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Health care savings may not materialize

By: [Julie Mason](#)**Examiner White House Correspondent****July 8, 2009**

The White House on Tuesday was heralding an agreement with hospitals that officials said could produce \$155 billion in savings to fund health care reform over the next decade — the third such nonbinding agreement between the government and industry.

With the president overseas and Congress at work on health care, the White House is intent on keeping pressure on Obama's plan to overhaul the system and extend benefits to the uninsured.

But the hospital deal, expected to be released by the administration this week, is the latest in a series of largely amorphous concessions from industry that may not produce the savings Obama is touting.

“The administration wants desperately to give the appearance of momentum and inevitability, and that is what all of these events have been geared to do,” said Michael Cannon, director of health policy studies at the libertarian Cato Institute. “No one has committed to anything yet.”

The latest deal was expected to focus on reducing payments to hospitals from Medicare and Medicaid.

But before it was formally announced, the plan was drawing criticism on Capitol Hill, where Senate Republican leader Mitch McConnell of Kentucky called it “wrongheaded.”

Medicare and Medicaid “are on unsustainable paths with enormous unfunded liabilities,” McConnell said.

“And yet the administration is trying to fund at least part of their health care effort by additional Medicare and Medicaid cuts — not to sustain those programs, which are already unsustainable, but to try to pay for a program that expands government care even further.”

Obama in May announced that industry groups had promised to reduce the rate of growth in health care spending by 1.5 percentage points each year, a move that could produce \$2 trillion in savings over 10 years.

But the administration was forced to backtrack when the industry later clarified its position — saying the aim was to reduce spending generally, but not at the annual rates stated by the president.

The administration last month announced a deal with drugmakers, touting an estimated \$80 billion in savings

over 10 years.

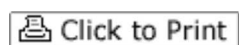
But the industry had agreed to discount brand-name prescription drugs to an estimated 3.5 million seniors on Medicare — a move that would save money for beneficiaries, but not the government.

White House officials later conceded that \$30 billion in savings from the pharmaceutical industry would likely be passed on to seniors, but about \$50 billion in other, unspecified savings, could go to the federal government.

Obama's health care overhaul is expected to cost \$1 trillion. To get it passed, he is looking for more than \$300 billion in government health care savings. The administration has been pushing hard on a message that most of the money to pay for reform is already in the system and won't require new revenue.

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