

## Health care system needs major changes

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WASHINGTON - As the United States prepares for the next great debate on its ailing health care system, support is growing for a shift from the traditional employer-based financing to publicly subsidized individual health insurance.

A measure co-sponsored by Sen. Ron Wyden, D-Ore., and Sen. Robert Bennett, R-Utah, to convert to such a system has attracted nine sponsors. Presidential candidate John McCain has introduced a variant that is a partial step in that direction.

And this week the Committee for Economic Development, a high-powered business group, will give a strong push to the idea with a report saying in blunt terms that business can no longer afford to pay the rising costs and lacks the clout to curb the forces that are driving health care inflation.

Instead, the report calls on government to restructure the private insurance market in less rigid form than Hillary Clinton proposed 14 years ago - and then step back and let competitive market forces do their invaluable work of forcing recalcitrant insurers, doctors and hospitals to bid against each other on the basis of price and quality.

Five years ago, the Committee for Economic Development laid out a strategy for business to curb rising health care costs while continuing to subsidize workers' policies and helping cover the costs of the uninsured. Now, it acknowledges that strategy has not worked.

"The U.S. employer-based health insurance system is failing," the report says. "Fewer American workers have insurance now than did seven years ago and fewer American firms are offering insurance now than did then. . . . The competitiveness of American firms is threatened by the cost of health insurance. Public budgets at every level are eroded by the costs of health care, including costs that previously were paid by employers."

The report, bearing the imprint of Alain Enthoven, the eminent Stanford health guru, and Joseph Minarik, the CED's director of research, devotes page after page to discounting a wide variety of what it terms "Band-Aid" approaches. They range from Newt Gingrich's favorite - the introduction of high-tech computers to medical practices - to the Bush administration's "consumer-directed health plans with medical savings accounts," to the liberal Democratic solution of "Medicare for all" or single-payer plans.

Instead, it outlines a two-step solution, aimed at producing a competitive marketplace with broad individual choices.

First, the federal government would establish independent regional "exchanges" through which individuals would purchase one of many competing private insurance plans. The exchanges would set standards for the insurers, and each year conduct an "open season" when purchasers could change insurers. The exchanges would manage risk-adjustments for insurers, but no one could be denied coverage because of age or prior illness. Second, every family would receive a fixed-dollar credit, sufficient to pay the premium on the basic, low-cost plan in its region, so it could be insured without cost to the family budget. Any higher-cost policy would be paid by individuals with after-tax dollars.

The current tax credit for employer-financed health care would end (along with the company obligation to insure its workers), and that saving, plus some form of broad-based tax on payrolls, income or purchases, would finance the universal insurance payments.

The Congressional Budget Office has estimated that the Wyden-Bennett plan, which is the closest parallel, would actually save the nation \$336 billion during the next 10 years from the current estimated expenditure - because of the economies possible in a restructured, competitive marketplace.

Plans similar to the one CED has endorsed are already in place - and working well - at Hewlett Packard, Wells Fargo, the University of California, Stanford, and for state employees in Wisconsin, Washington and California. The Federal Employees Health Benefits Plan, which covers members of Congress, has a somewhat similar structure.

None of the leading presidential candidates has yet endorsed fully a shift away from employer-financed health care. Converting to such a system would be controversial. Insurers and some of the players in the health system would probably object. But the

growing sense in business that only a mass marketplace of individuals can apply the competitive pressure needed to discipline the forces of medical inflation is moving the country in that direction.

It should be at the center of the coming health care debate.

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