The Obama Administration and the 111th Congress: Prospects for Health Reform

By Susan Dentzer
Editor-in-Chief, *Health Affairs*
The 10th Population Health and Disease Management Colloquium
March 1, 2010

Seeing into the Future

- A nod to the immortal Yogi Berra:

"Prediction is very hard, especially about the future."

Blair House Summit, February 25

- Administration released its own plan, a merger of House and Senate-passed bills, on Monday 2/22/10
- Summit reinforced that parties are far apart on most aspects of health reform
- Democrats now forging ahead to pass amended health reform legislation on reconciliation with no Republican support

This presentation at a glance

- The overlapping crises in health, health care and health costs
- Obama principles and basics of health reform bills
- Unresolved issues
- Possible scenarios
- Some conclusions

The “Perfect Storm” within U.S. health and health care:

- **We have a health crisis, with poor health facing much of our population**
- **We have a health care crisis, with inadequate value for the dollars expended**
- **We have a health cost crisis, causing people to lose health insurance, destabilizing to the economy and with disastrous fiscal implications down the line**
- **All of these are posing enormous challenges to ourselves, own pocketbooks and the nation’s fiscal future**

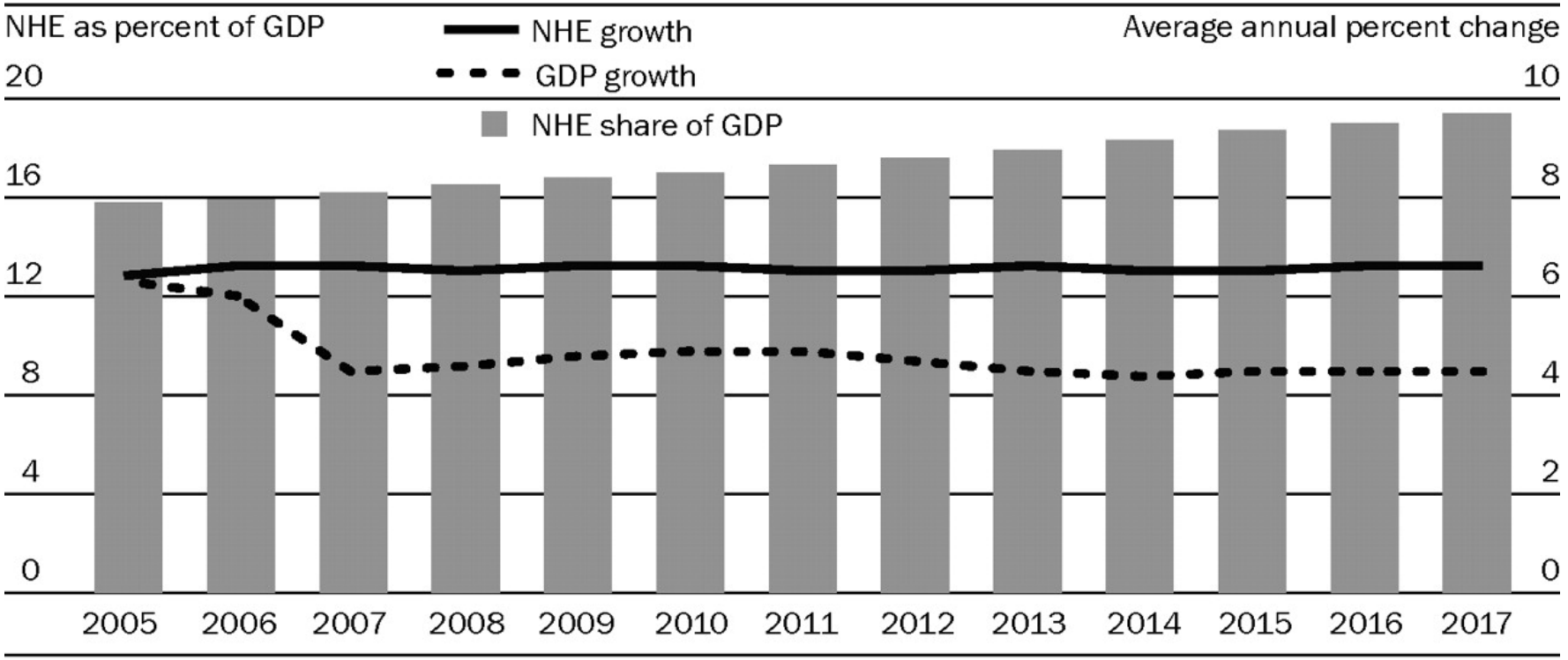
The President's 8 Principles for Health Reform

- **Reduce rate of growth of health insurance premiums**

  - *Premiums have more than doubled since 2000*
  - *Average employer-based family plan now $13,375 annually, according to Kaiser Family Foundation/HRET survey; 131% increase since 1999*
  - *Premiums driven largely by rising health costs*

EXHIBIT 3

National Health Expenditures (NHE) As A Share Of Gross Domestic Product (GDP) And Average Annual Growth In NHE Versus Growth In GDP, 2005–2017



SOURCE: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

NOTES: The left axis (NHE share of GDP) relates to the gray-shaded bars. The right axis (percent change in GDP and NHE) relates to the two line graphs.

**Sean Keehan, Andrea Sisko, Christopher Truffer, Sheila Smith, Cathy Cowan, John Poisal, M. Kent Clemens the National Health Expenditure Accounts Projections Team,
Health Spending Projections Through 2017: The Baby-Boom Generation Is Coming To Medicare,
Health Affairs, Vol 27, Issue 2, w145-155w**

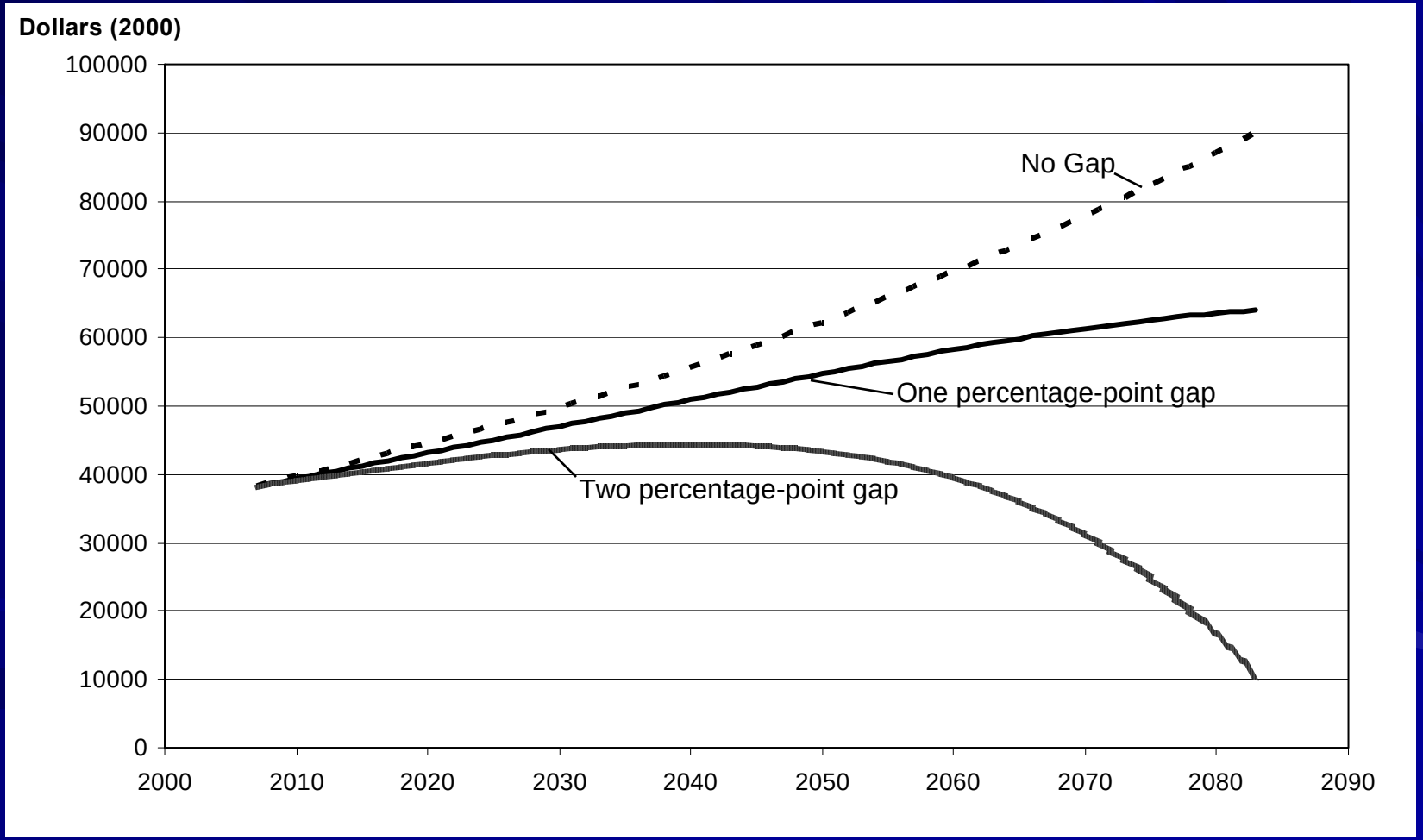
HEALTH AFFAIRS

Pros and Cons

- Michael E. Chernew, Richard A. Hirth, and David M. Cutler Increased Spending On Health Care: Long-Term Implications for The Nation
- *Health Affairs,* September/October 2009, vol. 28, Number 5, pp. 1253-1255.
- 1% point gap: health care is "affordable" through 2083; 54% of real increase in per capita income goes to health care
- 2% point gap: health care affordable only through 2020; over 75 years, 118.5% of real increase in per capita income devoted to health care (e.g., implausible)

Michael E. Chernew,
Department of Health Care Policy,
Harvard Medical School

Spending on Non-health Goods and Services, Assuming Different Gaps Between Real Per Capita GDP and Health Care Cost Growth, 2007-2083



Rising health insurance costs

- Average annual premium for employer-provided family coverage
  reached $13,375 in 2009; $4,704 for single coverage
- Counting deductibles, cost-sharing, etc., approximately $16,000 per family
- Overall, premiums have more than doubled since 1999 (131% increase)
- Polls show this is far and away voters' number one health concern

- Source: Employer Health Benefits 2008 Annual Survey, Kaiser Family Foundation and Health Research Educational Trust

Insurer rate increases

- Anthem Blue Cross proposed increases on California customers by as much as 39 percent; after questions, now on hold for 2 months
- Report released 2-18-10 by U.S. Department of Health and Human Services: Anthem in Maine requesting 23 percent increase this year
- In 2009 Blue Cross Blue Shield of Michigan requested premium increases of 56 percent for plans sold on individual market
- Regency Blue Cross Blue Shield of Oregon requested 20 percent premium hike

Health and Human Services Secretary Kathleen Sebelius

See www.healthreform.gov/reports/insurance

Behind the numbers: Deteriorating risk pools

- Individual insurance market shrinking as more people drop coverage due to joblessness and high coverage costs
- Coverage pools shrinking; insurers left with highest risks
- “Death spirals” looming?

The President's 8 Principles for Health Reform

- **Reduce high administrative costs, unnecessary tests and services, waste, inefficiencies**

  - *Estimates that as much as 30% of health care spending is on care that is unnecessary, ineffective or even dangerous*

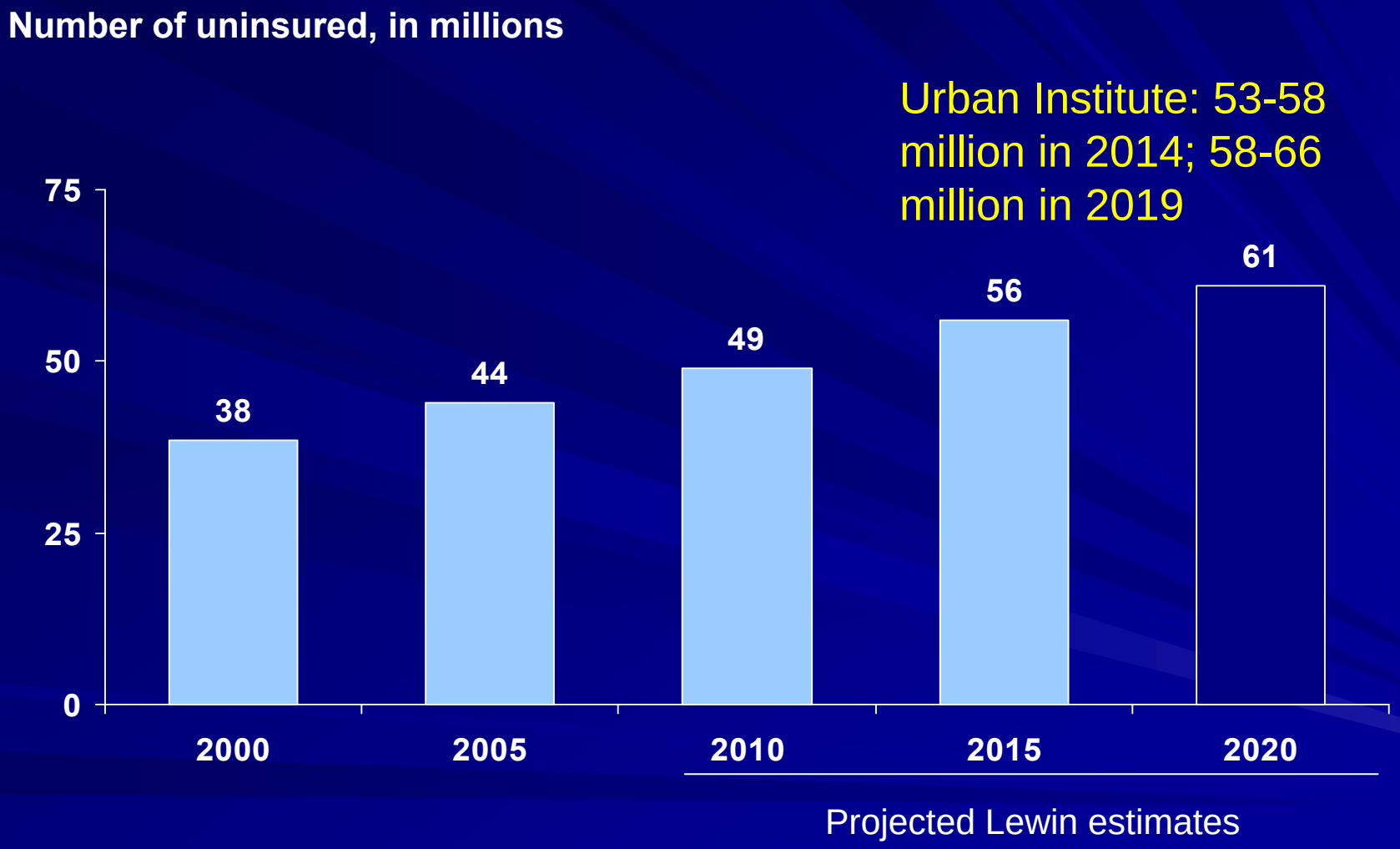
  - *Role of defensive medicine?*

The President's 8 Principles for Health Reform

Aim for universality

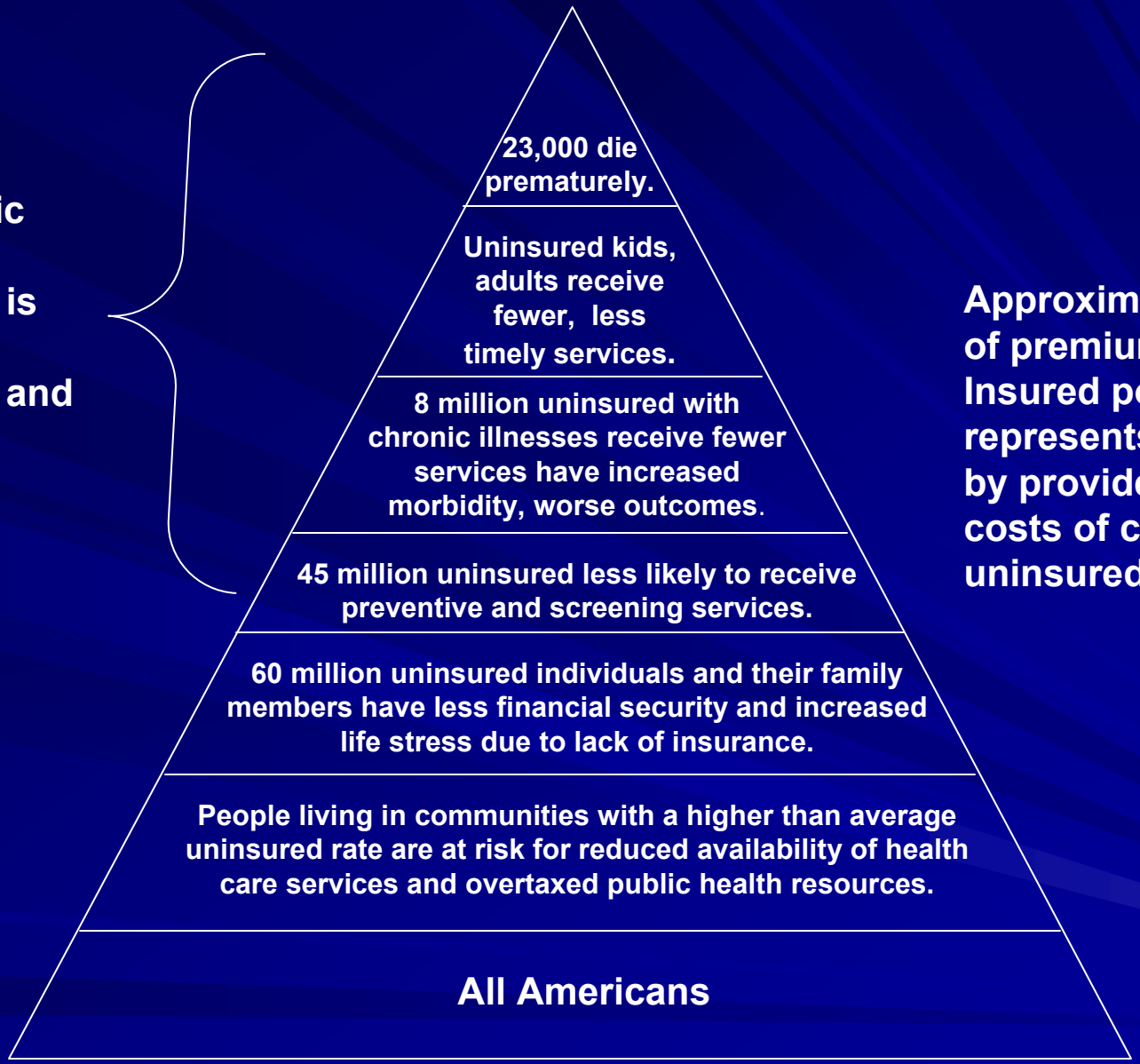
- *Estimated 46.3 million now uninsured as of 2008 Census Dept. Current Population Survey; approximately 36 million are U.S. citizens*
- *Estimated 30 million will not be able to afford full costs of insuring themselves and families*
- *Recession has added to public health insurance rolls; 2.6 million more on public coverage from '07 to '08*
- *Medicaid rolls rose by 3.3 million from June '08 to June '09, largest annual increase ever, says Kaiser Family Foundation's Commission on Medicaid and the Uninsured*

Uninsured Projected to Rise to 61-66 Million by 2020



Data: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2001 and 2006; Projections to 2020 based on estimates by The Lewin Group and Urban Institute

The economic cost of uninsurance is estimated at between $65 and $130 billion annually



Approximately 20% of premiums paid by Insured population represents cost-shift by providers to cover costs of caring for uninsured

Source: The Institute of Medicine, 2002-09

The President's 8 Principles for Health Reform

- **Provide portability of coverage; no preexisting condition restrictions to deny coverage**

- **Provide choice of health plans and physicians; provide choice of keeping employer-based health plan**

  - *Translation: No Single Payer*
  - *"Public" plan: House bill contained; Senate instead proposed 2 nationally available private plans, at least one of which would be nonprofit, negotiated by federal Office of Personnel Management*

The President's 8 Principles for Health Reform

- **Invest in public health measures to reduce cost drivers, including obesity, sedentary lifestyles and smoking; guarantee access to proven preventive treatments**

  - **At current rates of weight gain, an estimated 86% of U.S. adults will be overweight or obese by 2030**

  - **Increased prevalence of obesity has added almost $40 billion a year in medical spending from 1998 through 2006, including $7 billion in Medicare prescription drug costs.**

  - **Estimates that the medical costs of obesity could have risen to $147 billion per year by 2008.**

Sources: *Obesity,* **July 2008; study by researchers at the Johns Hopkins Bloomberg School of Public Health, the Agency for Healthcare Research and Quality and the University of Pennsylvania School of Medicine; also "Annual Medical Spending Attributable To Obesity: Payer-And Service-Specific Estimates," by Eric A. Finkelstein, Justin G. Trogdon, Joel W. Cohen and William Dietz, *Health Affairs*, vol. 28, no. 5 (2009), w822-w831.**

The President's 8 Principles for Health Reform

- Improve patient safety and provide incentives for quality care; support widespread use of health IT
- Plan must "pay for itself by reducing the level of cost growth, improving productivity and dedicating additional sources of revenue."

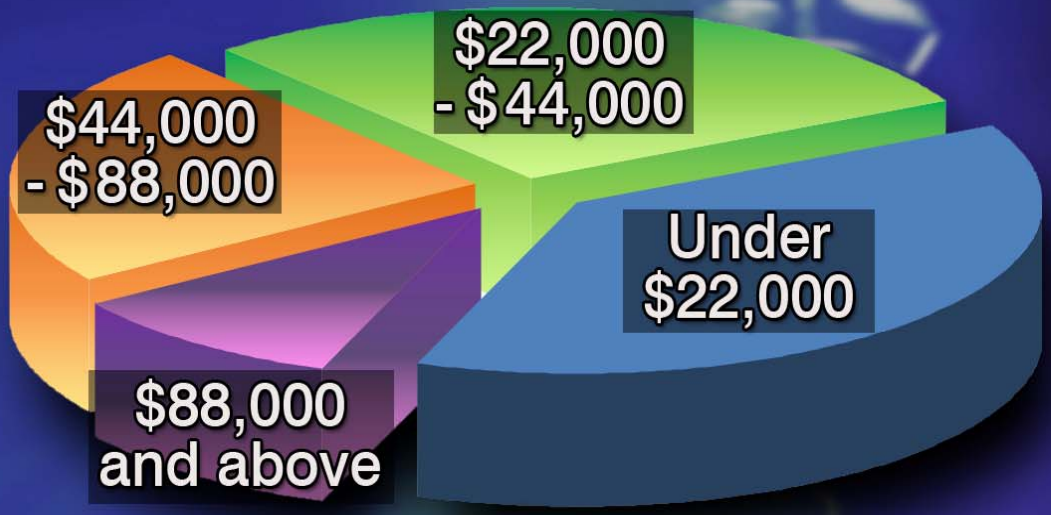
  - *President vows in speech to Joint Session of Congress on Sept. 9, 2009 that he will not sign a bill that adds "one dime" to the federal budget deficit*

The Obama Health Reform Plan

- Blend of Senate bill (passed 60-39 on 12/24/09) and House bill (passed 220-215 on 11/7/09)
- Goal: Amend Senate bill in reconciliation package that could pass Senate with 51 votes
- Goal: Passage by both Houses and signed into law by Easter

Key Provisions

Family Income & the Uninsured



Source: Kaiser Family Foundation

- N=approximately 36 million U.S. citizens
- Blue, green, orange slices = approximately 30 million
- Income levels shown = cutoff points for families of four at percentages of federal poverty level: 100%, 100-200%, 200-400% and 400% and above

Coverage: General principles

- Poor and near-poor uninsured go on Medicaid; private markets won't work for them
- Everyone else buys private coverage through reorganized and arguably more efficient markets, with federal subsidies for those who need it
- Employer-provided coverage shored up, rather than shut down
- Goals: get everyone in insurance pools and spread costs of minority of sick across large pool of healthy

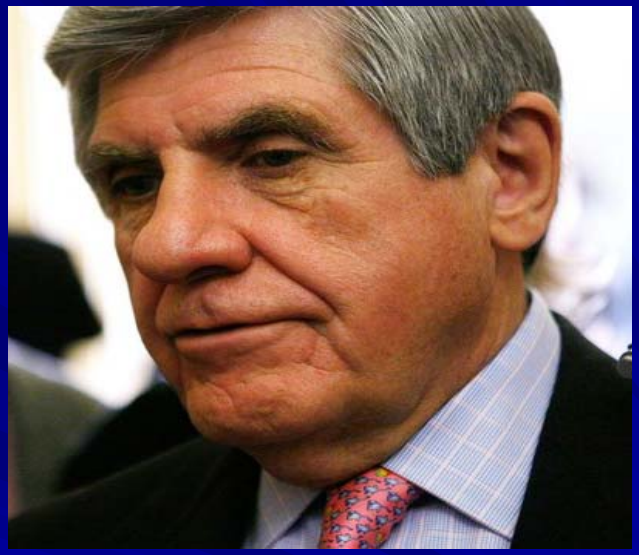
Covering the Uninsured:

Those In or Near Poverty

- Medicaid expansion, primarily aimed to covering more poor and low-income parents and adults without dependent children
- Expansion of eligibility up to 133% of federal poverty level ($33,100 for family of four in 2009)
- House: States receive full federal funding for costs of expansion populations for 2014-2017; 95% financing for 2018-19, 90% for 2020 and beyond

Medicaid: Special Provisions for Some States?

- Nebraska deal to continue receiving 100% federal funding for newly eligibles after 2017 – now gone from Obama plan
- CBO said this deal extended to all states would cost $35 billion from 2010-2019
- Louisiana?
- Massachusetts?
- Vermont ?



Nebraska Democratic Sen. Ben Nelson

Covering the Uninsured: Insurance Exchanges

House bill	**Senate bill and Obama Plan**
One national exchange; states may also set them up	State-run “American Health Benefits Exchanges” and “Small Business Health Options Program Exchanges”

Benefits packages

- "Essential" benefits package designed under authority of Secretary of HHS
- Four levels of benefits packages geared off this then made available through exchanges, from high to low, plus catastrophic plan
- Allows comparison shopping across packages and plans

Covering the Uninsured: House Bill
The Low to Moderate Income

- "Affordability credits" for population between 100 to 133 percent of poverty ($29,327 for a family of four) to 400 percent of poverty ($88,200 for a family of four).
- Credits are offered on a sliding scale, declining as incomes increase
- In effect, lowest-income people have to pay 2.3 percent of incomes toward premiums; people near or at 400 percent of the federal poverty level pay 9.5 percent of income toward premiums
- Cost-sharing subsidies as well

Small business tax credits

- For businesses with no more than 25 employees and average annual wages of less than $40,000
- Tax credits toward employer's contribution toward employees' coverage
- Start at 35%
- In 2015 and beyond, a 50% credit for businesses with 10 or fewer employees and average annual wages of less than $25,000
- Others will be buying coverage through exchanges

Insurance Market Reforms

- All bills: new federal requirements on health insurance in individual and small-group market; applies to coverage sold through and outside exchanges
- Eliminate medical underwriting and preexisting condition restrictions
- Guaranteed issue & renew ability
- No annual or lifetime limits on all plans in all markets; cost-sharing eliminated for preventive services (except value-based insurance design arrangements)
- Modified community rating; premiums could vary only according to certain terms, e.g., tobacco use, age, family composition, geographic differences (age rating of 3:1)
- House bill: young adults could remain on parents' plans to age 26

Insurance market reforms

- Minimum medical loss ratios
  - 85% for plans in large group market
  - 80% for plans in individual and small group markets

- Retention of state-based insurance market regulation, plus

- Increases in premiums subject to review by new Health Insurance Rate Authority at federal level

- Has power to roll back increases or make plans provide rebates

Public Plan or Substitute/Equivalent

House bill	Senate bill & Obama plan
Yes, one national public plan	Two privately-run national plans negotiated by OPM; one would have to be nonprofit; health insurance cooperatives

Employer requirements – Obama plan

- A “free rider” provision so that employers with more than 50 employees working full time that don’t offer coverage must pay a fee of $2,000 per full-time worker, excluding the first 30 employees.
- For firms with more than 50 employees that do offer coverage, but at least one employee gets a premium tax credit, must pay the lesser of $3,000 for each employee who buys coverage through an exchange with an affordability credit, or $750 fee for each full-time worker
- Also: Employers with more than 200 employees required to automatically enroll employees into health insurance plans offered by the employer. Employees may opt out of coverage

Individual Mandate	Obama Plan
Penalty on individuals without "qualifying coverage" **Exemptions on affordability, religious grounds; also for Native American Indians**	**The greater of $695 per person per year up to a maximum of $2085 per family, or 2.5% of household income** **Phased in beginning in 2014**

Coverage levels achieved

- House bill: CBO estimated 96% of legal residents under 65 would be covered in 2019
- Approximately 18 million people would be uninsured
- Senate bill would cover 94% of legal residents in 2019
- Would leave about 25 million uninsured, the CBO estimated.
- Obama Plan: not yet scored; leave about 23 million uninsured?

Delivery system reforms

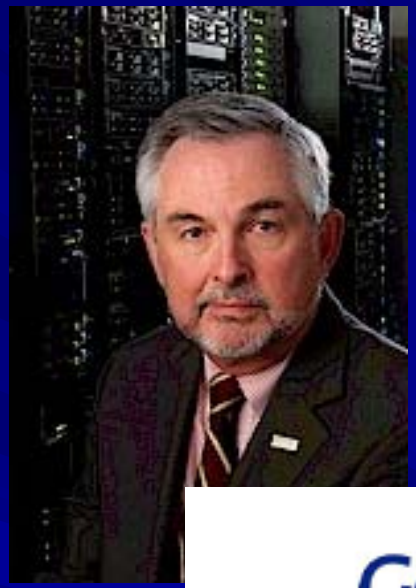
- To large degree, health care reform in US = delivery system reform
- “Bending the curve” – what opportunities exist for achieving greater value in care, lowering costs/prices
- Payment reforms to stimulate

Payment-Driven Delivery System Reforms

- Pilot projects on medical home, accountable care organizations, bundled payments
- $10 billion for new Centers for Medicare and Medicaid Innovation Center
- Hospital value-based purchasing program in Medicare to pay hospitals based on performance on quality measures
- Develop plans to implement value-based purchasing programs for skilled nursing facilities, home health agencies, and ambulatory surgical centers.

Real-world evidence: How Geisinger Does It

- Source: Ronald A. Paulus, Karen Davis, and Glenn D. Steele, "Continuous Innovation In Health Care: Implications Of The Geisinger Experience." *Health Affairs*, September/October 2008; 27(5): 1235-1245.
- Reports results from Geisinger's use of team-based medical home model



Geisinger Health System

Geisinger: Admission Metrics

	Baseline Pre-Program Jan – Oct. 2006	First Year of Pilot Jan-Oct. 2007	Percent Reduction
GHP MC Medicare	311/1,000	311/1,000	0%
Lewistown	365/1,000	291/1,000	-20%
Lewisburg	269/1,000	232/1,000	-13.8%

Geisinger: Readmission Metrics

	Baseline: Pre-Program 2005 Q4 – 2006 Q3 Readmission Rate	First Year: Pilot 2006 Q4 – 2007 Q3 Readmission Rate	% Reduction
GHP Managed Care (MC) Medicare	16.6%	16.5%	0%
GHP MC Medicare GHS Sites	17.0%	16.6%	-2.3%
All Medical Home Sites	19.5%	15.9%	-18.5%
Lewistown (2,120 pts)	20.3%	17.8%	-12.3%
Lewisburg (645 pts)	15.2%	7.9%	-48.0%

Update, Geisinger ProvenNavigator Medical Home

- 80,000 patients now enrolled
- Average 53% cut in readmissions
- Some sites, 90% cut in readmissions

- Source: Unpublished data; reported to Dentzer 2/23/10

Accountable Care Organizations Proposal by Elliott Fisher, MD, Dartmouth and Mark McClellan, MD, PhD, Brookings Institution

- Provides (or can effectively manage) continuum of care as a real or virtually integrated local delivery system
  - Sufficient size to support comprehensive performance measurement, shared EHRs, patient decision-support, care coordination
  - Capable of prospectively planning budgets and resource needs
  - Could chart budget growth (patient per capita costs) in given hospital referral region of 1 percent annually; if providers achieve, they share in dedicated pool of savings

Premier Healthcare Alliance's QUEST High Performing Hospitals Initiative

- 157 participating hospitals -- measurement-based system to improve Quality, Efficiency, and Safety, with Transparency
- Three-year collaborative
- In first year, participants reduced cost of care an average of $343 per patient
- Increased delivery of every recommended patient care measure by 8.74 percentage points to deliver appropriate care an average of 86.3 percent of the time
- Achieved a mortality rate 14 percent less than expected, saving 8,043 lives
- The best are the best: 32 of the 157 participating hospitals are top performers in each of the three measurement areas.

Case in point

- Aurora Medical Center Oshkosh, Oshkosh, WI
- Division of Aurora Health Care; non-teaching, suburban hospital with 84 licensed, 69 staffed beds
- Highlighted QUEST measure: Evidence-based Care
- Consistent improvement in delivering EBC for AMI, heart failure and pneumonia

Year	AMI -- % EBC	Heart Failure % EBC	Pneu-monia % EBC
2006	92.1	80.6	76.6
2007	87.6	82.3	90
2008	100	84.6	87.5
2009	100	98	89.7

Workforce Issues, House Bill

- Increases to the National Health Service Corp;
- More training of primary care doctors
- Expansion of the pipeline going into health professions, including primary care, nursing and public health;
- Greater support for workforce diversity
- Expansion of scholarships and loans in needed professions and shortage areas

Medicare Payment Changes

- 15-member, independent Medicare Advisory Board
- To present Congress with comprehensive proposals to reduce excess cost growth and improve quality of care for Medicare beneficiaries.

Prevention and Wellness:

Obama Plan

- Establish new federal council to coordinate federal prevention, wellness, and public health activities
- Develop a national strategy to improve the nation's health.
- Create a Prevention and Public Health Fund to expand and sustain funding for prevention and public health programs.
- Create task forces on Preventive Services and Community Preventive Services to develop, update, and disseminate evidenced-based recommendations on the use of clinical and community prevention services

.

- Permit employers to offer employees premium discounts, waivers of cost-sharing requirements, or benefits that would otherwise not be provided—of up to 30% of the cost of coverage for participating in a wellness program and meeting certain health-related goals

Costs of Reform

- Obama plan: White House says gross federal costs $950 billion over 10 years (to 2019)
- On net: $100 billion reduction in federal deficits over period ($30 billion after CLASS act provisions)
- By comparison: total national health expenditures 2010-2019 estimated now at nearly $35 trillion (CMS)

Payment Changes to Offset Coverage Expansions

- Array of measures imposed on hospitals and other providers to limit increases in payments over time
- Phase out of “disproportionate share payments” aimed at hospitals that care for many of uninsured

Proposed new taxes

- Medicare portion of payroll tax increased by 0.9 percent (1.45% to 2.35%) on earnings over $200,000 for individual, $250,000 for married couples filing jointly
  - Proceeds credited to Part A trust fund
- 2.9% assessment on unearned income for higher-income taxpayers
  - Proceeds credited to Part B trust fund

Proposed new taxes

- As of 2018, excise tax of 40 percent on insurers and employer-sponsored health plans over $10,200 for individual coverage and $27,500 for family coverage (indexed to CPI)
- Higher levels (by $1,350 for individuals, $3,000 for family) for retired individuals 55 and over not eligible for Medicare; employees in high-risk professions; individuals in 17 states with highest health care costs initially
- Tax imposed on issuer of policy and on 40% of plan value exceeding these amounts
- Includes FSA and HRA contributions; excludes vision and dental

Financing Smorgasbord

- Proposed industry fees:
  - $2.3 billion annual fee on the pharmaceutical manufacturing sector, increasing by $10 billion over 10 years; effective 2011
  - Excise taxes on medical device manufacturing sector to raise $20 billion over 10 years, effective 2013
  - Fees on health insurance sector totaling $67 billion over 10 years, effective 2014
- Limit on deductibility of executive and employee compensation to $500,000 per individual for health insurance providers
- 10% tax on amount paid for indoor tanning services (effective 2010)

Unresolved Issues

Abortion, House plan

- Amendment by Rep. Bart Stupak, D-Mich., adopted by 240-194
- Insurance plans receiving federal subsidies cannot cover elective abortion services.
- Public plan would not be able to cover the procedure at all, except in cases of rape or incest or when continuing the pregnancy threatens woman's life.
- Effectively means women buying coverage through exchanges could not obtain abortion coverage

Abortion: Obama Plan = Senate Bill Provisions

- No insurer required to cover elective abortions.
- New state-based exchanges would have to offer at least one plan covering elective abortion and one that doesn't.
- Plans that cover abortion would have to segregate premium revenues to ensure that federal subsidies aren't used to pay for abortions; would effectively require such plans to charge their customers an extra abortion premium.
- "Conscience clause" prohibiting health insurers from discriminating against either abortion providers or health care providers who refuse to perform the procedure.

Can and will health reform be enacted into law this year?

Most Likely Scenario

- House takes up bill encompassing Obama plan, passes it
- Obama plan then offered as “reconciliation” bill so can pass the Senate with 51 votes or 50 with VP Biden breaking a tie
- House Democratic whip James E. Clyburn of South Carolina, says he believes there are 218 Democratic votes to pass
- Unknowns include effect of no Stupak abortion provisions, which 40 Dems pressed for in House bill
- Odds: 50-60 percent

Possible scenarios

- **Bipartisan negotiations begin over scaled down package with commonly agreed upon elements**
- **Whether there are any “commonly agreed upon elements” other than in abstract is unclear**
- **Vastly smaller package passes both houses of Congress; signed into law as November elections approach**
- **0-5 percent**

Possible scenarios

- **No final health reform bill signed into law this year**
- **“Failure to enact health reform” or “success in derailing reform” (depending on perspective) becomes 2010 election issue**
- **35-40 percent odds**

Polls

- Washington Post, Harvard School of Public Health and Henry J. Kaiser Family Foundation poll of Massachusetts voters, January 20
- 48 percent opposed national health reform legislation; 43 percent supported
- 68 percent backed Massachusetts' own system of near-universal coverage
- Nationally, voters from different parties sharply split on support vs. opposition to reform
- Greatest support is for tax credits to small businesses

Outlook: Elections 2010

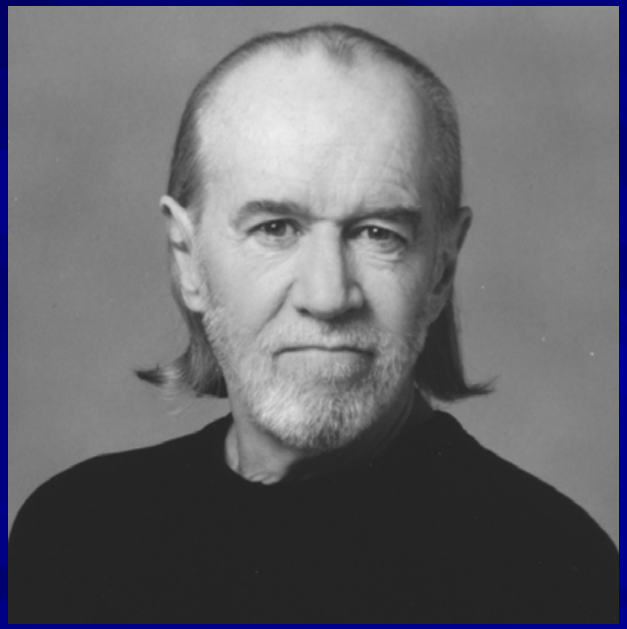
- Political analyst Charlie Cook
- Now rates 60 seats as having at least a reasonable chance of switching hands
- Predicts Republicans will take back House of Representative

The future of U.S. health reform: Competing views

“The Americans always do the right thing…after they’ve exhausted all the other alternatives.”

Sir Winston Churchill

“I don’t believe there’s any problem in this country, no matter how tough it is, that Americans, when they roll up their sleeves, can’t completely ignore.”



Comedian George Carlin

“If the world were rational, *men* would ride side-saddle.”

Author Rita Mae Brown

“….Better brace yourselves for a whole lotta ugly comin’ at you, from a never ending parade of stupid!”

Queen Latifah (a/k/a Motormouth Maybelle, Hostess of “Negro Day,” in *Hairspray)*

“Government should be shrouded for the same reason that middle-aged people should be clothed.”

William Galston, Senior Fellow of Governance, Brookings Institution and former senior adviser on domestic policy to President Clinton

“Harry and Louise”: 1993

Louise: “Having choices we don’t like is no choice at all.”

Harry: “If they choose..

Louise: “we lose.”

Harry and Louise Today:
Sen. Barbara Mikulski, D-MD*

"Harry needs a knee replacement. His wife has diabetes. They both have lost their jobs and they're too young for Medicare.

"They have grandchildren who have autism and food allergies and they're wondering, 'What the hell did we fight health care [reform] for?"

***At White House Summit on Health Reform, March 5, 2009**

Sen. Sheldon Whitehouse (D-RI)*

"We're not at a Harry and Louise moment.
We're at a "Thelma and Louise" moment,
and we're about to drive off the cliff."

*At White House Summit on Health Reform, March 5, 2009

Harry and Louise Now*

Harry's diagnosis:
"Too many people are falling Through the cracks."

Louise's prescription:
"Bring everyone to the table and make it happen."

***"Harry and Louise Return" video, Aug. 2008**

“When history calls, history calls.”

--Maine Republican Senator Olympia Snowe, explaining why she was only GOP senator who voted for Senate Finance Committee bill on October 13, 2009

Since then, history hasn’t called back!

**“…Congress is not operating as it should.
There is much too much partisanship
and not enough progress, too much narrow ideology and not enough practical problem-solving.**

**“Even at a time of enormous national challenge,
the people's business is not getting done.”**

-- Outgoing Sen. Evan Bayh, D-IN

The Verdict on National Health Reform?

“Somebody has to do something, and it’s just incredibly pathetic that it has to be us.”

--the late Jerry Garcia of the Grateful Dead

The End