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SUBJECT: HEALTH CARE

Gen - never do anything in Gramm's people we could send prep?

DEAR MS VERVEER:

IT MIGHT BE VERY HELPFUL IN THE HEALTH CARE DEBATE WITH SEN. GRAMM TO KNOW EXACTLY WHAT INSURANCE (IF ANY) DICKIE FLATT HAS FOR HIMSELF, HIS FAMILY, AND HIS EMPLOYEES.

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Prof. Gramm knew more than Sen. Gramm

By GARY HALTER

Halter is a professor of political science at Texas A&M University. He joined A&M's faculty 25 years ago, the same year that Phil Gramm joined.

MANY people do not know this, but before starting his public life representing the great state of Texas in the U.S. Ho of Representatives and now in the Senate, Phil Gramm was a professor of economics at Texas A&M University. (He was also a Democrat before he became a Republican, but that is another story.) I respected him then as a very able colleague, a competent scholar and prolific author on a diverse range of topics such as demand theory and the economics of mineral extraction.

Given my admiration for Professor Phil Gramm, I was sorely disappointed with Sen. Phil Gramm's entry into the debate on health-care reform. Sen. Gramm's plan encourages people to buy low-priced catastrophic health insurance and establishes medical savings accounts — a kind of IRA for health care — to meet all care s short of major hospital expenses. Employers might be asked to contribute to this account. At the end of each year, people could roll the remaining balance in the account into a regular IRA.

Sounds nice. Sounds simple. But Gramm's plan fails to address the shortcomings that plague our current system: Gramm's plan will not provide health security to all Americans; there is nothing in his plan to cut down on administrative waste or to simplify the system; and it does nothing to bring costs under control.

I asked myself, "How could an economist fail to that the soaring costs of health care hurt our competitiveness abroad and reduce job growth here at home? How could this champion of small business — the man who uses the 'Dickie Flatt test' to assess legislation — fail to understand that small businesses get the worst deal under the present health care system?"

The Gramm plan represents a radical departure from the current system's emphasis on shared responsibility between employers and employees, to one that places the entire responsibility for health care on individuals. Everyone should bear some responsibility for health care, but the Gramm plan takes this too far. His plan says that if someone does not purchase insurance, they can have their assets seized in order to cover the cost of care. This is patently unfair, since the plan does nothing to make insurance affordable and thus accessible for millions of Americans.

Gramm asks consumers to become "informed shoppers" in the health-care market place, and then throws them into the market without giving them any clout to bargain effectively with doctors, hospitals and insurance companies. In fact, our senator's plan does nothing to stop insurance companies from raising their prices whenever they want, on whomever they want.

Perhaps the biggest problem with our current health-care system is that 37 million people have no health insurance. They still receive care — mostly in emer :y rooms, the most expensive kind of health care — and the cost of this care ance in the form of higher premiums and $15 aspirin tablets. As an economist, Professor Gramm most certainly understood the concept of cost shifting and its implications for the rest of us; unfortunately, Sen. Gramm missed the lecture on this topic. By contrast, the plan that President Clinton presented to Congress this week guarantees everyone health-care coverage that can never be taken away.

Sen. Gramm's plan also fails to address the administrative waste in the system. Right now hospitals have to fill out 15 or more different forms for each patient. Given that there are 1,000 insurance companies — each with its own forms — it's not hard to see the bureaucratic nightmare with our current system and the costs it adds. Ultimately, these costs lower the quality of the care we receive. President Clinton's plan replaces all of this paper with a single claim form to cut waste and provides every American and legal resident with a health security card that guarantees them access to quality care.

If you were to ask a small-business owner like Dickie Flatt what he would change in the health-insurance market, he would tell you that small-business premiums are too high — often 35 percent higher than premiums paid by larger ployers. What's more, a large portion of small-business premiums go to paying administrative costs and not to providing health care to b ciaries. The president's plan is designed to bring costs under control for small businesses by allowing them to band together with other l businesses and consumers, thus giving them greater bargaining power and helping them lower costs. I think Flatt would like that kind of reform.

Medical IRAs encourage people to make health-care decisions. Since a person can ny remaining money in his account at the end of the year for any purpose, consumers have an tive to put off getting regular checkups and other preventive measures. President Clinton's plan, on the other hand, provides all Americans with a comprehensive benefit package that includes preventive care like physical examinations, pap smears and mammograms. By taking care of health problems before they get serious, we can keep costs down.

This is an historic time for our country. For once, Congress — Democrats and Republicans — and the White House favor reform of the nation's health-care system. Gramm's plan, unfortunately, is neither good economics nor good politics. His plan leaves me wondering what he learned in his years in Washington.

Explaining Gramm's plan

It's always good to hear from old colleagues like political science Professor Gary Halter ("Prof. Gramm knew more than Sen. Gramm," Editorial page, Oct. 29).

Throughout my career, I've tried to learn from my critics, and I've often benefited most from hostile articles. But from his article on my health plan, it's obvious that Halter never read the plan and hasn't the foggiest notion of what it's about.

Had Halter read the legislation, he surely wouldn't say that "there is nothing in (Gramm's) plan to cut down on administrative waste and simplify the system," because he'd have noticed the section "Enhance Efficiency Through Paperwork Reduction." Among other things, the Gramm plan envisions a total paperwork reduction of 75 percent.

Another sign that Halter hasn't read the plan is his complaining that it "places the entire responsibility for health care on individuals." Actually, my plan offers options:

First, you can keep your present insurance — something President Clinton's doesn't allow you to do — or you can take what you and your employer pay for health coverage and join a health maintenance organization or any other private health insurance arrangement. Finally, instead of spending the $4,500 a year that it costs to buy health insurance for the average family, you could buy a $3,000 deductible policy for $1,600 and put the remaining $2,900 that you are currently paying for health insurance into a Medical Savings Account. At year's end, anything unspent in the account would belong to you.

And what about Halter's assertion that "the plan does nothing to make insurance affordable and thus accessible for millions of Americans"? In reality, my plan provides for universal access to health insurance. It does this by making private insurance portable and permanent so you don't lose your insurance when you change jobs and it can't be canceled when you get sick. It also helps people with pre-existing conditions get coverage and provides assistance to low-income people in purchasing insurance.

Admittedly, not all of Halter's errors stem from his failure to read my plan. Some result from his failure to understand it. Thus, when he claims that my plan "does nothing to keep costs under control," he obviously doesn't understand that by making purchasers more cost-conscious, my plan would promote competition, which has never failed to cut costs.

Of course, Halter has every right to prefer the Clinton plan to mine. So do a lot of health-care activists. I can't help but notice, however, that like Halter, most of them seem to be doctors of political science, not doctors of medicine.

As for my old friend Dickie Flatt, I'm pleased to report that he, too, knows the difference between health care and politics, and didn't need to be a doctor of anything to figure out that expanded choice and price competition are better than government doling out health care.

Phil Gramm, U.S. senator, R-Texas

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