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# Health care reform in 1998: A resurging debate

**T**HIS IS AN ELECTION YEAR, and with fundamental health care issues still unresolved, 1998 will be filled with intense arguments about our health care system. The debate will center on three issues—Medicare reform, protection of patients' rights in managed care programs, and detection and reduction of fraud and abuse.

## ■ REFORMING MEDICARE: CUTBACKS OR EXPANSION?

No sooner has the dust settled from the fight over Medicare last year (during which Medicare payments to providers were reduced and managed care was encouraged), than the President reopened the debate by proposing a major expansion of eligibility for Medicare coverage.<sup>1</sup> His proposal would allow persons aged 55 to 62 who are unemployed or otherwise uninsured to buy Medicare coverage by paying a \$400 monthly premium, and persons aged 62 to 64 to buy Medicare coverage by paying a \$300 monthly premium, regardless of employment status. The President argues that this would enable people who have health problems, but who are caught in the downsizing of the economy, to have health care coverage.<sup>2</sup>

Republican critics counter that Medicare is already facing a financial crisis as baby boomers age, and any expansion of the program will exacerbate the financial strain on the program.<sup>3,4</sup> Other critics charge that the President's proposal discriminates against those with lower incomes, since many of these people could not afford the premiums.<sup>5</sup>

Still, many people are feeling vulnerable

about their health coverage, and the President has touched a sensitive nerve. Today roughly 3 million individuals would fall into the groups eligible for the proposed Medicare expansion, a number that is likely to triple over the next 10 years as baby boomers age.<sup>6,7</sup>

Also fueling the political debate: almost 25% of US citizens are between the ages of 45 and 60, and would stand to benefit from increased Medicare eligibility. This group forms a potentially powerful constituency in favor of the President's proposal.

Republicans will make their own counter-proposals, most likely to provide tax credits for individuals to buy private health insurance rather than Medicare coverage.<sup>7</sup> Such a proposal would appeal to those who oppose further expansion of the federal government's role in health care.

## ■ REGULATING MANAGED CARE: PROTECTING PATIENTS VS PRESERVING COST SAVINGS

In the upcoming months, expect more deliberation on the ills of private managed care programs and their restrictions on patient care. In December the President proposed a Patient Bill of Rights, which would require managed care plans to outline their restrictions on coverage and to give patients a process to appeal denial of care.<sup>8</sup> But surprisingly, some conservative members of Congress, who would be expected to oppose such legislation, have their own plans to increase regulation of managed care.<sup>9,10</sup>

Both business and the insurance industry firmly oppose these proposals; they do not want more federal regulation of managed care.

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They contend that additional regulations will fail to improve patient care and will add costs to managed care programs—whose objective is to keep costs under control.<sup>10</sup> Business and insurance leaders assert that the best solution for abuses in managed care is the free market. They maintain that if an insurance plan is not acceptable to patients because of restricted access to care, the patients will switch to another plan. Despite this opposition, we believe that bipartisan concern over managed care makes it likely that some form of legislation to further regulate managed care plans will pass this year.

#### ■ HEALTH CARE FRAUD AND ABUSE: A HOT TOPIC WILL GROW HOTTER

As concern over the rising cost of the American health care system has grown, so has concern over fraud and waste. Over the last several years, increased resources for investigating health care fraud have been made available to the various federal agencies, such as the FBI and the Health Care Financing Administration (HCFA).<sup>11</sup>

Consequently, more investigations at more institutions will lead to more charges of violation of federal policies and regulations, and more conflicts. Providers already feel besieged by what they perceive as unfair allegations of fraud, and will feel more so in the upcoming year.

There is a growing backlash among health care providers to these wholesale accusations of fraud. One lawsuit has been filed,<sup>12</sup> and legislation may be introduced in Congress to rein in overly aggressive investigators.

This issue is sensitive for health care providers and political leaders. It is difficult to communicate to the public that bureaucratic mistakes by providers can be honest mistakes, not necessarily fraud. Providers who claim that these investigations are unfair, and the politicians who support them, run the risk of being perceived by voters as weak on fraud and abuse. Furthermore, in a political contest, it's easy to charge wrongdoing and hard to resist the temptation. For example, when critics complained that Medicare premiums would not cover the cost of expanding the program, President

Clinton countered that additional funds could be raised via fraud and abuse investigations, presumably in the form of heavy fines levied against health care institutions.<sup>13</sup>

In addition to these issues which will be debated by Congress and the President, HCFA, which runs the Medicare program, will be working on hundreds of regulations to restructure payment policies and standards for Medicare. With some exceptions, HCFA regulatory reform will not generate much publicity. But it will have a major impact on how physicians, hospitals, and other health care providers do their job.

#### ■ ONLY MODEST CHANGES LIKELY

In summary, we can expect health care issues to stay in the headlines this election year. But as the partisan battles heat up, each party will be maneuvering to try to make their opponents look bad. The result: any health care reform initiative — from expanding Medicare to regulating managed care — is bound to be a modest compromise.

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