

Health Care Town Hall Meeting
October 9, 2009

On Thursday, October 9, 2009, our Econ 101H class will take the form of a “town hall meeting” on proposed reforms to health care policy. Your instructor will play the role of a Congressman who is convening the meeting to hear your views.

The purpose of our session is to apply course concepts to an important public policy issue. We are not interested in repeating the kinds of rhetoric that occurred this past August at actual town hall meetings. We are interested in rational discussion that focuses on the costs and benefits of proposed policy changes.

I had hoped when I planned this session that Congress would by now have produced a single set of proposals and that our discussion could focus on these. Congress is still weeks away from passing a bill and many conflicting proposals are still on the table. So, we need a strategy to help us focus and to keep our town hall meeting sufficiently organized that we can learn from it.

Our Meeting Will Have Four Parts.

1. Costs and Benefits of Health Care Co-ops.
2. Costs and Benefits of the Public Option
3. Costs and Benefits of Insurance Mandates.
4. What is the View of Econ 101H Students as to Health Care Reform.

While all students will be invited to comment on all issues, we will take Adam Smith’s advice and create some specialized interest.

If your last name begins with A through D, you are expected to specialize in the Health Care Co-ops.

If your last name begins with H through L, you are expected to specialize in the Public Option.

If your last name begins with M through Z, you are expected to specialize in Insurance Mandates.

What Students Should Do To Prepare

All students should use the resources on the following page to obtain an overview of currently proposed legislation. In addition, students should use the resources about their specialized area of interest. Everyone should come to class on Thursday with views about what the key problems are in their areas of interest and a clear understanding of the costs and benefits of various proposals. All students are welcome to find and cite sources other than those listed on the following resource pages. When they do, they should provide Michael Salemi with a citation so that he can put all of the resources up on the class web page.

What We Will Do In Class

We will divide the class into four parts. In each of the first three parts, we will take testimony from students on their views. In the last part, we will try to pull together the class view on which proposals for reform should be adopted and which should not. We will also try to develop a class view on the economics of health care reform.

A Work of Thanks

Thomas Price assembled the resource list on the following pages and I am most grateful.

An overview of current legislation:

<http://online.wsj.com/article/SB10001424052748703787204574443121104281790.html>

The wikipedia article on US Healthcare Reform is also rather exhaustive and has lots of references:

http://en.wikipedia.org/wiki/Health_care_reform_in_the_United_States

Three important issues:

Healthcare Co-ops

http://www.boston.com/news/nation/washington/articles/2009/08/19/health_co_ops_fans_like_cost_and_care/?page=1

- Co-ops reduce healthcare costs by operating on slim margins as non-profits.
- Physicians are compensated on a salary rather than per procedure basis.
- Co-ops seem to be likely to make it into final legislation, because it's a compromise over the public option.
- The number of procedures are reduced because doctors take a more integrated approach.
- The feasibility of implementing co-ops on a large scale is under question, even by proponents.

http://www.huffingtonpost.com/2009/08/17/compromise-co-op-proposal_n_261044.html

- co-ops don't have enough leverage to lower premiums, because of their lack of market share.
- They have done nothing to lower administrative costs.
- Many operate in regulatory environments that are favorable to co-ops, making them appear more effective than they really are.
- Co-ops face the same problems as HMO's, in that consumers are frequently restricted to in-network health care providers.

Insurance Mandates

<http://online.wsj.com/article/SB10001424052748704471504574439243760133458.html>

- Insurance mandates are in essence just another tax.

<http://boss.blogs.nytimes.com/2009/09/23/experts-agree-an-employer-mandate-does-not-cost-many-jobs/>

- Employer mandates don't cause job losses.
- Health insurance is just another form of compensation. If it's mandated, compensation will just shift from dollars to insurance.
- Small businesses are most likely to be ill-affected by the legislation, as they pay lower wages on average, and a mandate could lower wages below minimum wage in some cases.

<http://online.wsj.com/article/SB125304790936413347.html>

- Individual mandates would be too expensive for the middle class to bear without heavy subsidies.
- Massachusetts is used as an example of a mandate falling short of universal coverage.
- The Massachusetts mandate is also cited as a primary reason that costs have been rising there.
- The market inefficiencies caused by an individual mandate are explored.

The Public Option

<http://krugman.blogs.nytimes.com/2009/09/08/why-the-public-option-matters/>

- Krugman argues that opponents of the public option are conveniently ignoring its ability to save on overhead and administrative costs.
- The public option would be the only way to introduce real competition into the markets.
- An insurance mandate will only drive up costs, and later down the road we will be in the same situation but worse.
- Most arguments against the public option stem mostly from the fear that it is government intervention.

<http://online.wsj.com/article/SB10001424052970204488304574435464052451436.html>

- The delays associated with government run health care will be an additional method of rationing.
- If the public option is like Medicare, access to costly procedures will be greatly restricted.
- The specific example of an improperly designed defibrillator compensation policy that covers some but not all individuals is used to support the argument.
- Examples of Medicare looking for ways to restrict coverage and expenditure are explored.
- Government health care will open up health care to lobbying interests, resulting in the best lobbied treatments being covered rather than the most appropriate treatments.