

## JAMA Forum — The Future of Health Care Becomes Clearer: The Obama Approach Wins

BY [DAVID CUTLER, PHD](#) on [NOVEMBER 7, 2012](#)

The 2012 Presidential race was the most important election for health care the country has ever experienced. In no other election has the repeal of a single law loomed as large as Romney's promise to rescind the Affordable Care Act (ACA). Only rarely have different approaches for health care been so starkly painted. Voters had no difficulty knowing where the candidates stood on health care, and they voted for the President's approach.



David Cutler, PhD

The important question is what this will mean going forward. In reality, there are 2 health care discussions. The election's outcome will affect each.

### **The Affordable Care Act**

The election will have a major effect on the ACA. The ACA always had 3 major hurdles to pass, and it has now passed all of them. First, it had to become law. It did so after protracted debate and by a thin margin. Second, the US Supreme Court had to decide that it was constitutional. That happened in June, again by a hair. Third, it had to survive the implicit recall election. That is what happened last night.

Many Republicans now realize that the ACA is finally settled. Sen Charles Grassley (R, Iowa), perhaps the leading Republican on health care, [noted](#), "I

Subscribe to  
[news@JAMA](mailto:news@JAMA)

Enter your email address to subscribe to this blog and receive notifications of new posts by email.

Join 1,423 other followers

[Sign me up!](#)

RSS



From JAMA

[Medical News](#)

[Media Coverage](#)

[JAMA Report Video](#)

[Audio Summaries](#)

Other News

[Curing Drug-Resistant Tuberculosis In Kids Takes Creativity](#)

[Post-Transplant and Off Drugs, HIV Patients Are Apparently Virus-Free](#)

[Nearly Half of Babies Have Flat Skull Spot](#)

[What Does Birth Cost? Hard to Tell](#)

would think that it's a foregone conclusion that if Obama is reelected, we're stuck with Obamacare whether we like it or not." Even Tea Party Republicans agree.

To be sure, the country has not completely come to terms with the ACA. Roughly half the population likes it, one-quarter wants complete repeal, and one-quarter wants partial repeal. But people have largely made their peace with it. Exit polls indicate that the economy, not health care, was the primary reason people chose one candidate over another. The public seems to be ready to give the law a chance to work.

The challenge now is implementation—an immense undertaking. There will be new sources of insurance coverage for patients and new payment systems for Medicare. There also will be fundamental challenges for state governments, which need to decide whether to take up the Medicaid expansion and whether to run an insurance exchange themselves or have the federal government do it. [As many as 20 to 30 governors](#) were awaiting the outcome of Tuesday's election before deciding what to do on these issues. The time for decision has come.

### The Long-Run Fiscal Situation

The United States has a long-run fiscal imbalance, and the next few years will be the time to address it. To a great extent, the fiscal imbalance is a result of rising health care costs. Federal health spending [is expected to](#) increase from 5% of gross domestic product (GDP) currently to 10% of GDP by 2035. By comparison, everything else in the budget is expected to decrease (including Social Security) in total. As noted economist [Herb Stein](#) once said, "If something cannot go on forever, it will stop."

Increased taxes are one way to address the fiscal situation. The split between Obama and Romney on taxes was as great as it was on health care: Obama favored raising taxes on high-income earners and Romney did not. Obama's victory settles this issue. Indeed, exit polls found that 6 in 10 people agreed that taxes should be increased.

But medical spending needs to decrease as well. Obama and Romney agree on this but differ on how. Romney's proposed approach—taken from the budget of returning Congressman Paul Ryan—was to turn Medicare into a premium support (née voucher) program and cut the voucher amount relative to the program's expected cost. Coupled with this are major reductions in Medicaid spending. Obama's approach is to keep the basic structure of those programs in place but to use payment and administrative policies to bring about efficiency savings by giving physicians financial incentives to treat patients less expensively, by providing states incentives to manage high-cost Medicaid beneficiaries more efficiently, and by getting insurers to reduce administrative costs and profits. The Obama approach is more trusting of physicians and health care institutions, but there is no guarantee of savings.

---

[Mom's Antibodies May Cause Some Autism](#)

---

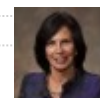
[Court Rejects Christian University Challenge to 'Obamacare'](#)

---

[Are Antibiotics On The Farm Risky Business?](#)

---

### Authors



---

### Previous Posts

[July 2013](#)

---

[June 2013](#)

---

[May 2013](#)

---

[April 2013](#)

---

Voters do not have firm views about which of these savings they prefer. They understand that medical costs need to fall, but they don't have a clear idea how to accomplish it. In this sense, they mirror many experts.

The gap between the Obama and Romney views of reducing health costs seems great, but it may not be as big as it seems. The ACA started the transition to payment change in Medicare. Many states have picked up the ball, including Arkansas, Massachusetts, and Oregon. They have been cheered on by Republicans (see [Gail Wilensky](#) and [Stuart Butler](#) in this Forum), as well as by Democrats. Moreover, there already are private plans in the Medicare program; the program allowing this could be better structured to enhance competition across alternatives (as argued more than a decade ago by left-of-center scholars [Henry Aaron and Robert Reischauer](#)). And Medicaid could easily grant states more freedom and incentives to manage their high-cost beneficiaries. If Republicans give up on their most extreme ideas (all seniors need to pay more for Medicare) and some Democrats give up on theirs (no change in Medicare is needed), there could well be an avenue for compromise.

After every election, the losing party needs to move from its positions more than the winning party. Thus, the health care ball is now firmly on the Republicans' side. If Republicans want to make progress on the federal budget, they will find many receptive Democrats. If they insist on continuing to fight the ACA or push for vouchers that harm large parts of the elderly population, the country can expect 4 more years of acrimony and a president committed to pushing them aside. This choice is as stark as the one that voters faced on Tuesday.

\*\*\*

**About the author:** David M. Cutler, PhD, is the Otto Eckstein Professor of Applied Economics in the Department of Economics and Kennedy School of Government at Harvard University and a member of the Institute of Medicine. He served on the Council of Economic Advisers and the National Economic Council during the Clinton Administration and was senior health care advisor to Barack Obama's presidential campaign.

**About The JAMA Forum:** To provide ongoing coverage throughout this election year, *JAMA* has assembled a team of leading scholars, including health economists, health policy experts, and legal scholars, to provide insight about the political aspects of health care. Each *JAMA* Forum entry expresses the opinions of the author but does not necessarily reflect the views or opinions of *JAMA*, the editorial staff, or the American Medical Association. More information is available [here](#) and [here](#).

Share this:



[March 2013](#)

[February 2013](#)

[January 2013](#)

[December 2012](#)

[November 2012](#)

[October 2012](#)

[September 2012](#)

[August 2012](#)

[July 2012](#)

[June 2012](#)

[May 2012](#)

[April 2012](#)

[March 2012](#)

[February 2012](#)

[January 2012](#)

[December 2011](#)

[November 2011](#)

[October 2011](#)

[September 2011](#)

[August 2011](#)

[July 2011](#)

[June 2011](#)

[May 2011](#)

[April 2011](#)

[March 2011](#)

[February 2011](#)

[January 2011](#)

« [JAMA Forum: With Some Big Questions Answered by the Election, What's Next for the Health Care Law?](#)

[JAMA Forum: End of the Threat to Obamacare? Not at All](#) »

© American Medical Association. All Rights Reserved.

Categories: [Caring for the Uninsured and Underinsured](#) , [Health Policy](#) , [The JAMA Forum](#)

Tags: [The JAMA Forum](#)