



Obama on Offsetting Healthcare Reform Costs

He mentioned three examples: "If more Americans are insured, we can cut payments that help hospitals treat patients without health insurance. If the drug makers pay their fair share, we can cut government spending on prescription drugs. And if doctors have incentives to provide the best care instead of more care, we can help Americans avoid the unnecessary hospital stays, treatments, and tests that drive up costs."



What first comes to mind is that the president's ability to find billions of dollars in unnecessary, inefficient spending does not speak highly of these government-run programs. What would be any different about the public insurance option that the president wants to set up to compete with private carriers? Public insurance means it is paid for by the public, and no private carrier can compete with the tax-collecting powers of the IRS. There would be no motive for the public insurance option to be any more efficient or honest than Medicare and Medicaid when taxpayers could always be squeezed for more funds. Only private carriers have to worry about going out of business.

The three examples the president mentioned also have some interesting wrinkles. Supposedly money would be saved because more Americans will be insured and hospitals won't need to help to pay for the uninsured. But if millions of those Americans would be receiving public insurance subsidized by taxpayers, government would actually just be shifting from paying for uninsured care to insured care. Taxpayers still bear the burden in either case. Assuming the newly insured would have the same medical problems as when they were uninsured, the government wouldn't really save any money unless it limited benefits or rationed care in some way.

Drug costs are supposedly another source of savings. The White House website posted a [fact sheet](#) along with the transcript of the president's address. The fact sheet mentioned that one way of saving money would be to reduce drug reimbursement "for beneficiaries dually eligible for Medicare and Medicaid." If this eliminates paying twice for the same prescription, that would be a savings, but if this merely reduces the amount of reimbursement for drugs, either the particular patient ends up paying more or all patients pay more as the cost of the drug company's lost reimbursement is passed on to all



Written by [Steven J. DuBord](#) on June 16, 2009

consumers.

Providing incentives for "the best care instead of more care" was the third example Obama gave. The accompanying fact sheet mentioned "a combination of incentive payments and penalties should lead to better care and result in fewer readmissions." The president mentioned tests as being one area to cut back in, but tests are part of diagnosing most medical problems. If the government creates incentives to run fewer tests, either the quality of patient care would actually decline as doctors do more guesswork, or the patient would pay more for tests that ensure a proper diagnosis.

Health problems resulting in readmission are frustrating, but having the government artificially reward hospitals with the fewest readmissions or penalize the coverage given for readmissions would not solve the problem. Either hospitals would end up discouraging readmissions, or patients would pay more for recurring problems. And if tests are being limited due to government disincentives, there may very well be more readmissions than there are now.

All things considered, President Obama's cost-cutting measures would probably not yield the desired results. In fact, they would most likely inflict a high cost on those who can least afford it — the patients.



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