

To Your Very Good Health

Health care reform is foremost in many Americans' minds these days, and on October 2nd the New York HGS held a seminar designed to help sort through the complexities of the President's proposal. The speakers were Mr. William Corba, Regional Marketing Director for CIGNA Corp., the major national health insurance company, and Prof. William Vickrey, Emeritus Professor of Economics at Columbia University and frequent analyst at HGS events.

First, Mr. Corba explained the basics of the Clinton plan. He began by quizzing the audience on what sort of health coverage they currently had. Like the greater population, the thirty-five people in attendance had a wide mix, from full coverage to Medicare to no insurance at all. He noted that whether one would personally benefit depends on factors such as employment, size of company, what type of care for which one is currently covered, and whether one has pre-existing medical conditions. It is evident, he said, that people who are self- or unemployed, work for small or low-wage businesses, or have pre-existing conditions would fare better under the Clinton plan.

Mr. Corba made one controversial statement early in his talk, which drew loud protests from the audience: that everyone has "health insurance" in the U.S. Although he admitted his words had been poorly chosen, the remark carried an important grain of truth. When uninsured Americans get sick, they can get treatment - in public hospitals. The cost of this care is passed on to taxpayers and policyholders. Uninsured citizens now number 37.4 million - and this "cost shifting" is one of the major causes of runaway health care costs.

Mr. Corba noted that as a representative of CIGNA, a leading provider of health

maintenance plans, or HMOs, he is well-positioned to understand the Clinton proposal because the plan, essentially, would enroll all Americans in large "health alliances" that function much as HMOs do today. Some states, such as California, have already moved quite far in this direction, with a majority of citizens already enrolled in HMOs; for them the Clinton plan will be less of a shock. New York, however, lags behind much of the nation in HMO membership. This is probably due to the fact that the line between rich and poor in New York is much more skewed than the national average. For instance, while 60% of the revenue of New York City hospitals comes from Medicare and Medicaid, the city also can afford far more psychotherapeutic care per capita than the rest of the nation.

Under the Clinton plan, employers would be required to pay 80% of the lowest cost regional health alliance plan. This would (continued on back page)



Oretta and Renata Cantore make up the mother-daughter performing team of Soul Rock From the Rock, Inc. - an organization that gives delightful African-American folklore workshops to schools, churches and community groups throughout the city. On October 16th they presented a workshop to a delighted group of kids-of-all-ages at the New York HGS. "Learn, Act, Sing, Dance...A Story!" featured puppets and storytelling, dancing, songs and African artifacts. A grand time was had by all!

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guarantee full medical coverage, cover pre-existing conditions, and remain in place even if employees lost or changed their jobs. Small businesses and self-employed people would get tax benefits to ease the cost, and large corporations would have the option to continue their own corporate health insurance plans. Individuals may upgrade their plan beyond the guaranteed level, if they pay the difference themselves. Thus, the Clinton plan guarantees choice - but puts a price tag on it.

Mr. Corba ended his presentation with a cautionary note. No one is sure at this point whether the savings predicted to come from bureaucratic simplification of elimination of cost-shifting will materialize. "Who will foot the bill?" is the biggest question about the Clinton reform proposal, and the price tag may be the largest single determinant of how comprehensive the national guarantees can be.

The question of financing was addressed in some detail by Professor William Vickrey. Among his many research credits, Prof. Vickrey served as a consultant to the U.S. Treasury Department on the application of the income tax to insurance companies. He noted that the area of health insurance differs in some important ways from other types of insurance, such as life or fire coverage. There are four basic structural reasons, Vickrey said, why health insurance cannot be efficiently handled by private insurance companies:

- 1) Unlike other types of insurance, health coverage tends to cost more for people who are less able to pay for it. Poor people tend to have lower nutrition levels and more dangerous lives.

- 2) Health insurance payments are open-ended. In most cases they are not capped; whatever it costs to cure an illness must be paid.

- 3) The cost of health care, and the

risk to insurers, also increases with age.

- 4) Private insurers must maintain reserves sufficient to handle sudden surges in payments that could come from epidemics or natural disasters. The presence of epidemics such as AIDS and tuberculosis puts pressure on these reserves; either they must be beefed up with higher premiums, or they risk becoming overloaded.

Prof. Vickrey noted the irony of President Clinton's plan being based on an "employer mandate" when unemployment is such a significant national problem. Basing health coverage on employment discriminates against low-skill and part-time workers; the Clinton plan would alleviate that, but not get rid of it entirely. Furthermore, we still have the unused capacity in our economy to deal with. Prof. Vickrey sees the reduction of unemployment as the key element in meeting the cost of health care reform, noting that "for every 1% decrease in unemployment, we can see a 2.5% increase in GDP."

"It would be best not to have taxes at all." Prof. Vickrey made a controversial statement of his own: that contrary to the conventional wisdom, our economy needs more deficit spending. He would advocate more government borrowing, to take excess saving and put it into the economy now, thus increasing employment.

In addition, he suggested that if taxation is needed to fund health reform, only "bads" should be taxed: tobacco, alcohol, firearms, etc. He even jokingly suggested that fans of violent sports such as hockey should be willing to pay a surcharge on their tickets to heal the injuries sustained in the games. Another "bad" that should be taxed, of course, is land speculation; Prof. Vickrey reiterated the appropriateness of land value taxation as a revenue source that does not diminish production or employment. ■