

What We Give Up for Health Care
By Ezekiel J. Emanuel
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When it comes to health care, most liberals are committed above all to ensuring that every American has insurance. In their view, the greatest achievement of the health care reform act passed under President Obama is to finally erase the moral stain of the United States' being the only major developed country without universal coverage. But we also hold the questionable distinction of having the world's most expensive health care system — what about cost control? For many liberals, that just sounds like a cover for heartless conservatives who care only about cutting benefits and not about helping people in need.

But liberals are wrong to ignore costs. The more we spend on health care, the less we can spend on other things we value. If liberals care about middle-class salaries, public education and other state-funded services, then they need to care about controlling health care costs every bit as much as conservatives do.

Over the past 30 years, health care inflation has been a major reason average wages have remained stagnant. For employers, the cost of labor is total compensation — wages plus benefits. As the cost of benefits rises, wages tend not to rise, or to rise much more slowly. According to the Bureau of Labor Statistics, as health care costs skyrocketed between 2000 and 2009, workers' total compensation increased by 1.3 percent per year, but workers' hourly wages alone increased by just 0.7 percent per year, significantly below the rate of inflation.

During those 30 years, the only sustained period when real hourly earnings increased was 1990 through 1998 — which coincided almost exactly with a period of unusually low increases in health care costs.

The middle and working classes are also hit by the rising price of health care when states are forced to cut other services to pay for it. Last year, Medicaid spending was estimated to account for nearly a quarter of total state spending — the largest portion of their budgets — and it's getting only more expensive. States really have just three ways to make ends meet: restrict Medicaid eligibility (which most have done already), raise taxes or reduce funding for other programs to pay more for health care.

And so states have turned to cutting funding for public education — the next biggest item in their budgets. In 2010, 29 states spent more on Medicaid than on primary and secondary education. By the middle of 2011, 18 states had cut funding for kindergarten through 12th-grade education, and 19 for higher education. It's no surprise that, in the last decade, the average in-state tuition at public four-year colleges rose 72 percent to over \$8,000 per year, beyond what many students can afford. While health care costs do not account for all of this rise, they are a crucial factor.

But perhaps the simplest reason that costs should matter to liberals is this: as health care costs rise, so too do the number of uninsured Americans. According to an analysis I did a few years ago, for every 10 percent increase in the average cost of family health insurance premiums, the ranks of the uninsured (excluding seniors covered by Medicare) increased by 0.55 percent. When premiums doubled between 2000 and 2009, the percentage of Americans who were covered by employer-sponsored health insurance dropped to 61 percent from 69 percent.

This relationship between cost and coverage will change somewhat in 2014, when the provision of the health care reform act that provides coverage for the uninsured through Medicaid and subsidies kicks in. But even with subsidies, some Americans will find rising premiums unaffordable and will be forced to opt out and pay the penalty for not having insurance. Nor will the act do much to ease the strain on state budgets. An estimated 21.8 million more adults and children will be covered by Medicaid and Children's Health Insurance Program. While states will be responsible for only a small portion of these new enrollees, there will be added costs. And they will no longer be able to restrict eligibility to save money.

There is one final cause that is close to liberals' hearts and threatened by the projected rise in Medicare and Medicaid costs. The corresponding rise in the national debt will weaken America financially and diminish our voice on the global stage, allowing other countries less friendly to human rights and democracy to become more powerful.

There is an inevitable trade-off between rising health care costs and things liberals really care about, like access to college and good wages for working Americans. We cannot have it all. The health care reform act will help us save — mainly by changing how physicians and hospitals are paid and delivering better care to our most expensive patients. But more can be done: for starters, we could speed up the implementation of payment reform, stop Medicare payments for tests and treatments that provide no benefit and endorse competitive bidding for medical goods and services.

During the campaign season and into 2013 — a vital year for health care legislation — liberals must make the issue of cost control their own.

Author Bio: Ezekiel J. Emanuel is an oncologist, former White House adviser and a vice provost and professor at the University of Pennsylvania. He is a contributing opinion writer for The New York Times.