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The op-ed “The Affordable Care Act — A New Way Forward” by Vivian Ho, Ph.D., was published in the November 2011 issue of the American Medical Association’s Journal of Ethics, Virtual Mentor. Ho is the James A. Baker III Institute Chair in Health Economics, as well as a professor at Rice University and Baylor College of Medicine in Houston, Texas.



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HEALTH POLICY research

James A. Baker III Institute for Public Policy-Baylor College of Medicine
Joint Program in Health Policy Research

Does the Affordable Care Act need mending?

Yes, although the new law is a step in the right direction, says Vivian Ho, Ph.D., the James A. Baker III Institute Chair in Health Economics. In March 2010, President Barack Obama signed into law the Affordable Care Act (ACA). “The ACA helps to make health care more affordable in two ways: by insuring approximately 50 million people who are currently uninsured and by controlling health care cost growth,” explains Ho. Subsidies to purchase health insurance will be provided to low-income families, and health insurance companies will be barred from denying coverage to persons with pre-existing conditions. Many voters object to using tax revenues to subsidize health insurance. However, Medicaid expansions in the 1980s and 1990s that reduced child mortality by 5 percent demonstrate the value of such programs, Ho says.

The second way the ACA makes health care affordable is by altering Medicare payments to encourage health care providers to deliver high-quality, rather than high-quantity, health care. Medicare richly rewards health care providers for performing more open-heart surgeries and angioplasties, but offers little or no financial compensation for time spent on disease prevention. The ACA addresses waste by encouraging coordinated care between hospitals and doctors, and between inpatient and outpatient settings. This coordinated care will reduce costly complications, simultaneously improving patient outcomes and lowering health care costs.

Where does the new health care reform bill need mending? Ho would like to empower the Center for Medicare and Medicaid Services (CMS) to refuse coverage for expensive new technologies that yield no demonstrable benefit to patients. CMS allows Medicare coverage of costly

new drugs and devices even if existing products are equally effective and cheaper. Ho believes that this recommendation has been frequently misinterpreted as health care “rationing.” She also believes that the ACA failed to address the need for price transparency for patients. Substantial price variations for diagnostic and elective procedures in Houston were brought to her attention by local news reporters. If providers were required to post prices for their services, then patients could research costs, as well as the increasingly available reports on the quality of care provided by individual hospitals and doctors.

Ho also favors increasing the ACA’s tax on “Cadillac” health insurance. Current law exempts the value of employer-paid health insurance from income, Social Security and Medicare payroll taxes. This exemption causes workers to choose greater compensation in the form of health insurance rather than (taxable) wages, which, in turn, raises demand for generous plans. Subjecting more insurance policies to taxation would encourage employees to be price conscious when purchasing plans. Insurers would then have greater incentive to offer less generous, and less expensive, policies that could ultimately lower spending in the long run.

Ho acknowledges the complexity of the new legislation, and she worries that the public has been provided insufficient information to evaluate the merits and shortcomings of the law. She believes that efforts to mend the ACA should come from within the health care profession — from the physicians who prescribe and deliver treatment.

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HEALTH POLICY research presents a summary of findings on current health policy issues. It is provided by **Vivian Ho, Ph.D.**, James A. Baker III Institute Chair in Health Economics at the James A. Baker III Institute for Public Policy, in collaboration with **Laura Petersen, M.D., M.P.H.**, chief of the Section of Health Services Research in the Department of Medicine at Baylor College of Medicine.

This publication aims to make research results accessible to regional and national health policymakers. The views expressed herein are those of the study authors and do not necessarily represent those of the Baker Institute or of Baylor College of Medicine.

The Baker Institute and Baylor College of Medicine's Section of Health Services Research work with scholars from across Rice University and Baylor College of Medicine to address issues of health care — access, financing, organization, delivery and outcomes. Special emphasis is given to issues of health care quality and cost.

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