

# Health Care Reform: Are We Still Lost, But Making Good Time?

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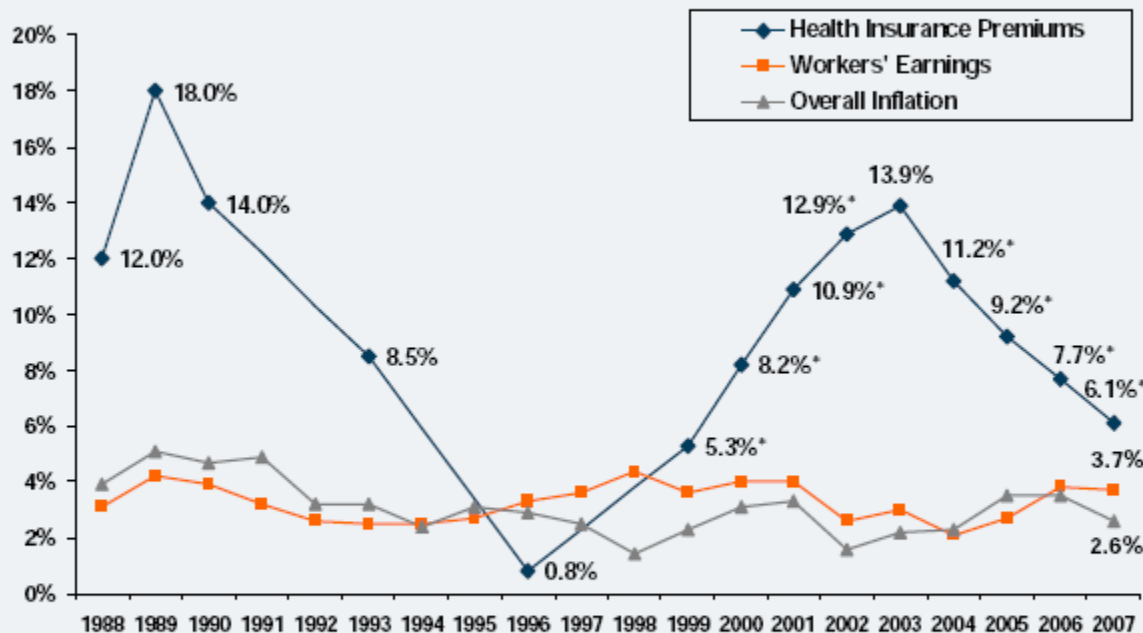
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# Why Change?

- Health cost growth  $>$  eco growth indefinitely  
= unsustainable
- Uneven quality
- Inadequate, or unknown, value
- Demographic imbalances
- Sunk costs in pay-go finance leverage unfunded liabilities
- Transition from employer-based insurance
- Incumbent interests resist disruptive innovation by new entrants

# Riding the Health Cost Rollercoaster

Average Percentage Increase in Health Insurance Premiums Compared to Other Indicators, 1988-2007



\*Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ). No statistical tests are conducted for years prior to 1999.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988-2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988-2007 (April to April).

# Matching Objectives & Instruments

- Lower costs (reduce payments, limit services)
- Increase health sector income (taxes, premiums)
- Improve efficiency (better value & transparent tradeoffs: matching lower costs with improved outcomes)

# Any Silver Bullets?

- Comparative effectiveness
- Disease management
- Wellness
- Health IT
- P4P
- Information transparency
- Regulatory reform
- Follow-on biologics



# Wrong Choice of Weapon



# Comparative Efficiency vs. Comparative Effectiveness

- It's what they do, not just what they know
- Variation among providers, in practice
- Time lag from research to implementation

“So easy a caveman could do it”





# Inherent Limits & Contradictions

- Necessary, but not sufficient
- Medicare's leverage vs. FFS structure
- Shallow public opinion
- Fed govt "incompetence"
- Shifting costs doesn't reduce costs
- WTP – individual vs. collective
- Trusted intermediaries?
- Early interventions vs. installed base
- Coordinated care vs. current infrastructure

# Don't Round Up the Usual Suspects

- Administrative costs
- March of technology
- Aging
- Competitiveness
- Worker mobility & job tenure

# Don't Round Up the Usual Suspects

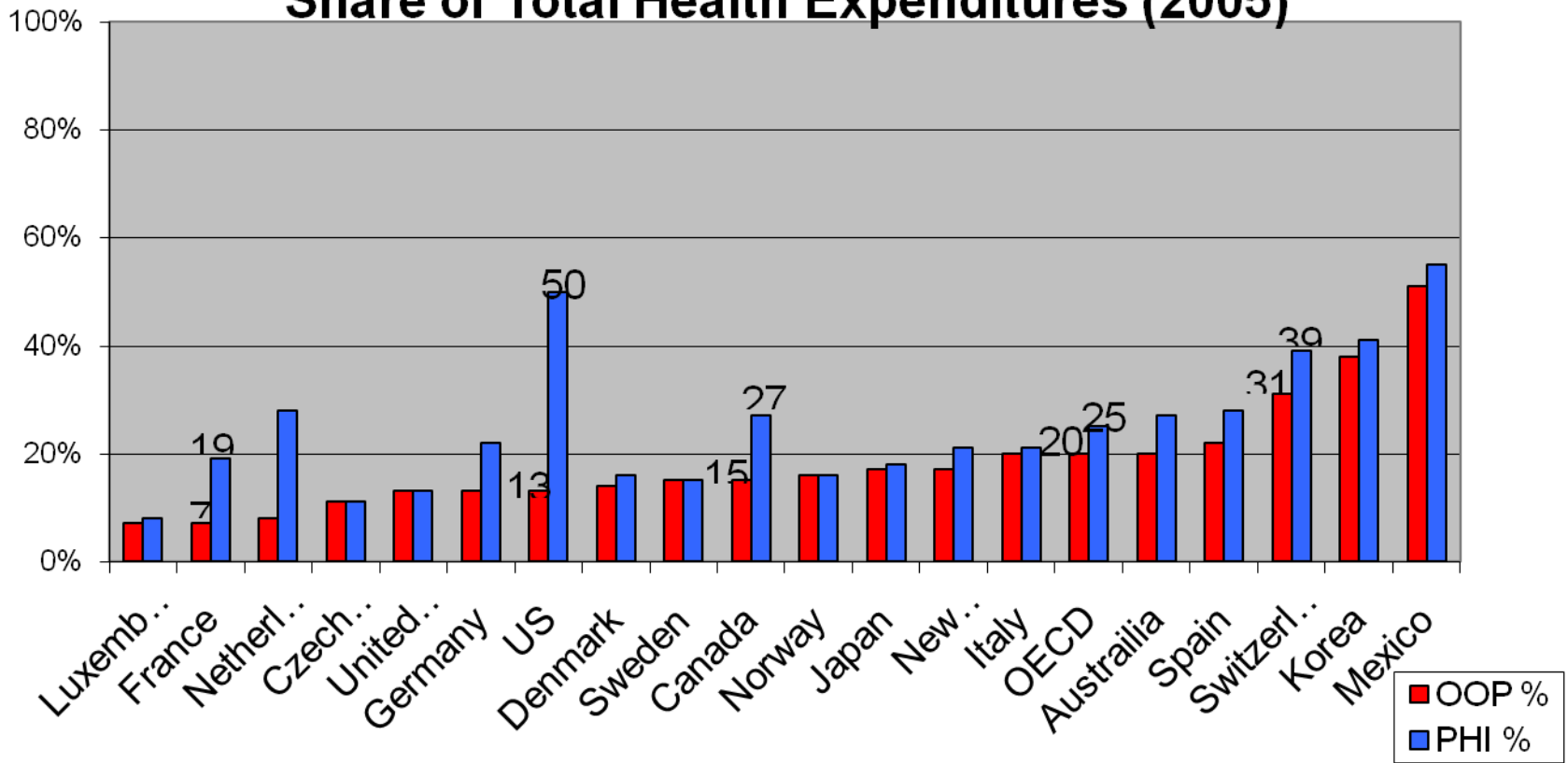
- “Shared” responsibility
- Cost shifting & hidden taxes

# Potholes in the Road to Coverage Expansion

- Mission creep, overreaching
- Ceilings & floors
- Why need to mandate?
- Can't make up your losses on volume

# The Terrible Plight of the Overinsured

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



# Republicans vs. Democrats



# McCain Proposals

- Costs first, coverage second
- Choice, competition, accountability
- Tax Policy – Universal Credits
- Competitive insurance regulation, GAP
- Transparency, consumerism,  
pay for value
- Medicare reimbursement overhaul

# Obama Proposals

- Universal coverage, on installment plan
- Employer pay or play, w/ exceptions
- More public than private pooling
- Predatory pricing, raising rivals' costs
- National exchange as regulator, not facilitator
- Reinsurance
- Prevention, public health
- The usual (HIT, CE, chronic care)
- Sketchy details outrun thin savings



# Future of Private Health Care?



# Is That All There Is?

## Real Markets for Real Choices

- Finding better value & real costs of care
- Develop different delivery systems
- Reduce future demand trajectory
- Need stronger tools than insurance expansion, and current medical services delivery, to improve population health
- Prefunding, changing time horizons

# Better Starting Points: Delivery System

- Fix the real problems first
- Underlying high cost/low value of care drives rest of system
- Start measuring and disseminating relative performance of accountable providers
- Deregulate delivery system
- Better health outcomes is goal, not more health services

# Better Starting Points: Consumers & Patients

- Focus more on changing the upstream drivers of health care demand (education, time horizons, navigational assistance, decision support, patient self-management, social norms, culture)
- Avoidable deaths
- Limits of medicalized prevention

# Beyond Health Insurance: Policy

- Dampen price distortions  
(tax reform, realign payment incentives)
- Premiums reflect claims costs
- Rx: Healthier people
- Rx: Better-performing providers & delivery
- Measure better, change incentives to:  
Spend smarter, treat smarter

# Implications

- Taxes (2010)
- Value purchasing
- Bundling & unbundling
- Cross subsidy pressure
- Tiering, smarter cost sharing
- Convergence (defined contribution, prefunding)
- Longer working lives

# Predictions

- Medicare debate returns, dominates
- More coverage (thinner, not universal)
- Info-rich consumerism survives
- Multi-tiered health choices
- Two paths for insurers:
  - Pol. subcontractors or consumer agents
- Substantial, but less ESI
- Access-only new retiree health
- More medical provider accountability
- Blame the irresponsible

# Predictions: A Rocky Road

- Interviewer: What's your prediction for the fight?

Clubber Lang: My prediction?

Interviewer: Yes, your prediction.

*[Clubber looks into camera]*

Clubber Lang: Pain!

- I pity the fool, and I will destroy any man who tries to take what I got!