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April 4, 2008

OP-ED COLUMNIST

## Voodoo Health Economics

By **PAUL KRUGMAN**

Elizabeth Edwards has cancer. John McCain has had cancer in the past. Last weekend, Mrs. Edwards bluntly pointed out that neither of them would be able to get insurance under Mr. McCain's health care plan.

It's about time someone said that and, more generally, made the case that Mr. McCain's approach to health care is based on voodoo economics — not the supply-side voodoo that claims that cutting taxes increases revenues (though Mr. McCain says that, too), but the equally foolish claim, refuted by all available evidence, that the magic of the marketplace can produce cheap health care for everyone.

As Mrs. Edwards pointed out, the McCain health plan would do nothing to prevent insurance companies from denying coverage to those, like her and Mr. McCain, who have pre-existing medical conditions.

The McCain campaign's response was condescending and dismissive — a statement that Mrs. Edwards doesn't understand the comprehensive nature of the senator's approach, which would harness "the power of competition to produce greater coverage for Americans," reducing costs so that even people with pre-existing conditions could afford care.

This is nonsense on multiple levels.

For one thing, even if you buy the premise that competition would reduce health care costs, the idea that it could cut costs enough to make insurance affordable for Americans with a history of cancer or other major diseases is sheer fantasy.

Beyond that, there's no reason to believe in these alleged cost reductions. Insurance companies do try to hold down "medical losses" — the industry's term for what happens when an insurer actually ends up having to honor its promises by paying a client's medical bills. But they don't do this by promoting cost-effective medical care.

Instead, they hold down costs by only covering healthy people, screening out those who need coverage the most — which was exactly the point Mrs. Edwards was making. They also deny as many claims as possible, forcing doctors and hospitals to spend large sums fighting to get paid.

And the international evidence on health care costs is overwhelming: the United States has the most privatized system, with the most market competition — and it also has by far the highest health care costs in the world.

Yet the McCain health plan — actually a set of bullet points on the campaign's Web site — is entirely based on blind faith that competition among private insurers will solve all problems.

I'd like to single out one of these bullet points in particular — the first substantive proposal Mr. McCain offers (the preceding entries are nothing but feel-good boilerplate).

As I've mentioned in past columns, the Veterans Health Administration is one of the few clear American success stories in the struggle to contain health care costs. Since it was reformed during the Clinton years, the V.A. has used the fact that it's an integrated system — a system that takes long-term responsibility for its clients' health — to deliver an impressive combination of high-quality care and low costs. It has also taken the lead in the use of information technology, which has both saved money and reduced medical errors.

Sure enough, Mr. McCain wants to privatize and, in effect, dismantle the V.A. Naturally, this destructive agenda comes wrapped in the flag: "America's veterans have fought for our freedom," says the McCain Web site. "We should give them freedom to choose to carry their V.A. dollars to a provider that gives them the timely care at high quality and in the best location."

That's a recipe for having healthy veterans drop out of the system, undermining its integrated nature and draining away resources.

Mr. McCain, then, is offering a completely wrongheaded approach to health care. But the way the campaign for the Democratic nomination has unfolded raises questions about how effective his eventual opponent will be in making that point.

Indeed, while Mrs. Edwards focused her criticism on Mr. McCain, she also made it clear that she prefers Hillary Clinton's approach — "Sen. Clinton's plan is a great plan" — to Barack Obama's. The Clinton plan closely resembles the plan for universal coverage that John Edwards laid out more than a year ago. By contrast, Mr. Obama offers a watered-down plan that falls short of universality, and it would have higher costs per person covered.

Worse yet, Mr. Obama attacked his Democratic rivals' health plans using conservative talking points about choice and the evil of having the government tell you what to do. That's going to make it hard — if he is the nominee — to refute Mr. McCain when he makes similar arguments on behalf of such things as privatizing veterans' care.

Still, health care ought to be a major issue in this campaign. I wonder if we'll have time to discuss it after we deal with more important subjects, like bowling and basketball.

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