



An Actuary Weighs the Candidates' Health Reform Proposals

By Cori Uccello

THE NEXT PRESIDENT AND CONGRESS will need to address the many challenges facing the health care system, and the success of their efforts will depend on the approaches they use to attend to access, cost, and quality issues. I will focus on just a few aspects of the presidential candidates' plans.

Many health reform proposals would rely, at least in part, on restructuring the private insurance market to increase access to health insurance, and the presidential candidates' plans are no exception. As part of his plan, Sen. Obama would add a new national health plan and create a health insurance exchange that would provide a more centralized place for purchasing coverage. As part of his plan, Sen. McCain would allow for the purchase of insurance across state lines.

With either of these approaches, it's important to consider whether and how the rules that govern the issue, premium rating, and benefit package requirements of any new insurance offering differ from state rules that apply to existing markets. For instance, if a new market's rules are more favorable to those in worse health than those in the existing state market, individuals in worse health will tend to migrate to the plans in the new market. Over time, the new market's premiums will increase to reflect this, leading to more adverse selection and threatening the viability of the new market. The opposite could occur if the new market's rules are less favorable to those in worse health compared to those in the existing state market. Leveling the playing field by applying the same rules to all markets would help avoid these problems of adverse selection.

Unless health care costs are controlled, any attempts to reduce the number of uninsured may be in vain.

Therefore, any health reform proposal also needs to focus seriously on controlling health spending. Both candidates propose strategies that would attempt to control costs while improving quality, including investing in health information technology to increase care coordination and reduce medical errors, promoting prevention and chronic care management, restructuring provider payment systems to recognize value and quality, and encouraging more comparative effectiveness research and the development of evidence-based medicine guidelines. Although these efforts probably won't have much of an impact on spending growth in the short term, their potential for slowing growth in the long term is substantial.

These strategies could also help address the enormous financial challenges facing the Medicare program, challenges that are larger and more imminent than those facing the Social Security program. Medicare's hospital insurance (HI) trust fund is projected to be depleted by 2019, and Medicare's demands on the federal budget and the economy threaten the program's sustainability. Because these problems reflect, in part, increasing spending in the health system as a whole, slowing spending growth would improve Medicare's financial position. Nevertheless, Medicare's challenges are so large that these approaches alone will most likely not be enough. Therefore, it is imperative that the next president develop comprehensive solutions to Medicare to ensure the program's solvency and sustainability.

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