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THE MURPHY PLAN: Health Care – A Way Forward

As I review current proposals for reforming health care in America, it is helpful to understand a few core facts:

1. We do not have a free market in health care. Since nearly two-thirds of every health care dollar is controlled by the federal government, and the federal government also unilaterally sets prices that drive reimbursement levels across the spectrum, a totally free-market solution to our health care problems is not possible.
 2. We do not have a health care system. We have thousands of health care systems layered over by a mixture of 50-state and federal regulation. Most employers with 100 or more employees “self-insure” and are exempt from state regulation. Only “fully insured products” are subject to state regulation.
 3. Much of the current rhetoric revolves around access to health care. What we are really talking about, however, is the financing of health care. The two concepts are very different, and glitzy marketing campaigns from any angle simply distort the core issues. If we solve the issues around the financing of health care: make it fair; broad-based; and revenue neutral, we will also increase access and improve quality.
 4. We each must bear some responsibility for acting as a wise health care consumer.
 5. Some tension between doctors, payors, and facility-based providers is good. Negotiations, if conducted with the correct motivation, benefit the consumer.
 6. Ultimately, you and I pay for our own health care and that of our neighbors who cannot afford it, through cost-shifting and taxes.
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The current health care reform proposals under consideration by the Congress and supported by President Barack Obama would:

- Threaten the ability of patients to choose their healthcare coverage by driving people into a new government health plan. That would lead eventually to bureaucrats and politicians in Washington, rather than patients and their doctors, making decisions about their health care options, as well as a loss of incentives for life-saving medical innovation;
- Dramatically increase the size of the federal deficit and debt over the next 10 years;
- Damage small businesses – the engine of economic growth in America – by increasing taxes and imposing a mandate to provide insurance that will discourage job creation;
- Damage the ability of hospitals and doctors to provide care for patients by making major cuts in reimbursement rates in Medicare;
- Still leave millions of Americans without health insurance

The reform legislation passed out of the House and currently being discussed in Senate puts the nation's future fiscal solvency at risk. Early estimates suggested the plan to expand access to health insurance for the uninsured would cost at least \$1 trillion over the next decade, but many experts believe it would actually cost hundreds of billions more.

These experts point to the experience of Massachusetts, which passed universal health care legislation in 2006 and has seen the state's health care expenses explode over the past two years, contributing to a huge state deficit that the governor and legislature are now struggling to close. It is inevitable that giving more people access to the health care system will increase the usage of health services and thus the cost of providing that care. Meanwhile, the government's current health care programs – Medicare and Medicaid – are growing uncontrollably.

The Democrats' reform proposals would create another entitlement program at a time when the nation faces huge and growing deficits – the administration says the deficit for 2009 will reach \$1.5 trillion, the biggest in percentage terms since the end of World War II. The Congressional Budget Office projects that this spending explosion will force us to borrow more than \$9 trillion over the next decade, driving the national debt from 40% of GDP to over 80%, with no stopping in sight.

The huge costs of their insurance program have forced the Democrats to look for ways to increase federal revenues to pay for their plan. The House solution? Raise taxes on millions of Americans, including small businesses, at a time when unemployment is at a 25-year high and the economy is struggling to recover. The House proposal is compelling evidence – if more were still needed – that the Democrats are committed to a radical policy of income and wealth redistribution that will, if enacted, inevitably damage our economy and our culture.

The Wall Street Journal has calculated that if the House reform plan is passed, the top combined income tax rate in the U.S. (including federal, state and local taxes) would reach close to 60%, higher than all European countries except Denmark, Sweden and Belgium. Small businesses would do even worse, since they would have to pay higher payroll taxes if they don't offer health insurance to their employees, in addition to their income tax bills. Small businesses would pay higher taxes than those paid by the Fortune 500! They will lose all incentive to grow their businesses and hire new workers, thus endangering the long-term health of the American economy.

In addition to these massive tax increases, the Democrats in Congress also want to cut payments to doctors and hospitals by hundreds of billions of dollars to try to pay for their plan. Medicare and Medicaid already reimburse health care providers less than their costs of providing care, so further cuts will put new strains on the health care delivery system and discourage physicians from accepting new patients.

The Democrats' plan would create a new government-run health plan to "compete" with private insurance plans available today. With some 1500 health plans available across the country, the Democrats can't really explain why one more plan will increase competition. They claim that their "public insurance plan" will cost less, and at the same time that it will not drive people out of their private insurance plans. But their logic doesn't work. If the public plan costs less, it will do so because it pays health care providers at lower rates. A less-expensive public plan will inevitably attract only the healthy, leaving the sick to pay even more for care.

Of course, this is the unspoken goal of the Democratic leadership in Congress – to force Americans into a government-run health plan so that government bureaucrats can decide who gets what care and how much is paid for it. The result will be health care rationing based on politics rather than on the free choices of patients and their physicians. Rather than ration health care, all players in the health care equation should be educating citizens about how to make wise health care decisions for the best possible outcomes.

Over time, the Democrats' plan will destroy the health care system as we know it. Health care costs will skyrocket, providers will be squeezed financially, and government bureaucrats will make decisions about what kinds of care are paid for and who receives it. Their plan will put the nation's fiscal future at risk, dramatically increasing federal deficits and debt that will drive up interest rates and limit resources available for private investment. Their plan is a guaranteed growth and jobs killer, and will do potentially irreparable damage to the main engine of American economic growth – our small and medium sized businesses.

But it doesn't have to be this way. There are alternatives to the Democrats' plan that don't bust the federal budget and expand the power and reach of the government over our health care decisions. Here are some principles that I believe form the core of an approach to health care reform that would empower individuals, expand access to health coverage, and improve the quality of health care provided to Americans.

1. We need to transition to breaking the link between health insurance and employment. Tying health insurance to employment discourages labor mobility and creates problems for people who change or lose their jobs. The tax treatment of employer-sponsored benefits is unfair to the self-employed and those who work for small businesses that don't offer coverage; their premium costs are too high because they can't benefit from the tax break that others enjoy. And that tax break also encourages employers to offer plans that are more expensive than they need to be. Nowhere else in the federal tax code are deductions allowed for a payment without it creating income for the recipient.

So, instead of today's employer-based insurance system, individuals and families should receive a tax deduction for purchasing insurance. There should be no limits on where people purchase their insurance, thus encouraging real, national competition among insurance providers, as opposed to today, when state laws restrict the sale of insurance products and expensive coverage mandates make premiums unaffordable for many.

2. Health insurance should really be insurance. In other words, it should protect individuals and families from unexpected or financially ruinous costs. It should not pay for normal and anticipated health care costs. One of the main reasons that health care costs are out of control is that there is little connection anymore between the user and payer of health care services. So there is little or no incentive for the users of health care to find the best price for services or to ask whether a proposed treatment is necessary or if a less expensive alternative exists.

Health Savings Accounts offer a way to protect people from catastrophic costs while giving them tax protected savings from which to finance routine and expected health care expenses. Such accounts should be expanded dramatically as a way to encourage patients to be wise consumers of health care without putting them at risk of financial ruin in the event that serious and expensive health care conditions do arise.

3. Just as we need to change incentives on the "demand" side of health care by encouraging patients to be good consumers, we also need to change the incentives of the "suppliers" of health care – doctors and other providers. In today's world of mostly "fee-for-service" medicine, health care providers are paid based on the volume of care they provide, as opposed to the quality of that care. This makes no sense, as is not in the interests of patients or the health care system overall. It often leads to unnecessary care being provided, or at the very least discourages doctors and other care providers from spending time with patients and managing their illnesses efficiently and effectively.

Health care providers should be rewarded for providing coordinated, high quality care. They should share in savings that occur when patients are treated efficiently, and they should be held at risk when the care they provide does not meet established standards of quality and cost. The rapid adoption of electronic

health records and health exchanges should be encouraged to support the delivery of high quality care and reduce the costs of redundant tests and treatments. Although this change in incentives has to be done carefully and thoughtfully, it has the potential to dramatically lower the long-term costs of our health care system while also producing better outcomes for both individual patients and communities as a whole.

4. The nation as a whole should adopt Indiana's highly regarded medical malpractice rules, which fairly balance the rights of those injured by malpractice and those of health care providers who need protection against unreasonable injury claims and the high costs of malpractice insurance. A significant amount of the nation's health care costs are driven by doctors and other providers practicing "defensive medicine" – ordering extra tests, treatments, and services to make sure that patients have no grounds for claiming later that their treatment was inadequate and then suing. Malpractice reform is a key element of fair and balanced health care reform that is never mentioned in the Democrats' huge, complex and expensive reform schemes.
5. Individuals should be able to band together in larger "pools" defined by common threads, such as professions, club membership, school affiliation, etc... to create the type of scale that will help drive premium discounts currently based on employer-related volume. Medical underwriting for pre-existing conditions should be mostly eliminated, but should be allowed for lifestyle choices such as smoking.
6. Most of the costs in health care are caused by five or six chronic conditions such as asthma, high blood pressure, and diabetes. A significant portion of those costs can be avoided by helping people live with their condition by adjusting lifestyles and adhering to best practices for managing the condition. We also face high medical costs at the beginning and end of life. What Governor Mitch Daniels has accomplished here in Indiana can be replicated nationwide. By emphasizing once again the true "public health" nature of health care costs, the private sector can partner with state governments to create networks of neighborhood clinics staffed by recently-graduated physicians and physicians assistants who will help our at-risk population make the adjustments and learn adaptive behavior that leads to healthier lives. Models like the Healthy Indiana Program and Wishard Advantage should be imitated.
7. We must ask questions of our providers so that we know the cost-benefit of every procedure that may be performed as part of a diagnosis or treatment plan. It is not acceptable to allow a provider to say the cost of a test or medicine is "indeterminable." When we are engaged in all aspects of our care, including the cost, and we take responsibility for how our health care dollars are spent, costs will become more rational and trends will moderate closer to inflation.

Ultimately, the answers to most of the health care financing issues lie in leadership. Our current congressman has never offered a comprehensive set of principles to guide the health care debate. He has served, but he has not led. I am prepared to discuss my ideas presented above, and modify them when the result would be better for the citizens of the 5th congressional district. I have led, and I will lead. Predictable, affordable health care is part of the American Dream. Together, let's **restore the American Dream.**