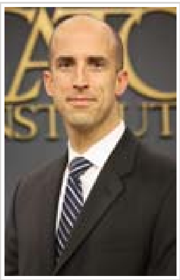
KHN
KAISER HEALTH NEWS

A(nother) Bad Month For Obamacare (Guest Opinion)



TOPICS: MARKETPLACE, POLITICS, HEALTH REFORM

MICHAEL F. CANNON, Director of Health Policy Studies at the Cato Institute

JUN 27, 2011

View all previous columns »

Obamacare passes two milestones this month. It has been exactly two years since the first version of the legislation appeared in Congress. And it has now enjoyed exactly two years of solid public opposition. Yet this month has been harsher than most.

Supporters of the law went apoplectic, for instance, when a survey by McKinsey & Co. found that up to 30 percent of firms may respond to Obamacare's incentives to drop health benefits by -- get this -- dropping health benefits. McKinsey stands by its survey.

In addition, the Centers for Medicare and Medicaid Services' non-partisan chief actuary last week revealed that the law opens Medicaid to 5 million middle-class retirees, a change that "just makes no sense."

But even as these revelations emerged, a cascade of stories showed Obamacare's approach to cost control -- letting government planners manipulate prices and dictate other terms of health care transactions -- doesn't work.

A federally chartered study found that Medicare's price controls are based on "inaccurate, unreliable data," resulting in "deeply flawed" price levels, according to The New York Times.

A study in the New England Journal of Medicine revealed that children on Medicaid were refused appointments by 66 percent of specialists and had to wait 22 days longer for an appointment than kids with private insurance. The main culprit is Medicaid's price controls, which one survey reports 24 states plan to ratchet down even further.

Obamacare expands coverage mostly by cramming another 25 million Americans into that program.

President Obama says that strengthening his new Independent Payment Advisory Board, whose "recommendations" on Medicare's price controls will already have the force of law, would contain federal spending. But this month saw Democratic members of Congress and the National Committee to Preserve Social Security and Medicare, typically allies of the president, line up with Republicans to repeal IPAB.

Former House Majority Leader Dick Gephardt, D-Mo., lambasted IPAB as "an unelected and unaccountable group [that] will be able to set payment rates for some treatments so low that no doctor or hospital or other healthcare professional would provide them."

Government planners are no more competent when dictating other terms of health care transactions, like whether providers receive a payment for each individual service or for bundles of services, than they are when setting prices.

For instance, experts fault Medicare's fee-for-service "payment system" (I prefer "exchange controls") for encouraging wasteful spending. This month, a federal study found over-use of dangerous double-CT scans among Medicare enrollees.

Massachusetts' attorney general reported that state's "global payment" system, which dictates that providers receive a fixed fee per patient, failed to produce any savings. In some cases, global payments ended up costing *more* than fee-for-service.

Senior health economist Alain Enthoven dumped on one Obamacare program that tinkers with how Medicare pays providers in the hope of creating "accountable care organizations" -- and that saw its own spate of bad news this month and last. "A better way to encourage accountable care," Enthoven wrote, "is the 'premium-support' model proposed by House Budget Committee Chairman Paul Ryan, R-Wis., among others."

Translation: let market forces set prices and other terms of exchange.

Obamacare saw rough sailing in the courts, too. Acting Solicitor General Neal Katyal literally tried to sell an appeals court on the idea that the individual mandate isn't all that oppressive because Americans can choose poverty as an alternative to complying.

Before another appeals court, Katyal implicitly admitted that, if the mandate were deemed constitutional, Congress could force Americans to buy non-health care products too, like long-term care insurance.

Various other reports and studies this month highlighted the costs of Obamacare. The Government Accountability Office revealed that the administration denied waivers to firms whose premiums would rise by as much as 9 percent due to just one (!) of the law's coverage mandates.

In related news, the administration announced it would stop accepting waiver applications September 22. Forcing workers to pay higher premiums is, evidently, more palatable than the embarrassment the waivers generated.

Medicare's chief actuary announced that under *reasonable* assumptions -- as opposed to those contained in Obamacare -- the law increases Medicare’s unfunded liabilities by trillions of dollars.

Obamacare's $1 trillion of new entitlement spending also became harder to defend when the Congressional Budget Office projected the national debt could exceed the size of the U.S. economy within a decade. Ditto when Moody's Investors Service threatened to downgrade the U.S. debt rating unless Congress made serious progress toward deficit reduction.

How many months like this can a law endure before it becomes a former law?

Michael F. Cannon (@mfcannon) is director of health policy studies at the Cato Institute and coauthor of Healthy Competition: What’s Holding Back Health Care and How to Free It *.*