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Health care crisis demands bold action, not Band-Aids

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BY JON CORZINE

In New Jersey, we always like to be at the head of the class, tops in the nation, first in our fields. But the latest chart-topper we can call our own is the increase in our health insurance premiums. It's a first-place trophy we'd be better off without, and it's a distinction that underscores the fact that access to affordable and quality health care is perhaps the most critical domestic issue facing our country today.

The health care crisis is not getting better. Annual per family premium costs have increased at four times the rate at which family income has grown over the last four years. Since 2000, according to the Census Bureau, health care premiums in New Jersey have increased by \$3,113, an increase larger than in any other state.

And, according to the Congressional Budget Office, for every 1 percent increase in the cost of health care premiums, an additional 300,000 people become uninsured -- a fact that makes the cost increases even more troubling.

But, while premiums have increased by about 14 percent in the last year, the amount of benefits that health insurers paid out increased by about only 9 percent. So, you might ask, why did premiums increase so significantly? There are a few obvious reasons.

While it is true that we, as consumers, are demanding more expensive health care procedures and prescription drugs, some of the most significant growth in expenditures has come from increased administrative costs. In fact, according to a New England Journal of Medicine article published last year, 27 percent of the U.S. health care labor force is administrative staff. This is up from 18 percent in 1969.

This is not surprising given all the benefit options and insurance plans with which hospitals and other providers must contend when billing for payment. While health care providers are certainly quick to adapt to new medical technologies, the same does not appear to be true for administrative technology.

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For example, too many providers complete their billing to private plans and to Medicare and Medicaid manually. Creating automated systems could drastically improve administrative efficiency, and federal health programs should reward such innovation. Moreover, creating electronic medical record systems could drastically reduce administrative costs in the long term and significantly improve the quality of health care.

That is why I have joined with Sen. Edward Kennedy (D-Mass.) in introducing legislation to provide grant and loan assistance, as well as increased Medicare reimbursements, to providers implementing such electronic systems.

Certainly, however, administrative costs are not the only driver of increased health care expenses. Drug spending continues to increase by double digits each year.

The recently enacted Medicare prescription drug law is evidence of how costly drugs have become. The law, which I opposed because it was badly flawed, will cost the U.S. treasury \$534 billion over the next decade. Because the law prohibits the Medicare program from negotiating with pharmaceutical companies for lower drug prices, the cost of the program is likely to skyrocket as drug costs continue to escalate.

Despite its hefty price tag, seniors needing drug coverage will still have to pay a disproportionate share of their drug costs -- beneficiaries will have to pay \$3,600 to get \$5,100 in coverage. We should be able to provide more to seniors, and we can do it if we permit the Medicare program to use the leverage of its 40 million beneficiaries to negotiate for lower drug prices.

Unfortunately, the Bush administration's proposals for reducing health care costs fall far short of that goal. The president has proposed giving a \$1,000 to \$3,000 tax credit to low- to moderate-income individuals and families to help them pay their health insurance premiums. With the average cost of family coverage in New Jersey hovering around \$10,705, such a tax credit would hardly make a dent in this enormous cost.

Under the president's proposal, a family of three -- two adults and one child -- with an income of \$25,000 a year would qualify for a \$2,500 tax credit. This family would still have to spend \$8,205, or 32 percent of its income, to purchase coverage.

The health care crisis calls for broad proposals -- not Band-Aid solutions. Paltry tax credits will not help us reduce health care costs or provide insurance coverage to the 44 million Americans who lack it. We must recognize that access to affordable health care is a fundamental right.

Late last year, I introduced legislation that builds on successful programs, such as the Children's Health Insurance Program and the Federal Employees Health Benefits Program, to cover all Americans. Certainly, my legislation may not be the panacea, but now is the time for immediate, bold action to resolve this crisis.

Jon Corzine is a Democratic senator from New Jersey.

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