

Obama Versus Obamacare

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Joseph E. Stiglitz

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Contrary to critics' warnings, "Obamacare" in the US has not pushed up health-care costs. But, by driving out competition from manufacturers of low-cost generic drugs, the Obama administration's emerging trade agreement with India could.

NEW YORK – The US Patient Protection and Affordable Care Act, President Barack Obama's signature 2010 health-care reform, has succeeded in extending insurance coverage to millions of Americans who would not otherwise have it. And, contrary to critics' warnings, it has not pushed up health-care costs; in fact, there is some hope that the cost curve may finally be bending downward.

But whether "Obamacare" succeeds in curbing excessively high health-care costs is not assured. That will depend on the Obama administration's other policies, particularly in an area that might seem unrelated: the United States' ongoing discussions with India over intellectual property. And here, Obama appears determined to undermine his own signature reform, owing to pressure from the powerful US pharmaceutical lobby.

Pharmaceutical costs account for an increasingly large component of US health-care spending. Indeed, outlays for prescription drugs, as a share of GDP, have nearly tripled in just 20 years. Lowering health-care costs thus requires greater competition in the pharmaceutical industry – and that means allowing the manufacture and distribution of generic drugs. Instead, the Obama administration is seeking a trade deal with India that would weaken competition from generics, thereby making lifesaving drugs unaffordable for billions of people – in India and elsewhere. This is not an unintended consequence of an otherwise well-intentioned policy; it is the explicit goal of US trade policy.

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