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2011 ... what lies ahead for health care?

With the election behind us and a split government ahead, the future of the nation's health care remains very much in question. For months before the election, many of the newly elected Republicans made "repeal and replace" their mantra, and it is widely expected that legislation repealing the Affordable Care Act will be at the top of their agenda. However, the practical realities of a Republican-controlled House with a Democrat-controlled Senate and a Democratic president make repeal well nigh impossible for at least the next two years.

To be enacted, the legislation would need to be passed not only by the Republican House but also by the Democratic Senate, and it would need President Obama's support or would have to be able to muster a two-thirds vote to override his veto. Under such conditions, legislation that is in any way controversial would have little chance of success. Realistically, the most likely outcome in the next two years for all but the most vital or noncontroversial legislation is stalemate.

Physician Payments ... Yet Again

Postponing the scheduled reductions in Medicare payments to physicians is one of the first matters that Congress will need to consider (assuming that the lame-duck session has done no more than provide a temporary reprieve for physicians). Although frustrating in the extreme for physicians whose practices heavily rely on Medicare payments, anything more than a reprieve for just one additional year is hard to imagine because of the high cost of permanently fixing Medicare payments for physicians and, more important, because there is no agreement on what type of payment system should replace the current system.

It would be reassuring if alternative payment systems were being developed at this time for testing, but so far, that does not appear to be the case. Pilot projects that include bundled payments among physicians, hospitals, and other health-care providers are scheduled to begin in 2013, but adding the time required to complete the pilots means it will be years before a replacement system based on this approach can be considered for adoption. Thus, despite widespread concern that the present Medicare fee-for-service payment system encourages volume rather than value, no good alternative appears likely to emerge any time soon.

To Reform or Not to Reform ...

A fundamental question for Republicans is whether to try to modify and improve the Affordable Care Act, and if so, how much. Based on discussions with House Republicans and their staffs, at least two different positions have emerged.

Some are identifying provisions of the act that they regard as undesirable, if not egregious, and formulating alternatives that they hope their Democratic colleagues can be persuaded to support. But others believe any attempt to improve what they characterize as a fundamentally flawed bill would be a mistake. Instead, they prefer to leave the bill intact to make it an easier target for the 2012 election.

Some provisions that are unrelated to health care, such as the so-called "1099 provision," which requires businesses to file a 1099 form with the IRS for any purchases over \$600, and which was enacted to curb under-reporting and thus increase revenue, might be considered fair game to target for change in the coming year. Other

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changes, however, are more likely to be postponed until after 2012, when the chance to fundamentally replace the bill could present itself.

Could Big Changes Be in Our Future?

Both the President's Debt Commission, co-chaired by Erskine Bowles (President Clinton's chief of staff) and former Sen. Alan Simpson (R-Wyo.), and the Deficit Reduction Task Force associated with the Brookings Bipartisan Policy Center, co-chaired by Alice Rivlin (Clinton cabinet member) and former Sen. Pete Domenici (R-N.Mex.), recently released a series of recommendations on how to reduce the nation's deficit significantly. Both advocate "big changes," and although Congress is not likely to actively consider these proposals in the year before a presidential election, the problems they address are not going away. It is sobering to contemplate the magnitude of changes that would be required in health care to limit federal spending to 21 percent of gross domestic product (GDP), as is recommended by the commission headed by Bowles and Simpson, or to reduce the debt to 60 percent of GDP, which is a goal of the task force headed by Rivlin and Domenici.

The proposals by Bowles and Simpson (and not necessarily the debt commission) pay particular attention to entitlements as major drivers of spending and debt. Bowles and Simpson have proposed explicit and permanent limits on the total size of government with caps on spending and revenue set at 21 percent of GDP, as indicated above. The growth in federal health spending would be limited to GDP plus one. One proposed strategy for maintaining this growth rate is to

convert federal programs from a defined benefit plan to a defined contribution plan.

The Bipartisan Policy Center's Deficit Reduction Task Force set forth a variety of proposals to change Medicare and Medicaid, including proposals to:

- > Increase the share of Part B premiums paid by most seniors from 25 to 35 percent (It is already 75 percent for high-income seniors.)
- > Extract more pricing concessions from pharmaceutical companies
- > Bundle post-acute care with acute care
- > Turn Medicare into a premium support program in 2018 (This proposal is similar to the notion of moving to a defined contribution plan, although the degree of similarity depends how the premium support is set.)
- > Tax health benefits

It is no great surprise that both sets of recommendations have been attacked from both sides of the political spectrum. The primary criticism from the right is that, under the proposals, new taxes would be levied to finance some of the debt and deficit reduction. Nonetheless, some noted conservatives, including Sen. Tom Colburn (R-Okla.), have expressed a willingness at least to consider the proposals, given the seriousness of the problems. Democrats have been more vocal in their criticisms—not only because of the healthcare provisions but also because of the proposed increases in the age of eligibility for Social Security and Medicare benefits—with soon-to-be House minority leader Nancy Pelosi (D-Calif.) leading the charge.

If we are going to get serious about reducing the deficit and the debt, discussions about reducing entitlements will have to be part of our future. But there is no indication that we have reached that point yet. ●

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