

REINHARDT: GRUBER'S SIMULATIONS BETTER THAN PRIVATE SECTOR ONES

After I learned that Jonathan Gruber—one of the biggest pitchmen for the Administration's health care reform—had also gotten a significant sole source contract from HHS, I wanted to get a sense of how sound the justification for the sole source on it was. I asked Dr. Uwe Reinhardt about the contract. Reinhardt, a professor at Princeton, has himself testified on health care financing to Congress. And he has been critical of the whole hocus pocus that lies at the heart of the excise tax proposal.

"The consumer-directed-health-care crowd argues that with high cost-sharing, patients will do the only legitimate . . . cost-benefit calculus – but that surely is nonsense," said Princeton economist Uwe Reinhardt. "None of these proponents has ever shown that patients are even capable of evaluating the clinical merits" of treatment options.

That said, Reinhardt does vouch for the quality of Gruber's simulations. When I asked him whether he could have applied for this contract (given that he, like Gruber, is an acknowledged expert in the financing of health care), he said,

If I had constructed as a sophisticated a simulation model for health reform as has Jon Gruber, I certainly would have been in the running for a competitive bid. But there are not many sophisticated models of this sort around.

Gruber is one of the brightest young health economists (and public-finance

specialists) in the field. He thinks and writes twice as fast as most of his peers (although David Cutler at Harvard comes to mind as well). So I am sure that, too, weighed in his favor with this contract. Just have a look at his textbook in Public Finance to get a feel for the man.

All simulation models suffer from the fact that their predictions are a function of a series of assumptions that must be fed into the models. I certainly would trust one of Gruber's simulations more than those produced for much higher fees for trade associations.

Mind you, that doesn't excuse Gruber's disclosure lapses, nor does it recommend having the top pitchman for a policy also be the guy running simulations to see how it'll turn out. But at least according to Reinhardt, we're not going to get better simulations than we're getting from Gruber.