

Miracle or Mirage? Health Care Reform & the 2008 Election

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Cycle of U.S. Health Reform 1970-2008

- Discover Crisis in Health Care System
- Identify and Debate Solutions
- Do Nothing or Not Much
- Ignore Issue
- Rediscover Crisis in Health Care System

Roadmap

- I. Health Reform & the Election
- II. After the Election?

I. Health Reform & The Election



Health Reform Fever

Contracted by otherwise politically healthy American adults every 10-20 years.
Symptoms include delusional belief that health reform is inevitable or just around the corner, and misplaced faith in the American political process. Only known **cure** is a harsh dose of political reality, to be applied repeatedly to prevent relapse.

Candidates' Reform Plans



Attention All U.S. Voters: Read These Plans at Your Own Risk. Plans May Change Without Notice When Candidate Enters the White House.

Obama Plan

- Modified “Play or Pay” Employer Mandate (small business exemption+subsidies)
- National Health Insurance Exchange (subsidized coverage)
- Regulation of Insurance Industry
- Reinsurance

Obama Plan

- New Public Insurance Program
- Expand SCHIP+Medicaid
- Individual Mandate for Children
- Universal Access to Insurance
- Financing: Repeal Tax Cuts for Those Making over \$250,000

The Obama Plan: Strengths, Weaknesses, Questions

- Would substantially expand insurance coverage (though not universal)
- Insurance pooling, regulation, and new public plan help solve problems uninsured have in accessing coverage
- Is building on ESI the right move?
- How extensive are subsidies and benefits?
- What about small business exemption?
- Play or Pay: Where is quit tax set and how much enrollment does national health plan get? Adverse selection?
- Lacks financing (\$100+ billion price-tag)

McCain Health Plan

- Eliminate Tax Exclusion for Employer-sponsored Insurance (for income but not payroll taxes)
- Refundable Tax Credits (\$2500 and \$5000)
- Encourage Individual Purchase of Insurance
- Medicare Payment Reform (and spending cuts)
- Deregulate Insurance Market (Insurers Can Sell Across State Lines)
- Expand Health Savings Accounts
- Guaranteed Access Plan (High Risk Pool)

The McCain Plan: Strengths, Weaknesses, Questions

- Refundable tax credit will help some of the uninsured and is fairer than exclusion
- Encourages portability
- Has some financing (though not budget neutral)
- Won't cover most of the uninsured, value of credit erodes over time
- How many employers will drop coverage? What will happen to existing risk pools?
- Builds on deeply flawed individual insurance market without reforming it
- How effective will high-risk pool be in covering the medically uninsurable?

Common Ground on Cost Control

- Disease Management
- Coordination of Chronic Care
- Electronic Medical Records
- **Pay** for Performance
- Prevention

Faith-Based Cost Control: Lewin/CMWF "Bending the Curve" Estimates

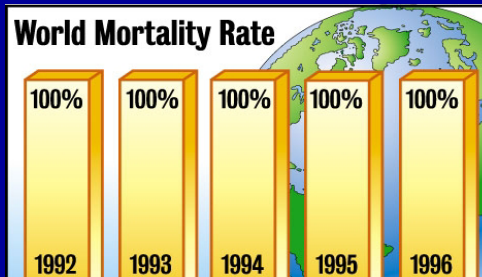
Exhibit ES-1. Policy Options and Net Cumulative Impact on National Health Expenditures over One, Five, and 10 Years

	One-Year Impact on NHE (billions)	Cumulative Five-Year Impact on NHE (billions)	Cumulative 10-Year Impact on NHE (billions)
Providing and Using Better Information			
1. Promoting Health Information Technology	\$0	-\$14	-\$69
2. Center for Medical Effectiveness and Health Care Decision Making	-\$16	-\$125	-\$249
3. Patient Shared Decision Making	-\$1	-\$4	-\$9
Preventing Health and Disease			
4. Public Health: Reducing Tobacco Use	+\$5	+\$54	+\$111
5. Public Health: Reducing Obesity	-\$2	-\$11	-\$22
6. Positive Incentives for Health	\$0	-\$5	-\$10
Aligning Incentives with Quality and Efficiency			
7. Hospital Pay for Performance	-\$2	-\$14	-\$34
8. Episode-of-Care Payment	-\$17	-\$90	-\$220
9. Strengthening Primary Care and Care Coordination	-\$5	-\$30	-\$164
10. Limit Federal Tax Exemptions for Premium Contributions	-\$10	-\$55	-\$121
Correcting Price Signals in the Health Care Market			
11. Root Out Incentives for Medicare Advantage Plans	-\$3	-\$20	-\$40
12. Competitive Bidding	-\$7	-\$42	-\$114
13. Negotiated Prescription Drug Prices	-\$3	-\$16	-\$43
14. All-Payer Provider Payment Methods and Rates	\$2	-\$23	-\$122
15. Limit Payment Updates in High-Cost Areas	-\$4	-\$43	-\$118

Note: A negative number indicates spending decreases compared with projected expenditures (i.e., savings); a positive number indicates spending increases.

Source: Commonwealth Fund, December 2007

The Limits of Prevention *The Onion* January 22, 1997



Political Challenges

Democrats

- Employer "play or pay" mandate
- Enact new Medicare-like government plan
- Regulate insurers
- Establish purchasing pools
- Raise taxes to cover the uninsured

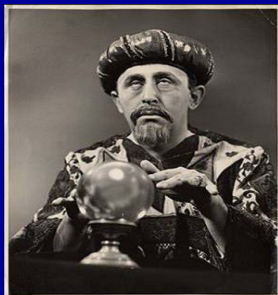
Republicans

- Tax health insurance benefits
- Move away from employer-sponsored insurance
- Convince people they currently have too much insurance

More Obstacles to Reform

- Stakeholder Opposition
- Ideological & Partisan Divide (CHIP)
- Agenda Competition
- Budget Deficit & PAYGO
- How Do We Pay for Expanding Coverage?

II. What Happens to Health Reform After the Election?



On the Verge of History?

"It will take a few more years, but the handwriting is on the wall; this time, reform cannot be avoided."

Arnold Relman, Feb 21, 2008, *NEJM*

What's Different This Time? The Optimists' Case for a Miracle

- Problems Are Worse
- Reformers Are Smarter
- Business Role
- Signs of Bipartisanship



Ron Wyden



Bob Bennett



Steve Burd

Or Is This Just Another Mirage?

"We must develop a national health program...for all areas of the country and all groups of our people."
Harry Truman, 1947

"Good health care should be readily available to all our citizens...I am announcing a national health insurance program." **Richard Nixon, 1971**

"It is time for a nationwide comprehensive health program for all our people." **Jimmy Carter, 1976**

"Let us agree on this...before the Congress finishes its work next year, you will pass, and I will sign, legislation to guarantee [health]security to every citizen." **Bill Clinton, 1993**

Lessons We Should Have Learned from the Clinton Plan's Demise

- Partisan Majorities Don't Guarantee Success in Congress, and 60 Votes is a High Hurdle
- Consensus on a Problem Does Not Imply Consensus on a Solution
- Universal Coverage is Really Hard; Real Cost Control is Even Harder
- The Status Quo is Powerful—and Sustainable
- There is Nothing Inevitable About Health Reform

Congressional Balance of Power

- 2008 House: Dems 236, Reps 199
- 2008 Senate: Dems 51, Reps 49
- 2009 House: Dems + 10-20?
- 2009 Senate: Dems + 4-9?

But Remember 1993:

Bill Clinton had Democratic majorities in the House of 258-176 in the House, 57-43 in the Senate

SCHIP Reauthorization: Start of Something Big or That's All?



Still, Improbable Does Not Mean Impossible

