Policy and Politics

The road to value in our systems

Wisconsin Legislators and Staff
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Summary of Discussion

1. Our Health System
2. Role of Government
3. Role of Politics
4. Heirs to a Tradition
1. Our Health System
The United States has always enjoyed a healthcare system different from all other countries.
Healthcare Spending Per Capita
Adjusted for Differences in Cost of Living

Source: OECD Health Data, 2005
U.S. Healthcare Expenditures

In billions of dollars

Source: Centers for Medicare and Medicaid Services, Office of the Actuary, 2006
The Affordability Problem
Cumulative changes in health insurance premiums, overall inflation and workers’ earnings; 2000-2006

Source: Kaiser Family Foundation/HRET Survey of Employer-Sponsored Health Benefits, and others
Why?

“The American system developed under the shaping influence of incentives for private decision makers to expand and intensify medical services.”

- Paul Starr, The Logic of Health Care Reform, 1994
"You may believe you’ve been overcharged, but, remember, you’re overmedicated."

The New Yorker, October 27, 2003
Medical Arms Race Syndrome (MARS)

The USA is in the middle of the biggest hospital-construction boom in a half-century, a development expected to increase the use of high-tech medicine and add fuel to rising health care costs.

-USA Today; January 3, 2006
The Best Health Care System in the World
Health Care Non-System

- Highly fragmented system/cottage industry
- Lacks even rudimentary information systems
- Unnecessary duplication
- Long wait times and delays
- Overuse of services
- Services delivered where the risk of harm outweighs the benefits
- Lacks “value” orientation

- Institute of Medicine 2001
  “Crossing the Quality Chasm”
Paradox

We spend $2.16 trillion a year, but...

- Patient safety
- Employee safety
- Quality disparity
- Practice disparity
- Access disparity
- Chronic illness prevention
- Medical liability
- 17 years from discovery to practice
- Professions education/”the guild”
- Capacity/productivity
- Obesity
- 3% GDP-transaction costs
- 44 million uninsured
2. Role of Government
National health policy goals

- Healthy people
- Healthy communities
- Housing
- Environment

- Medical/supportive services – U.S.
State Government
Regulation of Markets

State-legislated medical monopoly
- Increase demand
- Enable highest possible price
- Increase price of substitutes
- Limit entry and information
- Advertising prohibitions
- Solo practice –vs- group practice

State-legislated insurance market
National Government Subsidizes Services and Access

• Hospitals (Hill-Burton: non-profit)
• Clinical - Medicare and Medicaid
• Research - NIH and tax deductions
• Education – capitation, cross subsidies and Medicare IME/DSH
• Insurance - tax free, employer paid health premiums
• Direct provision of care: Veterans Administration, Public Health Service, Indian Health Service, Department of Defense
Creates Market Dysfunction

- **Quality** = Doctor knows best
- **Cost** = Insurance indemnity
- **Accountability** = what you do, not how well you do; more is better, price = quality
- **Price** = reflects cost, plus the cost of the uninsured, medical education, research and inefficiency
- **Information** = Doctors only
- **Consumer Choice** of doctors, not services
- **Unhealthy people**; unhealthy expectations
Federalism

States as laboratories of change

• Universal Coverage – Hawaii, et al
• HMO and Co-op – Minnesota
• Change how we pay – NJ and MD
• Tobacco suit – MN
• Physician leadership – WI
• Mental health and developmental disabilities - MN
Federalism

National Government Silver Bullets

- Kennedy – Johnson – Nixon – Clinton (UC)
- Supply regulation (CON, HSAs)
- Reagan’s new federalism (state swaps)
- Price regulation (DRG, RBRVS)
- Managed care and competition
- Consumer-driven health care
Next New Federalism

• National rules – local markets – private contracts
• National income security policy
• National research, safety and efficacy
• States’ role in health and human services
National Government

Economy – Jobs – Earnings

Tax Policy

Insurance

Social Insurance

Public Assistance

State and Local Government
3. Role of Politics
Medicare Catastrophic Coverage Act of 1988
Pepper Commission 1990

➢ Need for long-term care as insurable event:
  ➢ Combine private and social insurance
  ➢ Leave Medicaid to the states (11-4 vote)

➢ Medical care
  ➢ Costs –vs- quality
  ➢ Mandate employers to play or pay (8-7 vote)

Claude Pepper, for whom the Commission was named
Efforts at reform

“I’ll veto any bill you send me that doesn’t guarantee health insurance.”

- Former President Bill Clinton
“And for the millions of other Americans who have no health insurance at all, this deduction would help put a basic private health insurance plan within their reach.

Changing the tax code is a vital and necessary step to making health care affordable for more Americans.”

President George W. Bush
State of the Union address, Jan. 23, 2007
Medicare Modernization Act 2003

- Pt. B: Income-related premium financing
- Part C: Medicare Advantage -vs- Single Payer
- Part D: Prescription Drugs
- Social Security Privatization
- Consumer Driven Health Care (HSAs)
“When insurance costs for a majority of people reach a certain level, politics demands a shift of costs burden to medical consumers.”

- Pete Benner, former executive director, Minnesota State Employee Union (AFSCME)

**PROBLEM:**

- 20% total cost
- 80% of people
- 80% of total cost
- % of Healthcare Expenditures

![Graph showing the distribution of healthcare expenditures and the percentage of people and cost.](chart.png)
HERE... YOU TAKE THE WHEEL. TRY NOT TO MESS THINGS UP.
4. We are Heirs to a Tradition
Minnesota Citizens Forum
February, 2004

Healthy People, Healthy Communities, Healthy System
Minnesota Citizens Forum
Seven (7) Principles

• Put Minnesotans in the driver’s seat
• Fully disclose costs and quality
• Reduce costs through better quality
• Incentives to encourage health
• Universal participation
• New models of healthcare education
• Overhead and administration
EXHIBIT 1
Relationship Between Quality And Medicare Spending, As Expressed By Overall Quality Ranking, 2000–2001

Overall quality ranking

1

11

21

31

41

51

Annual Medicare spending per beneficiary (dollars)

Source: Health Affairs; April 2004
“If every Medicare beneficiary in the United States received the quality of care at the cost to Medicare here in Minnesota, we would extend the life of the Medicare program by nearly 100 years.”

- Uwe Reinhardt, PhD; Health Economist, Princeton University
Tradition of quality through HMOs and other efforts
Wisconsin Efforts

Wisconsin Collaborative for Healthcare Quality (WCHQ)
“We measure progress in health care reform by access to insurance, quality of care delivered, and cost containment. It’s not just about providing access to a broken system. All three need to be addressed.”

Gov. Tim Pawlenty (R-MN)

“It’s easier to buy insurance for the 7% uninsured in Minnesota than it is to assure the 93% with insurance that they get their money’s worth.”

Minnesota Representative Tom Huntley (DFL) 07A
“By ensuring every child has health insurance, expanding health coverage to more adults, and making health care premiums tax free, we will make Wisconsin America’s health care leader.”

“By making health care more affordable and insuring more of our citizens (98%), we can lower the cost of insurance for all of us.”
“It’s an income security problem. If looking at social security, look at Medicare, Medicaid and tax policy all together.”

- Former Congressman Bill Thomas (R-CA); Chairman, House Ways and Means Committee
National Institute of Health Policy (NIHP)
“Americans always do what is right, but only after trying everything else.”

- Winston Churchill
Thank you.

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