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Op-Ed Columnist

First, Do More Harm

By [PAUL KRUGMAN](#)

It's widely expected that President Bush will talk a lot about health care in his State of the Union address. He probably won't boast about his prescription drug plan, whose debut has been a Katrina-like saga of confusion and incompetence. But he probably will tout proposals for so-called "consumer driven" health care.

So it's important to realize that the administration's idea of health care reform is to take what's wrong with our system and make it worse. Consider the harrowing series of articles The New York Times printed last week about the rising tide of [diabetes](#).

Diabetes is a horrifying disease. It's also an important factor in soaring medical costs. The likely future impact of the disease on those costs terrifies health economists. And the problem of dealing with diabetes is a clear illustration of the real issues in health care.

Here's what we should be doing: since the rise in diabetes is closely linked to the rise in [obesity](#), we should be getting Americans to lose weight and exercise more. We should also support disease management: people with diabetes have a much better quality of life and place much less burden on society if they can be induced to monitor their blood sugar carefully and control their [diet](#).

But it turns out that the U.S. system of paying for health care doesn't let medical professionals do the right thing. There's hardly any money for prevention, partly because of the influence of food-industry lobbyists. And even disease management gets severely shortchanged. As the Times series pointed out, insurance companies "will often refuse to pay \$150 for a diabetic to see a podiatrist, who can help prevent foot ailments associated with the disease. Nearly all of them, though, cover amputations, which typically cost more than \$30,000."

As a result, diabetes management isn't a paying proposition. Centers that train diabetics to manage the disease have been medical successes but financial failures.

The point is that we can't deal with the diabetes [epidemic](#) in part because insurance companies don't pay for preventive medicine or disease management, focusing only on acute illness and extreme remedies. Which brings us to the Bush administration's notion of health care reform.

The administration's principles for reform were laid out in the 2004 Economic Report of the President. The first and most important of these principles is "to encourage contracts" - that is, insurance policies - "that focus on large expenditures that are truly the result of unforeseen circumstances," as opposed to small or predictable costs.

The report didn't give any specifics about what this principle might mean in practice. So let me help out by supplying a real example: the administration is saying that we need to make sure that insurance companies pay only for things like \$30,000 amputations, that they don't pay for \$150 visits to podiatrists that might have averted the need for amputation.

To encourage insurance companies not to pay for podiatrists, the administration has turned to its favorite tool: tax breaks. The 2003 Medicare bill, although mainly concerned with prescription drugs, also allowed people who buy high-deductible health insurance policies - policies that cover only extreme expenses - to deposit money, tax-free,

into health savings accounts that can be used to pay medical bills. Since then the administration has floated proposals to make the tax breaks bigger and wider, and these proposals may resurface in the State of the Union.

Critics of health savings accounts have mostly focused on two features of the accounts Mr. Bush won't mention. First, such accounts mainly benefit people with high incomes. Second, they encourage wealthy corporate employees to opt out of company health plans, further undermining the already fraying system of employment-based health insurance.

But the case of diabetes and other evidence suggest that a third problem with health savings accounts may be even more important: in practice, people who are forced to pay for medical care out of pocket don't have the ability to make good decisions about what care to purchase. "Consumer driven" is a nice slogan, but it turns out that buying health care isn't at all like buying clothing.

The bottom line is that what the Bush administration calls reform is actually the opposite. Driven by an ideology at odds with reality, the administration wants to accentuate, not fix, what's wrong with America's health care system.