

EDITORIAL

The High Cost of Health Care

Published: November 25, 2007

The relentless, decades-long rise in the cost of health care has left many Americans struggling to pay their medical bills. Workers complain that they cannot afford high premiums for health insurance. Patients forgo recommended care rather than pay the out-of-pocket costs. Employers are cutting back or eliminating health benefits, forcing millions more people into the ranks of the uninsured. And state and federal governments strain to meet the expanding costs of public programs like Medicaid and Medicare.

Health care costs are far higher in the United States than in any other advanced nation, whether measured in total dollars spent, as a percentage of the economy, or on a per capita basis. And health costs here have been rising significantly faster than the overall economy or personal incomes for more than 40 years, a trend that cannot continue forever. It is the worst long-term fiscal crisis facing the nation, and it demands a solution, but finding one will not be easy or palatable.

Contrary to popular beliefs, this is not a problem driven mainly by the aging of the baby boom generation, or the high cost of prescription drugs, or medical malpractice litigation that spawns defensive medicine. Those issues often dominate political discourse, but they have played relatively minor roles in driving up medical spending in this country and abroad. The major causes are much more deep-seated and far harder to root out.

Almost all economists would agree that the main driver of high medical spending here is our wealth. We are richer than other countries and so willing to spend more. But authoritative analyses have found that we spend well above what mere wealth would predict.

This is mostly because we pay hospitals and doctors more than most other countries do. We rely more on costly specialists, who overuse advanced technologies, like CT scans and M.R.I. machines, and who resort to costly surgical or medical procedures a lot more than doctors in other countries do. Perverse insurance incentives entice doctors and patients to use expensive medical services more than is warranted. And our fragmented array of insurers and providers eats up a lot of money in administrative costs, marketing expenses and profits that do not afflict government-run systems abroad.

If citizens of an extremely wealthy nation like the United States want to spend more on health care and less on a third car, a new computer or a vacation home, what's wrong with that? By some measures, Americans are getting good value. Studies by reputable economists have concluded that

| - | - | - | - | - »

»



EDIT



The High Cost of Health Care

Published: November 25, 2007

(Page 4 of 5)

Although that should improve the quality of the care they get, coordination may not cut costs as substantially as people expect. In some initial trials it has cut costs, in others not.

Drug Prices. Compared with the residents of other countries, Americans pay much more for brand-name prescription drugs, less for generic and over-the-counter drugs, and roughly the same prices for biologics. This page believes it would be beneficial to allow Medicare to negotiate with manufacturers for lower prescription drug prices and to allow cheaper drugs to be imported from abroad. The prospect for big savings is dubious.

Who Picks Up the Tab?

Pay Providers Less. With doctors dreadfully unhappy under the heavy hand of insurers, it would seem shortsighted to make them even unhappier by cutting their compensation to levels paid in other countries. But many experts believe it should be possible to tap into the vast flow of money sluicing through hospitals, nursing homes and other health care facilities to find savings.

Emphasize Primary Care. In a health system as uncoordinated as ours, many experts believe we could get better health results, possibly for less cost, if we changed reimbursement formulas and medical education programs to reward and produce more primary care doctors and fewer specialists inclined to proliferate high-cost services. It would be a long-term project.

Skin in the Game. The solution favored by many conservatives is to force consumers to shell out more money when they seek medical care so that they will think harder about whether it is really necessary. The “consumer-directed health care” movement calls for providing people with enough information about doctors and treatments so that they can make wise decisions.

There would most likely be some savings. A classic experiment by Rand rese.7s9ers from1974s to1982t

Opinion

WORLD	U.S.	N.Y./REGION	BUSINESS	TECHNOLOGY	SCIENCE	HEALTH	SPORTS	OPINION	ARTS	STYLE	TRAVEL	JOBS	REAL ESTATE	AUTOS
-------	------	-------------	----------	------------	---------	--------	--------	---------	------	-------	--------	-------------	--------------------	--------------