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Economic Scene

Changing Health Care by Steps

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After [Harry Truman](#) repeatedly failed to persuade Congress to pass universal [health insurance](#), some Truman administration officials came up with a less ambitious idea. They suggested covering [only 8 percent](#) of the population, and an especially sympathetic 8 percent at that: everybody 65 and older.

Truman [never really](#) pushed the plan, however. [John F. Kennedy](#) later did, yet was stymied by Congress and the [American Medical Association](#), which equated it with Soviet-like socialism. So it fell to [Lyndon Johnson](#). Even after he won a 23-point landslide in 1964, he had to agree to some unseemly deal-making, as Jonathan Cohn of The New Republic has [noted](#), that handed a big payday to [hospitals](#) and doctors.

Only then, in the summer of 1965, was [Medicare](#) born.

Next week, Congress will return to session, and health care, of course, will be at the top of its agenda. Passing a bill, it's clear, will be no easier than in previous decades. [President Obama](#)'s poll numbers have fallen, while untruths about death panels have made the rounds and members of Congress have been subjected to town hall harangues.

But the job facing Mr. Obama hasn't really changed: he will have to figure out how to end up more like Johnson than like Truman or, more recently, [Bill Clinton](#). He and Congress will have to figure out how to make some progress toward fixing the country's troubled health care system.

Any bill they pass will inevitably be flawed. It will not do enough to reduce wasteful spending. It probably will not result in universal coverage. Special interests — like drug companies and, once again, hospitals — will get

off too lightly.

But such is politics. Starting from scratch with a [more purely liberal bill](#) or a [more conservative one](#), as some have urged, won't change the messy reality of democracy. "You're not going to fix health care on one bill," Senator [Mark Warner](#), a Virginia Democrat, said. "Even if my most liberal colleagues had their perfect bill, it's not going to fix health care. A bill is going to have to be altered and amended later."

Indeed, from an economic standpoint, the biggest risk seems to be that health care will be left unchanged and that we'll simply pretend we are as healthy, wealthy and wise as can be.

We're not. The United States is the [only rich country](#) in the world without something resembling universal health insurance. Medical costs already take a big whack out of workers' paychecks, and Medicare's budget is [growing at an unsustainable rate](#). Despite all this spending, we too often receive inadequate care.

Emergency room care and certain [cancer](#) treatments are among the best in the world. But management of chronic diseases isn't nearly as good. Senior citizens and children are less likely to receive [vaccinations](#) here than in some other wealthy countries, a [recent analysis found](#). Americans face higher risks of being killed by a medical error or harmed by a medication error.

Health reform won't solve all these problems. But there is still reason to think that it can improve things. A limited, imperfect, [warts-and-all bill](#) would, as in 1965, be a lot better than no bill at all.

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The main political problem with health reform is still the immediate cost of it. Covering the uninsured will require [\\$1.2 trillion or so over 10 years](#), and Congress hasn't been able to agree on \$1.2 trillion of spending cuts and tax increases to keep the deficit from growing.

This standard — deficit neutrality — may not be fair. [George W. Bush](#), after all, spent trillions of dollars cutting taxes and adding a Medicare prescription drug benefit [without offsetting the costs](#). Yet given the current size of the deficit, Mr. Obama and Congress have to do better.

So a scaled-down version of health reform will probably mean spending less money to subsidize health insurance, thus leaving some of the uninsured without coverage. Such a compromise would not be the end of the world. (Medicare, remember, initially applied to a measly 8 percent of the population.) But it would create one tricky technical problem.

Any plan to expand insurance depends on creating a broad group of people known as a risk pool. A company's work force is such a pool: it allows an insurer to balance the high cost of covering the sick with the low cost of covering the healthy.

If Congress passed a universal health insurance plan, the 45 million or so newly insured would make up their own risk pool, one that included both today's young, healthy uninsured as well as older, sicker uninsured. But if Congress stops short of universal coverage, it then has a problem.

It can't allow just people to sign up for subsidies voluntarily. That would create an incentive for the sick to buy insurance and the healthy to go without it. Average insurance costs would then soar — and the subsidies would have to soar too, undercutting the plan.

There are ways out of this problem. Congress could mandate that the young and, say, the near poor buy insurance. Together, they would create a decent risk pool.

A second big question is whether health reform will include any serious attempt to reduce medical costs and improve quality. Economically, this issue may matter more than any other. Politically, it would make the White House seem serious about reducing the budget deficit.

“Whatever new bill is going to come about has to have a far greater emphasis on cutting costs and making the delivery system far more efficient,” said Senator [Charles E. Schumer](#), Democrat of New York. “That's true substantively and politically.”

Right now, we pay hospitals, doctors and drug companies to give us more care rather than better care, and we get what we pay for. I recently described how this system undermines the [treatment of prostate cancer](#), but there are dozens of examples.

Unfortunately, none of the major proposals in the House of Representatives address the problem. The House's liberal leaders have been mostly uninterested in changing the incentives in health care. So have conservative Blue Dog Democrats, despite their fiscal discipline rhetoric.

Republicans, for their part, have signaled that their top priority is defeating a bill; they even rejected Mr. Obama's offer to include tort reform, a pet Republican issue. It looks as if any attack on fee-for-service medicine will fall to Senate Democrats.

And then there is the president.

Persuading Americans that health care needs reforming was always going to be hard. It depends on making people see the logic in a series of hypotheticals. If we don't reduce the growth in costs, we will leave our children with a crushing tax burden. If we do reduce costs, our paychecks will be fatter. If we reward quality of care instead of quantity of care, fewer people will die an early death. This isn't easy stuff.

But Mr. Obama didn't get elected because he promised to do the easy jobs better than [Hillary Clinton](#) or [John McCain](#). He won the election by vowing to be a Reagan-like communicator who could rally Americans to deal with daunting, intractable problems — the kind of problem that bedeviled Bill Clinton, John F. Kennedy and Harry Truman.

Mr. Obama and his advisers have spent much of this week trying to come up with a post-[Labor Day](#) strategy for selling health reform. They understand very well that incremental success is a lot better than nothing, and the Democratic-controlled Congress means that their odds are better than even. But they're not there yet.

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