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## Obama's Voodoo Health Economics

*Cutting our medical care is bad science.*

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On Monday President Barack Obama's Council of Economic Advisers released a report called "The Economic Case for Health Care Reform." The report argues that Americans must curb their consumption of medical care in order to avoid soaring federal deficits, unsustainable burdens on family budgets, and damage to the economy. All of these claims are untrue.

- *Federal deficits.* The White House report makes the argument that there must be controls on what all Americans spend on health care in order to avoid government programs running huge deficits. Secretary of Health and Human Services Kathleen Sebelius uses the same faulty logic, warning that "the only way to slow Medicare spending is to slow overall health system spending through comprehensive and carefully crafted legislation."

In truth, Medicare can be fixed without subjecting the nation to medical scarcity. Telling all Americans they have to cut back on health care because Medicare is fiscally unsound is like ordering all Americans to go on diets because the food stamp program is in trouble.

It would be safer to reduce government's share of the health-care bill rather than lowering the standard of care for everyone and depressing the nation's largest industry. The nonpartisan Congressional Budget Office has suggested alternatives such as asking wealthy seniors to pay more or inching the eligibility age upward two months a year until it reaches age 70 in 2043.

- *Skyrocketing costs.* The White House report warns that "health care costs have risen rapidly over the last two decades and are projected to rise even more rapidly in the future." The truth is that health-care spending is increasing at more moderate rates than in previous decades. Spending increased by 10% in 1970 and 13% in 1980. But over the last five years, spending increased less than 7% each year, and reached a low of 6% in 2007. It's true that premiums are increasing rapidly. But the White House report incorrectly blames health costs. The real cause is the declining share of care paid for out of pocket (down to 15% today from 33% in 1975). Auto-insurance premiums would also skyrocket if coverage suddenly included oil changes and tune-ups.

- *Burdening families.* The report depicts families straining under the burden of health spending and unable to purchase other goods and services. But U.S. Department of Commerce data show that food and energy together have taken up a declining share of Americans' spending each year since 1960, while housing has consumed a steady share. The result is that Americans have been able to spend more on health care. In fact, these four necessities together use up about the same share of Americans' spending now (55%) as they did in 1960 (53%). As further evidence, American families are increasing the share of their budget that they spend on recreation.

Averages don't tell the whole story, and families that can't afford coverage should be helped. But most Americans can afford the current level of health-care spending. The White House report points to Europe's skimpiest health spending as an example Americans should follow. But 90% of the difference in per capita health spending between Europe and America is due to higher per capita incomes in the U.S. Americans spend more because they earn more, and they get more for it.

- *Copying Europe.* Women in the U.S. are more likely to have regular mammograms, so their breast cancer is detected sooner and treated faster. As a result, they have higher survival rates than women in Europe according to the Concord 2008 Five Continent Study and the Commonwealth Fund. These figures reflect the experiences of all American women, not just those with insurance.

Two-thirds of annual health spending increases are the result of the rapid development and use of new medications and devices, according to the CBO. But, as the CBO reminds us, these innovations "permit the treatment of previously untreatable conditions." If you had a heart attack in the 1980s and made it to the hospital you had only a 60% chance of living a year. Now your chance is over 90%. No one wants 1980s medicine at 1980s prices. And in 10 years, no one will want 2009 care.

- *Endangering jobs.* Cutting annual increases in health-care spending by 1.5% a year, as the Obama administration is suggesting, will affect jobs too. At a time when the economy is ailing and the president is bailing out industries to protect jobs, his advisers recommend shrinking the health-care industry. It currently provides 14 million jobs -- 10 times the U.S. work force of General Motors and Chrysler.

Slowing the flow of dollars into the health-care industry while extending coverage to 46 million more people will create a European-like system where medical care is limited. Hospitals will face budget cuts, nurses will be spread even thinner, and equipment will be in shorter supply. You may be able to keep your health plan -- as politicians have promised -- but you'll find a lower standard of care when you need it.

**Betsy McCaughey, former lieutenant governor of New York state, is founder of the Committee to Reduce Infection Deaths.**