

Medical, Hospital Costs Soar To Record Highs

WASHINGTON -- Medical costs are soaring.

Hospital prices across the nation went up 22 per cent in 1967. Doctors' fees rose 5.1 per cent.

By contrast, the Consumer Price index shows a general cost-of-living increase in 1967 of only 3.3 per cent.

Rising prices mean bigger bills for the government as well as for individuals. In fact, the government now pays for one-third of all the days of patient care in general hospitals under the medicare and medicaid programs.

Government expenditures under these two programs—one for the elderly, the other for the needy—were expected to top \$6 billion this year.

MEMBERS OF CONGRESS and administration officials are becoming increasingly concerned.

A Senate subcommittee under Abraham A. Ribicoff, D-Conn., plans an investigation of rising medical costs and what can be done about them beginning the end of April.

President Johnson, in his State of the Union message, promised he would take steps to "stem the rising costs of medical care."

The American Hospital Association anticipates a 15 per cent increase in hospital charges in 1968 and for the next several years.

A MAJOR FACTOR pushing up these costs is higher wages. Hospital workers, who traditionally have been low paid and low skilled, were brought under the minimum wage law for the first time in 1967.

Major nurses' strikes across the country resulted in big pay raises for nurses and in turn tended to pull up wages of other hospital employees.

New, specialized equipment and higher standards of care are also raising hospital prices. And private health insurance, which usually covers only hospital expenses, encourages many patients to use hospitals although the care they need could be provided much less expensively in nursing homes, outpatient clinics and doctors' offices.

STILL ANOTHER FACTOR boosting hospital costs is that there are no real economic incentives for hospitals to reduce costs. They are not in a competitive business, and a person who is sick has no choice but to pay what they charge.

The year that Medicare went into effect, 1966, doctors' fees went up 7.8 per cent. Many physicians who had formerly charged elderly patients less than their usual fee started charging the full rate since the government was paying for it. The 1966 rise was more than twice as great as in 1965. In addition, doctors were responding to the generally higher cost of living.

Drug prices have been going up too, although not as fast as many medical costs. The cost of drugs went up 2.4 per cent in 1966. Government officials consider that many of the brand-name drugs are overpriced, and costs could be reduced.

THE MAIN THRUST of the President's proposals would be to change the way the government reimburses hospitals and doctors for Medicare and Medicaid patients.

The President asked the Department of Health, Education and Welfare (HEW) to begin experimenting with new ways of reimbursing doctors, hospitals and other medical care institutions in a way that would provide incentives for reducing costs.

Administration officials have suggested that hospitals should be allowed to share any savings in cost with the government. Under existing law, which limits reimbursement to actual costs, all savings must be passed on to the government, thus

providing no incentive for hospitals to be more efficient.

The government is also stepping up its research into methods of providing health care more efficiently.

A National Center for Health Services Research and Development is being set up in

the HEW Department to support investigations and experiments in improving health services.

Rep. Harley O. Staggers, D-W. Va., chairman of the House committee which handles health matters, said last September that the health services were

"America's third largest industry," with expenditures of over \$43 billion a year.

But, he noted, the federal government spends less than 0.1 per cent of total health expenditures of over \$43 billion on research into improved methods of delivering

services.

PRESIDENT JOHNSON asked Congress for authority to change the existing method of payment for drugs under the Medicare and Medicaid programs to reduce costs.

The President proposed to establish a "reasonable cost

range" for drugs paid for by the government under these programs. Administration officials say the effect of the cost range would be two-fold.

It would eliminate the highest cost drugs when the same drugs were available at lower cost. And it would also eliminate the

lowest cost, substandard drugs.

Although the President's proposals for slowing the rise in health costs are directed mainly toward federal programs, administration officials believe that private individuals also will reap the benefits.

More efficient hospitals will

mean savings for all hospital users. And administration officials say that if physicians become accustomed to prescribing less expensive brands of drugs for their medicare and medicaid patients, they will also prescribe them for their private patients.

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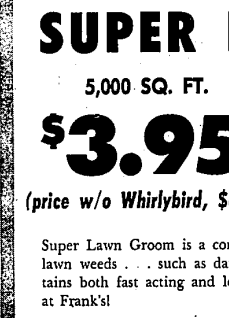
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Byron J. Nichols, vice president-marketing staff, Chrysler Corp., has been appointed general chairman for the 1968 Future Unlimited Celebration of Junior Achievement of Southeastern Michigan. The awards convocation, scheduled for May 9 at Masonic Temple, Detroit, is expected to draw some 4,000 teenagers and J. A. supporters.