The JAMA Forum: A Prescription for Washington's Mood Disorder

BY DAVID CUTLER, PHD *on* JANUARY 29, 2013

David Cutler, PhD

Protagonists struggling with bipolar disorder are all the rage in television, movies, and the theatre. From Central Intelligence Agency officer Carrie Mathison in ***Homeland***, to former teacher Pat Solitano in ***Silver Linings Playbook***, to suburban mother Diana Goodman in the play *Next to Normal* just a few years ago, we've been offered many perspectives on manic depression.

In a far less artistic venue, Washington is displaying its own version of a mood disorder. One minute, we're informed we need to cut health care programs now, now, now, or the economy will implode, and the next minute, seniors are told they will always receive their entitled benefits. Clearly, an intervention is needed. Because I am an economist, not an MD, I cannot provide psychotherapy or dispense medication. But I can give some economic advice.

Concern Is Good, Obsession Is Not

Health care poses a big medium-term and long-term budget problem. According to the **Congressional Budget Office**, federal noninterest spending (spending that excludes interest payments on the national debt) as a share of gross domestic product (GDP, the size of the aggregate economy) will increase by 3 percentage points over the next 2 decades, and the vast bulk of

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this is accounted for by increasing health care programs. Without significant additional revenues, the mounting deficits implied by this will pose a material challenge to the economy.

But short-term deficits are not a function of health care. Although the federal government is expected to run a large deficit this year, **a good deal of this would be eliminated** were the economy at full employment. So the first job for Washington is to promote the still-fragile recovery. Massive near-term spending reductions and self-created anxiety over fiscal policy is not the way to do this. Rather, we should have an additional year or two of investment in infrastructure and education, financed by historically low real interest rates, leading to a glide path of deficit reduction.

Get to the Root of the Problem

Addressing the medium- and long-term fiscal challenge requires understanding why health costs are increasing. Unfortunately, few in the Capitol have done this.

Far more so than usual, demography is the culprit in the growth of medium-term costs. **In the next decade,** Medicare spending per beneficiary is expected to increase slightly less (0.5%) than the rate of GDP growth annually. But total program spending is expected to grow rapidly because the number of Medicare beneficiaries is increasing so quickly (about 3% per year). In short, policy is hamstrung because the baby boomers are reaching Medicare eligibility age.

Of course, we knew this was coming. Many people argued against the Bush tax cuts because we should have been saving the money for the retirement of the boomers. That argument fell on deaf ears, and many of those who ignored the warning are now claiming to be surprised that the piggy bank is empty.

The other culprit in rising costs is the long-term trend towards more and more medical technology, without corresponding increases in the efficiency of the system. Adding more technical capability into a broken system leads to more care provided, higher prices for care, and endlessly rising costs. Again, experts have been telling Washington for years to fix this. But lawmakers have been in denial.

Not understanding what is really going on helps explain Washington's frustration. Raise the Medicare eligibility age to 67? It seems good, but it is a fact that most people who are 65 will live long enough to turn 67 in about 2 years. Delaying their eligibility doesn't solve the problem. Cut hospital payments? How much lower can they go, given that per-person spending is already projected to increase at the lowest rate in decades?

Putting Coping Mechanisms in Place

Fortunately, there is a way that Washington can address its illness, and part of the solution is not too onerous. You see, while no one has been looking,

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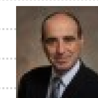

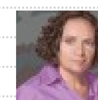

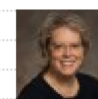
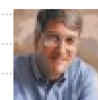
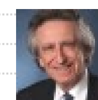
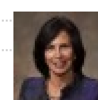
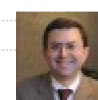

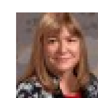

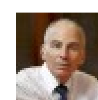

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medical spending increases have quietly slowed. In 2008, the Centers for Medicare & Medicaid Services forecast that health care would consume 19.3% of the economy in 2016. The current forecast is a full percentage point lower, for savings of $2500 per family (coincidentally, just what President Obama promised). The difference is not the economy; Medicare spending is decreasing too.

To what do we owe this good news? Part of it is luck; expensive new blockbuster drugs have not been as numerous as expected. Part of it is because the recession has made everyone more watchful with their money. And part is a result of bipartisan payment initiatives put in place in the past several years to encourage clinicians and medical institutions to be more cost-conscious. Hospital readmissions and hospital-acquired infections are no longer "rewarded" financially; coincidentally, rates of both are decreasing.

When a medication is working, keep using it. Washington could address its deficit hysteria by encouraging more responsible cost sharing for consumers and providing additional incentives for physicians to better coordinate care. Several recent proposals have called for just this, including ones by the Commonwealth Fund and the Center for American Progress (full disclosure—I am a coauthor of the second one). Upping the medication dosage should not be too hard.

More difficult for Washington will be to get used to the idea that taxes will have to increase. Two decades from now, the US population will look like Florida's today. There is no way we can adjust to that without more money.

Doing the right thing has never been Washington's forte. But this is perhaps the best solution for a city with intense illness: be understanding and supportive, and with sound treatment, the patient will get better.

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