Reforming health care

For savings to happen later, investment is needed now

Real reform or expensive entitlement expansion?

By Judy Feder
Kaiser Health News

After decades of effort, the enactment of universal health insurance coverage is actually in sight. Its absence has cost us – as individuals and as a nation – a fortune, as the recent report from President Barack Obama's Council of Economic Advisers reminds us. Affordable health-care coverage for everyone is critical to long-run fiscal stability and to the economic and health well-being of the American people.

But achieving universal coverage – and the cost containment and improved quality of care that reform will deliver – poses a political paradox and a huge hurdle: If the purpose of health reform is to spend less on health care, how can we possibly spend more to achieve it?

There's no question that we spend more than we have to on health care, with a third of annual spending, or roughly $700 billion, going toward services not known to improve health. And there's no question that we have to spend less. Industry leaders confirm Harvard economist's David Cutler's proposition that the nation could save $2 trillion over 10 years – if the health-care sector managed to rack up the kind of productivity gains achieved by other industries.

Health-reform legislation, however, cannot simply assume these savings will occur. Congress must include specific policies to ensure that they are realized. These include compelling insurers to compete on efficiency and quality through insurance exchanges and a public plan, and Medicare payment changes that replace fee-for-service, which promotes procedures rather than real service, with a performance approach that rewards services that improve health.

Investing in comparative effectiveness research will help identify which services are most beneficial, while health information technology, the infrastructure for payment reform, will hold providers accountable for improving care.

Health-care providers and insurers have demonstrated in the past how readily they respond to new incentives. Remember the rapid reduction of hospital lengths-of-stay in the 1980s and the HMO revolution of the 1990s? To get a rapid response, health reform legislation must create both the pressure, through payment reductions, and the tools, through new incentives and infrastructure, to move the system in a new direction.

Improved efficiency won't come quickly. It will take some time. And it won't come at all if the rewards for bad behavior persist. Insurance and payment reforms can only be effective if everybody has health insurance.

With millions uninsured, bad behavior will inevitably trump good. Health insurers will continue to earn more from "cherry picking" healthy enrollees than from promoting efficient delivery of care. Doctors will continue to see patients too late to prevent them from getting really sick, and as a result will end up ordering expensive treatments. And uninsured, chronically ill patients will continue to experience preventable and costly admissions to hospitals – because their conditions won't be properly managed.

The increased cost of subsidizing universal coverage is no greater than the increase in health care spending that comes from inefficiency almost every single year. We can no longer hold the uninsured hostage to our unwillingness to commit ourselves to changing the health care system for all of us. On fiscal and moral grounds, it's time to do the right thing.

Judy Feder is a professor of public policy at Georgetown University.

WHERE OUR HEALTH DOLLARS ARE SPENT

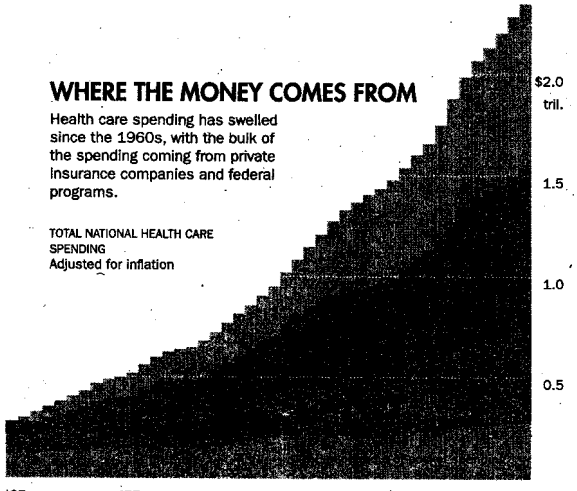
National health spending was $2.2 trillion in 2007.

	SHARE OF SPENDING	SPENDING GROWTH '06-7	SPENDING GROWTH '05-6
Total		+6.1 %	+6.2 %
Hospitals	31%	7.3	6.9
Doctors and clinics	24	6.4	6.3
Prescription drugs	10	4.9	3.6
Nursing homes and home health	9	6.7	5.8
Dental services, other personal care	7	5.5	5.8
Administration	7	3.6	3.4
Research and construction	6	4.8	4.9
Government public health activities	3	6.4	6.5
Medical products (other than drugs)	3	3.1	3.2

Source: Centers for Medicare and Medicaid Services THE NEW YORK TIMES

WHERE THE MONEY COMES FROM

Health care spending has swelled since the 1960s, with the bulk of the spending coming from private insurance companies and federal programs.



Out-of-pocket spending includes co-payments and deductables. Other includes spending for the Department of Defense, Veterans Affairs, children's health and other programs.

FOUR BIG QUESTIONS

1. How will Congress provide coverage for the more than 46 million uninsured people?
Most Democrats, including President Barack Obama, are calling for a new government insurance program that would compete with private insurers. Republicans and the insurance industry object, contending that it would have an unfair advantage. Some see room for compromise in regulated exchanges.

2. How can Americans' care be improved?
Many experts think the government should reward the best doctors and hospitals. But critics think that would let the government dictate the care that doctors deliver.

3. How can costs be controlled?
Industry groups say they are identifying efficiencies, such as simpler billing forms. And experts think better care may save money. But lowering costs may not happen soon, many experts acknowledge. Lawmakers remain unwilling to limit health care.

4. Who will foot the bill?
Overhauling the health care system and covering everyone could cost $1.5 trillion or more over the next decade. Obama has proposed raising nearly $634 billion by limiting tax deductions for wealthy taxpayers, as well as cuts to insurers that contract with the government to provide Medicare coverage. He is calling for an additional $300 billion in cuts to Medicare and Medicaid. Lawmakers are also considering taxes on sodas and on health benefits provided by employers.

– The Chicago Tribune

By Robert Laszewski
Kaiser Health News

We desperately need health care r form in America to cover all of o people and to craft a sustainat health care system.

Today we have a health-ca system that is bankrupting us. It isn't sustai able. The Centers for Medicare and Medica says we spend 17 percent of our gross domest product on health care now and we are on o way to spending 22 percent of our GDP on heal care in 10 years.

But I fear we will not get the health care refor we so desperately need.

I see the Congress getting ready to send t president little more than a health care entit ment expansion that will give us a health-ca system even more unsustainable than the one now have. The Congress has said that any ne health-care bill has to be paid for – that it cann add more to our already extraordinary defici Good for them.

But the Congress is getting ready to pay for t health care bill in the wrong way. There are fo ways we can pay for a health-care bill:

- We can raise taxes.
- We can shave a little off the top of what we p providers – doctors, hospitals, drug and devi makers and insurance companies.
- We can set global budgets like they do in Ca ada and much of Europe that puts government control over what we spend.
- We can change the way providers are paid they have no choice but to get at the massive was all the experts agree we have in the system.

The fourth option is real health-care refor It's also the hardest way to do it because it wou force all the special interests making big mon off the $2.5 trillion we spend annually on heal care today to put quality and affordability at t top of their list.

Congress has all but given up on the fourth c tion – real reform – because they have not fou the political courage to face down these powe ful special interests. I believe the Congress h found a path to a health-care bill – pay for h with cuts to the existing system and fund t other half with tax increases.

Shaving a little off the trillions of dollars pr viders get paid sounds like a good way to p for health-care reform. But it won't change t way they behave and it won't do a lot toward re affordability.

Raising taxes to pay for a big part of a healt care bill when most experts believe there is much as 30 percent waste in the system wou be the height of irresponsible policy.

Advocates for this kind of health care "refor have said not to worry – the steps being taken introduce things such as health information tec nology, comparative effectiveness research, a more emphasis on wellness and preventive ca will ultimately bring our system under contro

But the Congressional Budget Office said "s proaches – such as the wider adoption of heal information technology or greater use of pr ventive medical care – could improve peopl health but would probably generate either mode reductions in the overall costs of health care increases in such spending..."

I expect to see a health-care bill emerge witl little cost-containment window dressing, a mc est shaving of what providers get paid, and lc of tax increases.

But that will not be health-care reform.

Robert Laszewski is a longtime health insu ance industry executive, consultant and heal policy expert.