

Health Policy Malpractice

By [PAUL KRUGMAN](#)

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Let me tell you about two government-financed health care programs. One, the Veterans Health Administration, is a stunning success — but the administration and Republicans in Congress refuse to build on that success, because it doesn't fit their conservative agenda. The other, Medicare Advantage, is a clear failure, but it's expanding rapidly thanks to large subsidies the administration rammed through Congress in 2003.

I've written about the V.A. before; it was the subject of a recent informative article in *Time*. Some still think of the V.A. as a decrepit institution, which it was in the Reagan and Bush I years. But thanks to reforms begun under Bill Clinton, it's now providing remarkably high-quality health care at remarkably low cost.

The key to the V.A.'s success is its long-term relationship with its clients: veterans, once in the V.A. system, normally stay in it for life.

This means that the V.A. can easily keep track of a patient's medical history, allowing it to make much better use of information technology than other health care providers. Unlike all but a few doctors in the private sector, V.A. doctors have instant access to patients' medical records via a systemwide network, which reduces both costs and medical errors.

The long-term relationship with patients also lets the V.A. save money by investing heavily in preventive medicine, an area in which the private sector — which makes money by treating the sick, not by keeping people healthy — has shown little interest.

The result is a system that achieves higher customer satisfaction than the private sector, higher quality of care by a number of measures and lower mortality rates — at much lower cost per patient. Not surprisingly, hundreds of thousands of veterans have switched from private physicians to the V.A. The commander of the American Legion has proposed letting elderly vets spend their Medicare benefits at V.A. facilities, which would lead to better medical care and large government savings.

Instead, the Bush administration has restricted access to the V.A. system, limiting it to poor vets or those with service-related injuries. And as for allowing elderly vets to get better, cheaper health care: “Conservatives,” writes *Time*, “fear such an arrangement would be a Trojan horse, setting up an even larger national health-care program and taking more business from the private sector.”

Think about that: they won't let vets on Medicare buy into the V.A. system, not because they believe this policy initiative would fail, but because they're afraid it would succeed.

Meanwhile, the Bush administration is pursuing a failed idea from the 1990's: channeling Medicare recipients into private H.M.O.'s. The theory was that H.M.O.'s, by bringing private-sector efficiency and the magic of the marketplace to health care, would be able to do what the V.A. has achieved in practice: provide better care at lower cost.

But the theory was wrong. Years of experience show that H.M.O.'s actually have substantially higher costs per patient than conventional Medicare, because they add an expensive extra layer of bureaucracy and also spend heavily on marketing. H.M.O.'s for Medicare recipients prospered for a while by selectively covering relatively healthy older Americans, but when the government began paying less for those likely to have low medical costs, many H.M.O.'s dropped out of the Medicare market.

In 2003, however, the Bush administration pushed through the Medicare Advantage program, which offers heavy subsidies to H.M.O.'s. According to the independent Medicare Payment Advisory Commission, Medicare Advantage plans cost the government 11 percent more per person than traditional Medicare. Oh, and mortality rates in these plans are 40 percent higher than those of elderly veterans covered by the V.A. But thanks to the subsidy, membership in Medicare Advantage plans is surging.

On one side, then, the administration and its allies in Congress oppose expanding the best health care system in America, even though that expansion would save taxpayer dollars, because they're afraid that allowing a successful government program to expand would undermine their antigovernment crusade and displease powerful business lobbies.

On the other side, ideology and fealty to interest groups make them willing to waste billions subsidizing private H.M.O.'s.

Remember that contrast the next time you hear some conservative going on about excessive spending on entitlements, and declaring that we need to cut back on Medicare and Medicaid benefits.

Veterans' Health Care
September 9, 2006

To the Editor:

As a former Department of Veterans Affairs headquarters project manager who monitored returning Iraq and Afghanistan veterans, I agree with Paul Krugman's comment that the V.A. is a stunning success for quality medical care ("Health Policy Malpractice," column, Sept. 4). But the V.A. is running full steam into a brick wall because of a lack of capacity.

Why? This administration failed to plan for the consequences of the Iraq and Afghanistan wars.

The V.A. fell \$3 billion short last year, and both wait times and the doctor-to-patient ratio rose.

Nearly 1.5 million men and women have been deployed to war since 2001. Army research indicates that one-third of recent war veterans may need mental health care. The V.A. can expect a staggering 500,000 combat veteran mental health patients in the next few years.

Sadly, Dr. Frances Murphy, the V.A.'s deputy under secretary for health, confirmed the V.A.'s lack of capacity this May, saying some V.A. clinics do not provide mental health or substance abuse care, or if they do, "waiting lists render that care virtually inaccessible." Without adequate financing and a comprehensive plan to increase capacity, the V.A. may spiral further into crisis and buckle under a tidal wave of demand.


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