

Health Care, Guaranteed?

Is Past Political Performance  
A Guarantee of  
Disappointing Future Results?

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# Assessing the Latest Master Plan for Health Reform

- Simple Answers, Not Simple Solutions
- There Must Be a Pony in that Room
- Pointing to Problems, Assuming Solutions
- A Plan at War with Itself
- Overshooting the Landing Strip
- Downscaling to the Achievable & Essential
- Three Paths Ahead

# Simple Answers, Not Simple Solutions

- Core problems

Managed competition recycled

Rule by experts, “beyond politics”

Got a problem, assume a center

Comparative effectiveness (theory) vs.  
comparative performance (practice)

Financing constraints (VAT)

Cost containment – who, how, why?

Playing with numbers

# But There Must Be a Pony in the Room, Somewhere

Strengths in critiquing competitors:

- Single-payer

- Individual mandates

- Income-related subsidies

Overriding need to coordinate care

Structure, not bad actors

Redirecting incentives (at which margin?)

False savings in public programs

Education vs. health

# Pointing to Problems, Assuming Solutions

- Redrawing bureaucratic boxes
- Coordinating care w/o care coordinators
- Developing innovative info infrastructure
- First, take everyone hostage....
- Private-sector puppetry

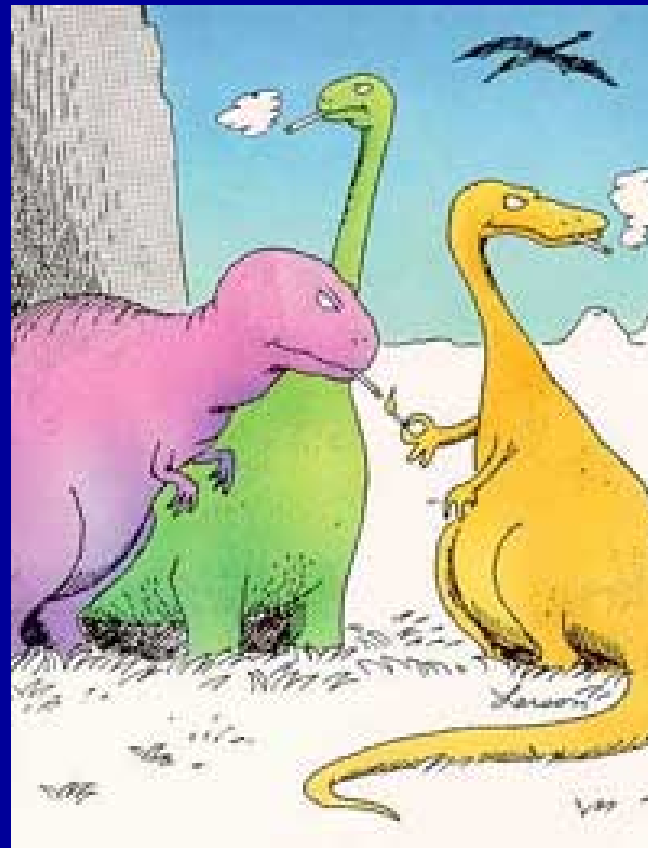
# A Plan at War with Itself

- Administrative costs recycled & reformed?
- Informed consent (medical, not political)
- Managed “choice”
- Ceilings & floors
- More vs. better (facilitating tradeoffs)

# Overshooting the Landing Strip

- Promising coverage to all -- more generous than Medicare & 85 percent PHI
- “The peace of mind engendered by this safety net is beyond economic analysis. It is ‘priceless’.”
- High-quality care vs. high-value care
- Devil’s in the details, God’s in the essentials
- No choice to buy LESS
- Job lock, job turnover

# Downscaling to Achievable & Essential



# Post-Election Bandwidth Constraints

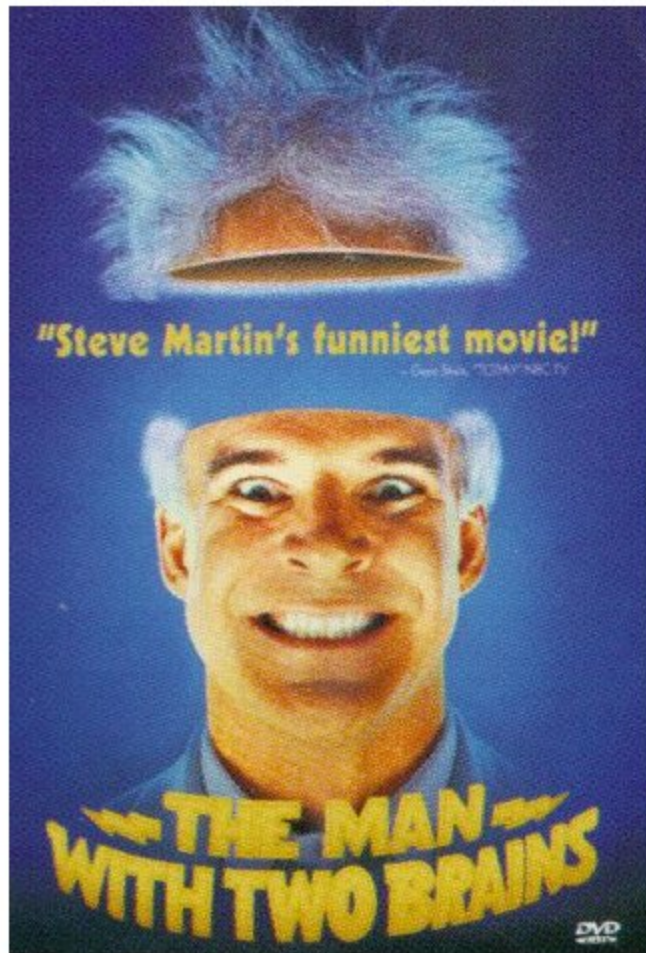
- Economy
- Budget
- Mandates
- Policy priorities, second-term deferral
- Institutional inertia

# Mandate for ???

- Campaign legacy -- reinforced status quo
- Taking ownership of embedded liabilities
- Hill-driven reform, over learning 1993 lessons
- One-time overreach vs. setting the stage
- Flying into headwinds

# Potholes in the Road to Coverage Expansion

- Let's hang on, to what we've got
- Ceilings & floors
- Why need to mandate?
- Can't make up your losses on volume
- Oops, brother can you spare me \$700B+?



# Inherent Limits & Contradictions

- Medicare's leverage vs. FFS structure
- Disruption vs. reinsurance
- Customize vs. standardize
- Shallow public opinion; Fed govt "incompetence"
- WTP – individual vs. collective
- Trusted intermediaries?
- Early interventions vs. installed base
- Coordinated care vs. current infrastructure

# Three Paths

- Enact half-dozen items sequentially
- Big Bang that busts
- Big Bang that busts us

# Most Likely to Move

- SCHIP expansion
- Part B SGR fix
- Shrinking, not killing, MA
- Part D drugs - Medicaid rebates
- Comparative effectiveness shell
- HIT mandates & subsidies
- Biosimilars pathway

# Not Gonna Do It (first two years)

- Universal coverage, individ mandate
- Real Medicare entitlement reform (yet)
- Restructuring tax subsidies for health (yet)
- Reforms that pay for themselves
- Encourage innovation
- Avoid refighting the last health policy war

# Semi-Optimistic Predictive Modeling (2-5 years out)

- Medicare debate returns, dominates
- More coverage (thinner, not universal, less ESI)
- Closing the value gap
- Outcome-based performance measurement
- More medical provider accountability
- Insurers' paths: political subcontractors or consumer agents
- Decentralized investments in health
- Blame the irresponsible

# A Crowded Health Policy Menu

- SCHIP expansion
- Medicare physician fee fix
- MA rollback
- Medicaid FMAP boost (temporary?)
- Part D drug rebates, direct negotiation
- Health IT
- Comparative effectiveness
- Follow on biologics
- P4?
- Others (patents, drug reimport, fin disclosure)
- Lessers (workforce, public health, card check)

# Strongest Factors

- Whatever costs fewer budget \$\$  
(regulation, scorable offsets, seeds of change)
- CBO options report
- Kennedy blitzkrieg?
- Keeping the legislative train moving
- Medicare reimbursement
- Blaming the past, raiding the future

# Lasik Treatment for Health Reform Myopia

- Closing the value gap
- The limits of ESI
- Realigning the public/private balance
- Stronger incentives & tools for better health
- Targeting hard cases w/o open ended \$\$
- Better regulation, not more regulation

# Closing the Value Gap

- Information & Incentives
- Sharing data
- Measure what matters
- CE that reports; you decide
- P4V differentials
- Medicare leads & leverages
- Providers, patients, & payors
- Choice with accountability

# Realigning the Public/Private Balance

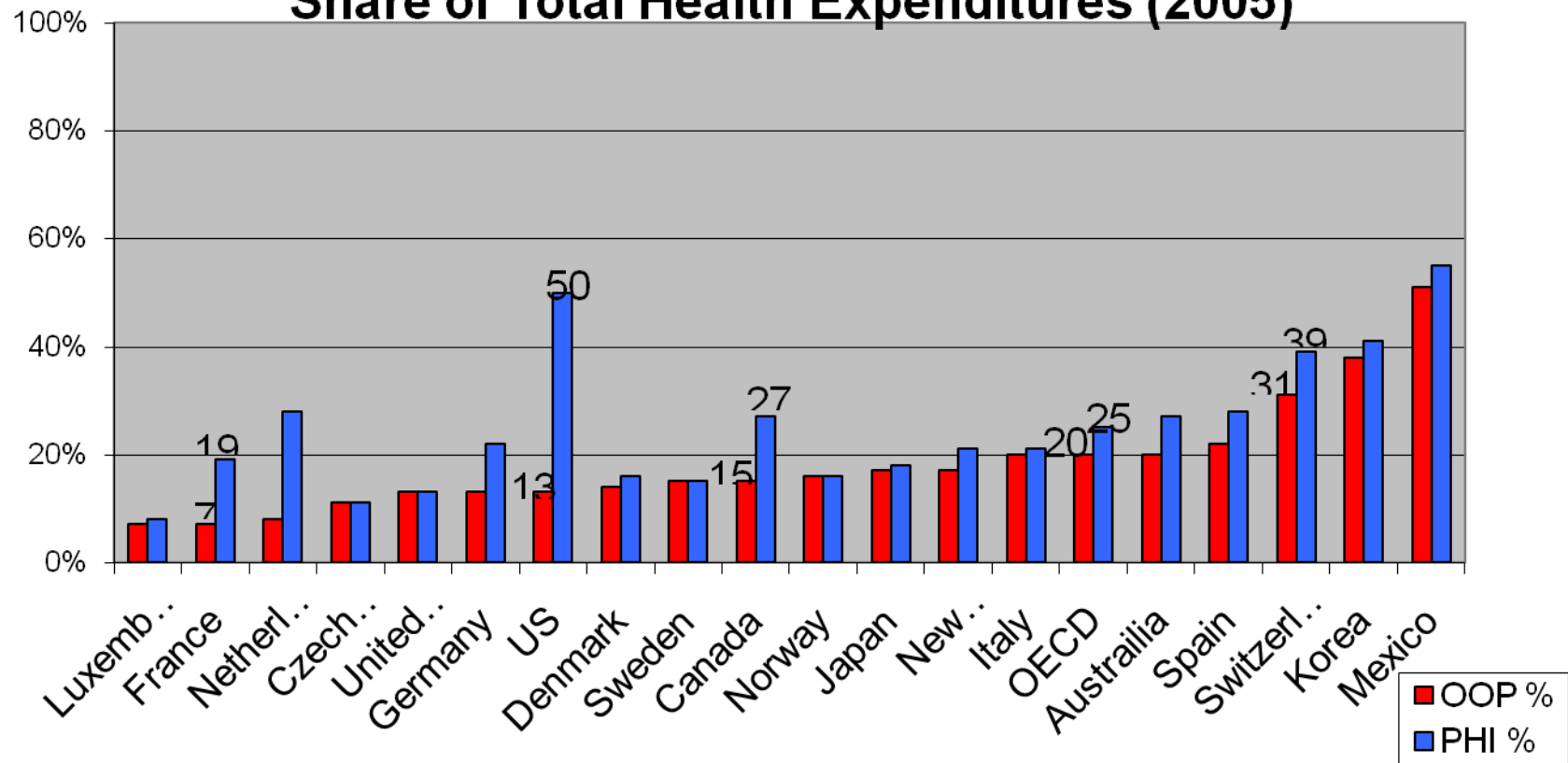
- Paying for results w/o dictating methods
- Modernizing public programs within WTP
- Affordability trumps comprehensiveness
- Insurers' identity crisis: price-taking subs or market making agents for differentiated value
- Rules for pools
- Incentives vs. mandates

# Stronger Incentives

- Differential payments (absolute & relative levels)
- Smarter cost sharing
- Targeted for health behavior
- Expanding the tool kit (time horizon, scope)
- Financial penalties vs. mandates

# The Terrible Plight of the Overinsured

## Out-of-Pocket & Private Health Insurance Spending Share of Total Health Expenditures (2005)



# Targeting & Retargeting

- Everyone can't pay for everyone else
- Thinner coverage; value-driven
- Investing in next generation

# Real Markets for Real Choices

- Finding better value & real costs of care
- Premiums reflect claims costs
- Measure better, change incentives to:
  - Spend smarter, treat smarter
- Develop different delivery systems
- Better health outcomes is goal, not more health services

# Real Markets for Real Choices

- Reduce future demand trajectory
- Need stronger tools than insurance expansion, and current medical services delivery, to improve population health
- Changing time horizons
- Education, early childhood, decision support, navigational assistance