

From the President: Dancing with the Devil

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I believe that one of the most catastrophic pieces of legislation in recent memory has recently been passed by our Republican Congress and signed by President Bush.

I'm speaking of course about the recent Medicare prescription drug plan. Republican leadership sold the bill as a politically expedient measure. Even some conservatives such as Newt Gingrich advocated passage, based on the idea of expanding Health Savings Accounts (HSAs). Unfortunately, when you dance with the devil you can eventually expect to be burned.

The Medicare prescription program is a massive expansion of government entitlements. The Congressional Budget Office estimates that the program will cost taxpayers \$409.8 billion between 2008 and 2013. That is, of course, pure hogwash. If there is anything else as certain as death and taxes, it is that a government entitlement program's costs will exceed cost estimates by orders of magnitude. Medicare itself is a great example of this, with its initial cost projections in 1965 of \$9 billion by 1990 turning out to be \$66 billion by that year. By 1999, Medicare expenditures totaled \$212 billion.

Unfortunately, the direct costs of the program are only the start. The true costs also include the lost opportunity costs of other more efficient purposes to which that money could be put, particularly if it were left in private hands. Perhaps more importantly, government will become by far the major source of payment for medications.

As government becomes responsible for these costs and particularly as Medicare expenditures outstrip estimates, there will inevitably be political pressure for government to impose price controls on medications. As the 600-pound gorilla of third-party payers, private insurers are likely to default to Medicare's price schemes. The result is likely to be de facto price controls over the entire non-self-pay medication system.

Another fact as certain as death and taxes is that price controls never work. Since the time of Hammurabi, rulers throughout history have imposed price controls, and they have never worked.

The results of the Medicare prescription drug program will thus include medication shortages. They will certainly result in less profit for drug companies. This may not be apparent initially, before price controls, but will occur somewhere down the road. The problem is that profits drive innovation in drug discovery and development. There have been tremendous advances in medicine thanks to drug development from traditional pharmaceutical companies, which I think is likely to accelerate even further as the promise of biotech companies comes to fruition. An end to innovation will be one of the most significant costs of the Medicare drug program.

Supposedly, Republicans are the party of small government. They should be ashamed. Their excuse? Political expediency. They convinced themselves that a prescription drug plan was inevitable, and that they had to get on the bandwagon. They believed that they could buy off the senior vote as well as convince Americans that they were compassionate, in order to maintain the White House and their Congressional majority. But to what purpose? AAPS has talked to at least one Congressional staffer who pointed out that his

boss voted for the Medicare bill just because of the belief that something worse was on the way next year.

Some Republicans convinced themselves that the HSA provisions were sufficiently beneficial to justify passage of an immense expansion of Medicare. AAPS, of course, is all for expansion of HSAs, and one can only hope that the specifics outlined in the Medicare bill will lead to the expected beneficial effects. Yet, I fear that the good of the bill will be outweighed by the bad.

First, if the Republicans do control the legislative and executive branches of government, and if they are such advocates of HSAs, why didn't they work to pass a separate HSA bill on its own? Second, I fail to see evidence that compromising on massive government expansions in order to obtain a little nugget of good has ever been successful. The most recent and perhaps most pertinent example of this was HIPAA, the so-called Health Insurance Portability and Accountability Act.

HIPAA purported to increase the portability and affordability of medical insurance. It has failed to do this, as those of us who opposed the bill expected. Moreover, it led to passage of draconian healthcare anti-fraud provisions that are currently terrorizing physicians.

It also has led to the recent so-called administrative simplification and privacy regulations that are costing physicians and hospitals millions of dollars, making it increasingly difficult to practice medicine, forming the foundation for a massive government health database and, paradoxically, damaging medical privacy—all of this ostensibly to pass Medical Savings Account (MSA) provisions that were doomed to failure.

Compromise of this sort just doesn't work, because government programs, particularly entitlement programs, don't go away easily. Moreover, given their tendency to expand in scope and cost and cause massive distortions of markets and personal behavior, such compromises are simply means of acquiescing to creeping socialism.

What can AAPS and its members do about this? The answer as always is to fight. Though reversing an entitlement program will be difficult, we must still work toward it. Perhaps more importantly, we each must opt out of Medicare and get other physicians to do so. The game can't go on if physicians won't play. If the system doesn't work, it has to be reevaluated, providing an opportunity for reform. Increasingly, physicians are realizing that Medicare is a no-win game. We need to educate our colleagues and encourage them to get out of the system.

Lastly, we can't just give up and say that HSAs don't outweigh the harm of the Medicare drug program. We need to mitigate the harm of the drug program as much as we can by making HSAs as successful as we can. Physicians need to introduce HSA programs for their own employees. They need to encourage their colleagues, friends, and neighbors to do the same, and they need to educate their patients about the possibilities of taking their own medical care into their own hands through HSAs.

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