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**CRFB Urges Focus on Controlling Health Care Costs  
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The Committee for a Responsible Federal Budget urges policymakers to make controlling health care cost growth the focus of health care reform (see <http://crfb.org/documents/6-10-Principle1.pdf>).

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With entitlement growth threatening to balloon the national debt to untenable levels, many have argued that reforming the health care system is the key to bringing down Medicare and Medicaid costs, and in turn strengthening the nation's fiscal picture. Unfortunately, the legislation currently making its way through Congress does not go nearly far enough in addressing health care cost growth.

"Containing costs must be the centerpiece of any reform plan," said Maya MacGuineas, president of the Committee for a Responsible Federal Budget. "Fully paying for any expansion of coverage does not on its own make a plan fiscally responsible - - it is only through aggressive measures to slow the growth of health care spending that a reform plan will be able to improve the long-term fiscal picture."

Below are some of the most promising policies to slow the growth of health care costs:

- **Increasing Consumer Cost-Consciousness** – Consumers lack proper incentives to control their health care consumption since the system hides the true cost of medical care. Cost sharing would provide patients with a greater financial stake in their health care decisions, encourage cost-consciousness, and drive down both prices and excess utilization.
- **Bundling Payments** – “Bundling” in Medicare, or paying for multiple individual services at one time, would help to align provider and payer incentives. This, in turn, would discourage the use of questionable or redundant tests and procedures.

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- **Limiting Less Effective Procedures and Treatments** – Studying the effectiveness of current treatments would likely lead to significant longer-term savings if Medicare a) limited coverage of ineffective treatments; b) rewarded providers for providing the most effective treatments; and/or c) required greater patient cost-sharing for questionable treatments. Merely studying effectiveness without limiting procedures and treatments would provide far less savings.
- **Eliminating/Limiting the Tax Exclusion for Employer-Provided Health Insurance** – The current tax treatment of employment-based health insurance leads to overconsumption of health insurance by subsidizing compensation in the form of insurance over wages. Limiting or removing this exclusion would discourage the overconsumption of insurance, causing employers to be more cost-conscious when purchasing insurance on behalf of their employees.
- **Outsourcing Tough Decisions** – De-politicizing certain cost savings and technical medical decisions would make achieving savings easier. Empowering the Medicare Payment Advisory Commission (MedPAC) or creating a new agency to enact savings or make recommendations under fast track procedures, would improve the quality of the reforms and increase the chance such reforms would occur (see <http://crfb.org/documents/IMACProposal.pdf>). In order to be most effective, a council should have a broad mandate combined with explicit savings goals and a fall-back mechanism (such as across-the-board payment cuts) to kick in if savings are not approved by Congress.

Many of these policies are not scored with significant savings by CBO because their level of savings is both uncertain and materializes gradually over time. Thus, some of these policies are less effective as short-term offsets for the cost of expanding coverage, yet remain critically important in developing a responsible health care plan over the long term. Many or all of them should be part of this round of health care reform.