

## POLICY | WORKPLACE

# A Health Plan Economists Approve Of

What the system would look like if nearly 200 experts surveyed had their way.

## The New Health Care

By AUSTIN FRAKT

Imagine if American health policy were established by the consensus of health economists. What would the system look like? A survey of nearly 200 Ph.D. health economists working in the United States provides some clues.

The survey, presented at the American Society of Health Economists conference in Washington last summer, was conducted by the health economists John Cawley of Cornell University, Michael Morrissey of Texas A&M and Kosali Simon of Indiana University.



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### Obamacare would stay

Whether the Affordable Care Act should be repealed has been one of the highest-profile health policy issues ever since its passage in 2010. Health economists are clear on this: They strongly reject repeal, with 89 percent opposing the idea.

Health economists also overwhelmingly (81 percent agreement) said the A.C.A.'s individual mandate — in which people paid a fine if they chose not to be insured — was essential for its success. Without it, they said, the people who sign up would disproportionately be sicker, causing insurance to become ever more expensive. This phenomenon, also known as adverse selection, could collapse the market.

The need for an individual mandate is consistent with both economic theory and research and seemed sensible at the time of the survey in 2018. But its necessity is less clear today. The tax cuts signed into law at the end of 2017 reduced the penalty for not having coverage to zero last year, yet marketplaces have by and large remained stable.

A popular feature of the A.C.A. is that insurers cannot raise premiums for pre-existing conditions. Health economists appear to agree with this, with 80 percent saying premiums should not be higher for those with “genetic defects” (the poll’s wording).

But nearly 70 percent of health economists are comfortable charging people more if they engage in unhealthy behaviors that lead to higher health costs. The A.C.A. allows marketplace plans to do just that based on smoking. The idea that people should pay for the consequences of their personal choices — sin

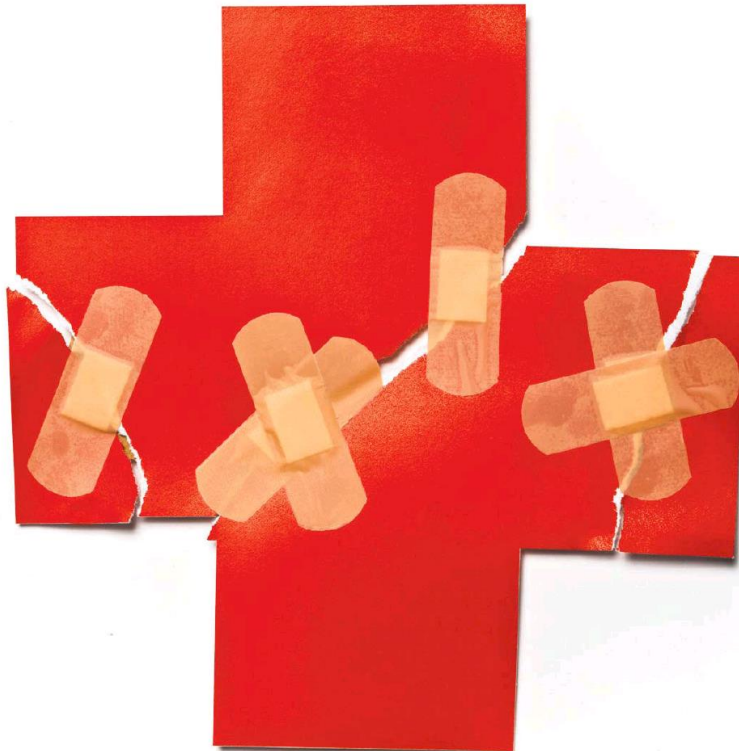
taxes, basically — has some intuitive appeal. (Another sin tax would be to increase taxes on soft drinks, an idea favored by 62 percent of health economists.)

But disciplines other than economics view health behaviors differently. Addictions, in particular, are often viewed as diseases, not informed choices. “Adult addiction to nicotine usually stems from decisions made as a teen, which are shaped as much or more by circumstances than rational thought,” said Michael Stein, chair of the Health Law, Policy & Management Department at Boston University School of Public Health. “Charging a higher premium for a smoker is punishing someone with a disease, so why this disease?”

### Medicare and Medicaid changes are opposed

Various ideas to cut costs in Medicare and Medicaid have been proposed in recent years. Health economists generally oppose those changes.

The poll asked them if they favored converting Medicare into a program based in part on income. That would mean that full Medicare coverage would not be available to everyone upon reaching 65, but only to those whose incomes are below some cutoff.



MINH UONG/THE NEW YORK TIMES

This idea is opposed by 71 percent of health economists.

A related idea for Medicare is to convert it to a voucher-based program. This would establish a set amount the government would pay for your coverage so that you could shop for a health plan. Most health economists (61 percent) also oppose this idea. This is in step with the broader public, according to most polls over the years.

Raising the age of Medicare eligibility is the least opposed of the polled ideas for changing the program’s eligibility or benefits; around half reject it. But only 28 percent favor it, with 22 percent not providing an opinion. The most recent polls of Americans on this

issue indicate that a slim majority reject it as well.

It may surprise some that economists, who normally prefer market-based approaches to government programs, are so supportive of Medicare’s current structure. “Though they recognize the value of free markets, economists also believe that market failures are harmful,” the poll’s conductors told me. “In some cases, such as health insurance for the elderly, many economists think that society does best when government provides services directly.”

Another way to improve Medicare’s finances would be to raise taxes. A slim majority (52 percent) of health economists favor doing so.

While Medicare’s coverage policy or financing hasn’t changed recently, Medicaid has undergone considerable changes. One is work requirements. As of last summer, 16 states have proposed or put in work requirements for Medicaid eligibility. The change has been the subject of lawsuits, and was dealt a defeat before a federal appeals court panel on Friday. Seventy-seven percent of health economists do not believe work requirements should be part of Medicaid.

The Trump administration said recently that it would permit block grants for some of the funding the federal

government sends to state Medicaid programs. Medicaid block grants, long proposed by Republicans, would provide states a fixed amount of money for Medicaid instead of an open-ended funding program. About 70 percent of health economists oppose the idea.

### The most unpopular way to reduce spending

Employer-sponsored health insurance is not subject to taxation. That results in \$250 billion in lost tax revenue per year, and many economists say this leads to excessively generous health insurance plans, contributing to wasteful health care spending. Health economists, by and large, dislike this big tax break — only 14 percent of them favor the current tax treatment of employer-sponsored health insurance. But they’re just about the only group that feels that way. Reflecting public sentiment, a provision in the Affordable Care Act that would have partly undone this tax



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break — the so-called Cadillac tax — was repealed at the end of last year.

Many of today’s conversations about reducing health spending focus on prescription drugs. A good deal of drug spending ends up as profits for the pharmaceutical industry — drug company profit margins above 15 percent are not uncommon. One justification for high profits is that they motivate additional investment, spurring innovation.

A plurality of health economists seem to question this argument. Forty-eight percent disagree with the statement that drug company profits are necessary to incentivize the optimal level of research and development. Twenty-eight percent agree with that statement, and 24 percent gave no opinion.

Health economists overwhelmingly (93 percent of them) say that if employers were to spend less on health insurance, wages and other benefits would increase. In other words, when employers appear to pay for health benefits, at least some of that comes from workers’ wages. The evidence is on the economists’ side, but it doesn’t necessarily mean that wages would go up one dollar for every dollar premiums went down. It might for some workers, but not for all.

If health economists were in charge of the health system, not a lot would change, with some notable exceptions. Medicaid would not have work requirements (which would be unpopular among conservatives in some states), and taxes would go up for Medicare and for employer-based health insurance (which would make it unpopular among just about everybody).



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