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THE FIRST WORD/

APPLAUSE FOR THE STRAW MAN

Who was the lone heckler who applauded the national-health-insurance straw man during George Bush's 1992 State of the Union address, earning a Presidential glare and taking some of the starch out of a call for reforming private health insurance?

The full, $20-to-30-billion-a-year plan has earned a good deal of criticism since its appearance in early February. Some have called it an obstacle to, rather than a step towards, comprehensive health-care insurance in the United States. Among other provisions, the plan would allow health-insurance tax breaks to low-income Americans who usually pay little or no taxes, and it would force the states into the health-insurance business while (perhaps) reducing their federal health-care aid. These provisions strike us as questionable.

Better, perhaps, would be a cap to malpractice awards.

The Bush measure would also require health insurers to renew coverage of any individual in a group, even those employees with pre-existing medical conditions. And this point threatens to bring us into accord with the lone rooter for national health insurance.

What will be the effects of biopharmaceuticals and molecular diagnostics on America's health-care economics?

Well (as the old jokes warn), there's good news and bad news.

The bad news is that molecular diagnostics will move the diagnostic decision point from clinical presentation to molecular prodrome to genetic predisposition. More and more of us will have to go to insurers, hat in hand, with "pre-existing conditions."

More bad news: It is the nature of competitive insurance companies to offer some customers price breaks and compensate by making others—those more prone to illness or accident—shoulder their "fair share" of their higher costs.

Still more bad news: Thus, the current system could ultimately present a child at birth with a neatly calculated bill for prospective costs of her or his probable illnesses, based on the child's genetic make-up and demographics. Health insurance will tend to move away from risk-sharing and towards a lifelong medical lay-away plan.

But there's good news: Comprehensive insurance would allow patients access to all approved treatments, including expensive pharmaceuticals. This is good news for consumers and biopharmaceutical makers alike.

Bad news: Drug-makers would face yet another layer of *de facto* regulation—the formulary—more concerned than ever before with cost-benefit analyses.

Good news: Most biopharmaceutical makers can cogently show that their products, while initially expensive, reduce overall course-of-treatment costs. When recovered productivity and improved quality of life are added to the cost-effectiveness equation, biotech wins hands-down.

Bad news: Healthier, longer-lived people may cost the health-care system more. (Some suppressed Congressional studies on smoking showed, we're told, that smokers—who tend to die young and quickly—are less of a health-care burden than are non-smokers, who live much longer and are more likely to develop long-term medical problems.)

Bad news: Drug makers would be selling to a single customer with enough clout to dictate prices.

More bad news: This would probably drive unit margins down.

Good news: Some biopharmaceutical manufacturers have already found it necessary to "self-insure" their own products—to guarantee availability to all patients regardless of their ability to pay. In a sense, biotech drugs now carry a burden no other product does, a burden comprehensive health insurance would ease.

Good news: Total sales potential is higher in a wider market, despite lower margins.

More good news: Some of the world's healthiest pharmaceutical makers flourish in countries that most tightly control health-care costs.

To restate Mr. Bush, then, there is indeed a choice here: We can continue to patch the current system, limiting our markets and, in essence, taxing people for their phenotypes; or we can spread the risk in the only meaningful way—over the entire population, changing the therapeutic emphasis in the process from late intervention to early prevention and saving a bundle.

—**Douglas McCormick**