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A Closer Look at Those Industry Deals

Topics: Health Reform

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In May, President Barack Obama announced that industry lobbyists had agreed to reduce the growth of health care spending by 1.5 percentage points each year, which would yield just enough savings to cover the uninsured. The lobbyists quickly denied that was the agreement, prompting an administration official to backtrack ("the president misspoke"), before un-backtracking ("I don't think the president misspoke").

Since then, the administration has announced similar deals with industry groups who have supposedly put self-interest aside to make a contribution to health care reform.

If only that were true. Far from being "game-changers," those agreements are the same old Washington game of bribes, backroom deals, profiteering and protectionism -- and a harbinger of what health care will look like if the president's reforms succeed.

In June, the pharmaceutical lobby PhRMA agreed to give 50 percent discounts to seniors in Medicare's "doughnut hole," where enrollees now pay 100 percent of their drug costs. President Obama hailed the agreement as a "significant breakthrough," while PhRMA spun it as their $80 billion contribution toward health care reform.

Yet the PhRMA agreement would not save taxpayers $80 billion. It would cost them $80 billion, and then some.

Under the agreement, the full price of each drug would continue to count toward seniors' catastrophic deductible. As a result, even more seniors would exceed that deductible, after which taxpayers would pay 95 percent of their drug costs. Obama also agreed to oppose stricter price controls for government purchases. PhRMA members agreed to cut their prices for seniors only because Obama agreed that taxpayers would buy more drugs at higher prices.

Think about it: Would drug companies enter this agreement unless they knew they would be net winners? Lobbyists never advocate less revenue for their members.

An agreement reached with Wal-Mart was also deceptively self-serving. Two weeks ago, the nation's largest private employer pledged to support a key Obama priority: a mandate requiring all employers to offer health benefits. An administration official called Wal-Mart's support for an employer mandate "significant."

Yet Wal-Mart's announcement was less Nixon going to China than, say, Stalin going to China. As one Wal-Mart lobbyist candidly explained to me, the company supports an employer mandate because it would primarily harm Wal-Mart's competitors. (The 315,000 jobs an employer mandate would destroy? Collateral damage.) Wal-Mart's competitors are not amused.

President Obama has been working the same protection racket on other employers. According to the New York Times, "Rahm Emanuel, the White House chief of staff, [said] chief executives of other companies — he did not specify which — had also expressed interest in embracing an employer mandate."

Finally, last week Vice President Joe Biden announced that three hospital groups agreed to support $155 billion in cuts in federal payments to hospitals. "I want to know what the 'ask' is," fellow Democrat and acting Senate Health, Education, Labor and Pensions Committee Chairman Chris Dodd, Conn., responded skeptically. "The 'ask' sometimes can exceed the value of your cost savings."

Dodd was right to be skeptical. The Obama administration essentially issued those groups an insurance policy. To guarantee that the groups would get at least $155 billion back from the government in the form of newly insured customers, the administration agreed that the new subsidies would start flowing immediately, while the pay cuts would take effect over time. That means the pay cuts may never take effect at all: physicians have been blocking their own scheduled pay cuts for nearly a decade.

The administration further bribed the hospital groups with unspecified protections from competing physician-owned hospitals as well as protections for the same inefficient hospitals Obama has criticized.

Last month, President Obama compared the Mayo Clinic to McAllen, Texas, "where costs are actually a third higher than they are at Mayo, but the outcomes are worse." Yet Obama agreed that any cuts in Medicare's hospital payments would be across-the-board, rather than targeted at high-cost hospitals. Across-the-board cuts would actually penalize Mayo for its efficiency, while still paying McAllen hospitals more. Low-cost hospitals , including an association that represents Mayo, have formed a coalition to fight across-the-board cuts.

Each agreement was negotiated behind closed doors, away from public scrutiny. All are contingent on the favored groups getting something they want, and all "savings" could be undone by future lobbying. To paraphrase George Bailey, the industry isn't selling – the industry is buying.

President Obama's idea of health care reform is to give the federal government sweeping new powers to dictate what Americans will purchase and how much they will pay. If you want to know who will benefit from that approach, who will pay and who will be pulling the strings, the president is doing his best to show you.

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