



# Health Care Commitments and Realities

FACING A DIFFICULT ECONOMY, PRESIDENT OBAMA WILL FIND HEALTH REFORM A CHALLENGING PROMISE TO KEEP. **By Jeff Gingold**

**EARLY IN PURSUIT** of the presidential nomination, Sen. Barack Obama acknowledged two health-care reform realities: Covering more people will cost more money, and a government-run, single-payer program might not make sense in an established system with heavily invested stakeholders. How will reform commitments and economic realities play out in the new administration?

President Obama, ever the pragmatist, must view current economic circumstances as an impediment to implementing health-care reforms. Estimated to cost somewhere between \$50 billion and \$65 billion, such reforms would be funded primarily by rolling back the Bush tax cuts for Americans earning more than \$250,000 per year and retaining the estate tax at its 2009 level. Reinstating taxes in a time of recession could cost the president political capital needed both to build bipartisan support for an economic stimulus package and to end the war in Iraq.

Other funding sources could be similarly problematic. "Savings" initiatives targeting the pharmaceutical industry include legal-

izing drug re-importation from countries such as Canada, promoting the use of generic drugs and allowing Medicare to negotiate drug prices—a practice that is now banned.

Only the Medicare change would produce significant savings. But doing so represents projected revenue losses of between \$10 billion and \$30 billion annually for the pharmaceutical companies. Generating these "savings" would require President Obama to authorize Medicare to remove drugs from the Medicare formulary when its manufacturer refuses price reductions. Big Pharma can be expected to vigorously oppose any such plan.

Another significant "savings" target is the Medicare Advantage program. Its insurers provide Medicare managed care benefits. Taking on the pharmaceutical and insurance industries also could cost the president political capital and undermine bipartisan alliances needed to address the economy and the war.

Despite funding concerns, it would be a mistake to dismiss Obama's health-care reform proposals. The ailing Sen. Ted Kennedy (D-Mass.) may be able to pass his "last hur-

rah" legislation, ensuring that all Americans get health coverage. Also, Health and Human Services Secretary-designate Tom Daschle co-authored a health reform book, Sen. Max Baucus (D-Mont.) issued a "Call to Action" for health reform, and the Obama transition team invited citizens' meetings to discuss "overhauling" the health-care system.

The case favoring reform in the face of a weak economy is that the long-term cost of doing nothing outweighs the up-front cost of reforms. Absent unanticipated revenue sources, there will be temptation to fund reforms from "future savings" that may not materialize for years, if ever.

Intriguing possibilities can be conjured from other pieces of the Obama plan: treating children's coverage as a stand-alone, mandated priority; upgrading public health-care services, including through schools; reinstating physical education programs; attacking childhood obesity as a driver of health-care costs; and instilling personal responsibility in health-care decisions.

Although they tend to have fewer resources, younger, healthier people are the ones who subsidize older, less healthy people under a community-rated health-care system. This situation decreases affordability of insurance among younger workers who lack any expectation that the system will subsidize them if they actually get old.

Could the Obama administration be contemplating a completely new approach for young Americans? One that can be phased in over time, beginning as a children's program, then extending into lifetime coverage? Will this plan reform the existing system incrementally through its completion for those who are reluctant to give up what they are accustomed to having?

President Obama's success in reforming our health-care system will be measured by his ability to identify positive changes that are achievable, sustainable and affordable. It will be fascinating to see how the new administration balances economic reality with change. **SB**

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