather, it represents the total costs of health reform over the ten year period, 2010 to 2019. During the same period, the CBO projects a total gross domestic product of \$187 trillion; as such, the estimated costs of reform are less than one percent of the nation's GDP over the next decade.

Earth to critics, left and right: Health care is not free and thus attaining the goal of universal coverage will require substantial up front investments by the only entity, the federal government, capable of footing that bill and ensuring its implementation.

Absent in most discussions of reform's ultimate cost is any assessment of potential public and private savings likely to result from expanded coverage and cost containment provisions contained in proposed reforms. For example, federal, state and county governments support to hospitals for the costs of indigent and other uncompensated care – nearly \$23 billion in the current fiscal year alone – would be reduced substantially, if not eliminated, in both reform bills.

Both bills also contain payment and delivery reforms such as the modification of Medicare payment rates (reimbursement cuts if you're a physician or hospital), value-based purchasing intended to align pay with performance, and investments in primary care and prevention. These and other reform provisions are essential to any long-term efforts to contain health care costs over the next decade.

Those expressing sticker shock, both faux and real, at the price of proposed reforms thus fail to acknowledge the serious costs of no change in the status quo.

In a detailed economic analysis released earlier this spring, “Health Reform: The Cost of Failure,” John Holahan and researchers at the Urban Institute contend that just as we ask whether we can afford health reform given the serious economic problems we face in the U.S., we should also be asking whether we can afford not to enact comprehensive reform.

They note that absent reform that makes health insurance more accessible and affordable, and reduces the rate of health care cost growth over time, “the number of uninsured will increase and health care spending will increase dramatically.” They add that the resulting “cost of financing necessary expansion of public programs will place added burden on taxpayers ... [and] the rising uncompensated cost of caring for the uninsured through safety net programs will add to this burden.”

Without reform the nation will continue to face rapidly accelerating health insurance premiums and out-of-pocket expenses for individuals and employers – costs that relentlessly chip away at American productivity and competitiveness vis-à-vis other industrial nations with universal coverage and lower per capita medical expenditures. They conclude that “while enacting health reform will be difficult and expensive, the cost of failure is substantial.”

According to most projections, total public and private health spending is expected to increase by at least \$33 trillion over the next decade anyway. An investment of \$1.6 trillion over the same period that holds the potential of expanding access to tens of millions of Americans and “bending the cost curve” thus represents a modest investment in the America’s health and the health of our economy.

So, please, by all means, let’s not shy away from the current focus on the true cost of universal coverage as we debate health care reform. But let’s also make the “cost of failure” a part of that same discussion.

Congressional Budget Office estimates, reports, and testimony to Congress can be found at www.cbo.gov. Health policy reports prepared by the Urban Institute and “The Cost of Failure” can be found at www.urban.org/health/index.cfm.

John Packham, PhD is Director of Health Policy Research at the University of Nevada School of Medicine. He is the immediate Past President of the Nevada Public Health Association.