

Health groups offer \$2 trillion in cost savings

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FILE - In this April 2, 2009 file photo, Senate Finance Committee Chairman Sen. Max Baucus, D-Mont., left, and the committee's ranking Republican Sen. Charles Grassley, R-Iowa, center, stand with then-Health and Human Services Secretary-designate, Kansas Gov. Kathleen Sebelius, on Capitol Hill in Washington prior to the start of the committee's confirmation hearing for Sebelius. Costs are emerging as the biggest obstacle for President Barack Obama's ambitious plan to provide health insurance for everybody. (AP Photo/Susan Walsh, FILE)

(AP) -- President Barack Obama's plan to provide medical insurance for all Americans took a big step toward becoming reality Sunday after leaders of the health care industry offered \$2 trillion in spending reductions over 10 years to help pay for the program.

Hospitals, insurance companies, drug makers and doctors planned to tell Obama on Monday they'll voluntarily slow their rate increases in coming

years in a move that government economists say would create breathing room to help provide health insurance to an estimated 50 million Americans who now go without it.

With this move, Obama picks up key private-sector allies that fought former President Bill Clinton's effort to overhaul health care. Although the offer from the industry groups doesn't resolve thorny details of a new [health care system](#), it does offer the prospect of freeing a large chunk of money to help pay for coverage. And it puts the private-sector groups in a good position to influence the bill Congress is writing.

Six major groups plan to deliver a letter to Obama and pledge to cut the growth rate for health care by 1.5 percentage points each year, senior administration officials said Sunday. They spoke on the condition of anonymity in order to sketch the offer before full details are revealed at a White House event scheduled for Monday.

Obama has offered an outline for overhauling the health care system, and he wants Congress to work out the details and pass legislation this year. His plan would build on the current system in which employers, government and individuals share responsibility for paying the cost and care is delivered privately. The government would play a stronger role by subsidizing coverage for many more people and spelling out stronger consumer protections.

"We cannot continue down the same dangerous road we've been traveling for so many years, with costs that are out of control, because reform is not a luxury that can be postponed, but a necessity that cannot wait," Obama said in prepared remarks the White House released Sunday. "That is why these groups are voluntarily coming together to make an unprecedented commitment."

The industry groups are trying to get on the administration bandwagon

for expanded coverage now in the hope they can steer Congress away from legislation that would restrict their profitability in future years.

Insurers, for example, want to avoid the creation of a government health plan that would directly compete with them to enroll middle-class workers and their families. Drug makers worry that in the future, new medications might have to pass a cost-benefit test before they can win approval. And hospitals and doctors are concerned the government could dictate what they get paid to care for any patient, not only the elderly and the poor.

Obama has courted industry and provider groups, inviting their representatives to the White House. There's a sense among some of the groups that now may be the best time to act before public opinion, fueled by anger over costs, turns against them.

It's unclear whether the proposed savings will prove decisive in pushing a health care overhaul through Congress. There's no detail on how the savings pledge would be enforced. And, critically, the promised savings in private health care costs would accrue to society as a whole, not just the federal government. That's a crucial distinction because specific federal savings are needed to help pay for the cost of expanding coverage.

Indeed, costs have emerged as the most serious obstacle to Obama's plan. The estimated federal costs range from \$1.2 trillion to \$1.5 trillion over 10 years, and so far Obama has only spelled out how to get about half of that. Administration officials would not say Sunday how much they think Obama's plan will ultimately cost, but they indicated they were confident it can be paid for.

A reduction of 1.5 percentage points a year in the rate of increase in costs may not sound like much, but administration officials said it

amounts to slowing the current 7 percent annual increase in costs by about one-fifth. That's significant when health care spending keeps running far ahead of inflation year after year.

They estimated, for instance, that five years from now, such private cost curbs could save a family of four an average of \$2,500 a year in health care costs.

Administration officials said they didn't expect all the saving strategies to be announced Monday, nor did they have access to specifics on how the groups reached their estimates and analysis.

But the initial reaction was positive.

"While serious questions remain about the details, AARP believes the agreement of providers to slow the skyrocketing cost of health care is critical for the health reform we are all working toward," said John Rother, policy director for the seniors' lobby. "Reducing the skyrocketing cost of health care is the only way to create a health care system that works for all Americans; after all, what good is access to a system that we can't afford?"

Ron Pollack, director of Families USA, a liberal group that supports coverage for all, said the health insurance industry came up with the target of a 1.5-percentage-point reduction. Karen Ignagni, president of the insurers trade group, America's Health Insurance Plans, took the idea to other major interest groups, said Pollack, who was familiar with the talks among the industry groups.

"If these cost savings are truly achievable, this may be the most significant development on the road to health care reform," said Pollack. "It would cut costs for families and businesses and enable subsidies to be offered so everyone has access to quality, affordable [health care](#)."

The groups include the American Medical Association, the American Hospital Association, the Service Employees International Union, the California Hospital Association and the Greater New York Hospital Association, which represents facilities in four states.

Obama's plan envisions that people would be able to keep the coverage they now have. Those working for big companies probably would not see major changes.

But the self-employed and those working for small businesses would be able to get coverage through a new kind of insurance purchasing pool. Called an "exchange," the pool would offer stable rates and predictable benefits. Plans in the exchange wouldn't be able to deny coverage to those who are sick and would have to follow other new consumer protection rules.

Lawmakers in Congress are generally following Obama's outline, but the Senate plan is likely to go further by requiring all Americans to carry health insurance, much as states now require motorists to carry auto coverage. Democrats hope to get legislation to the floor this summer.

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