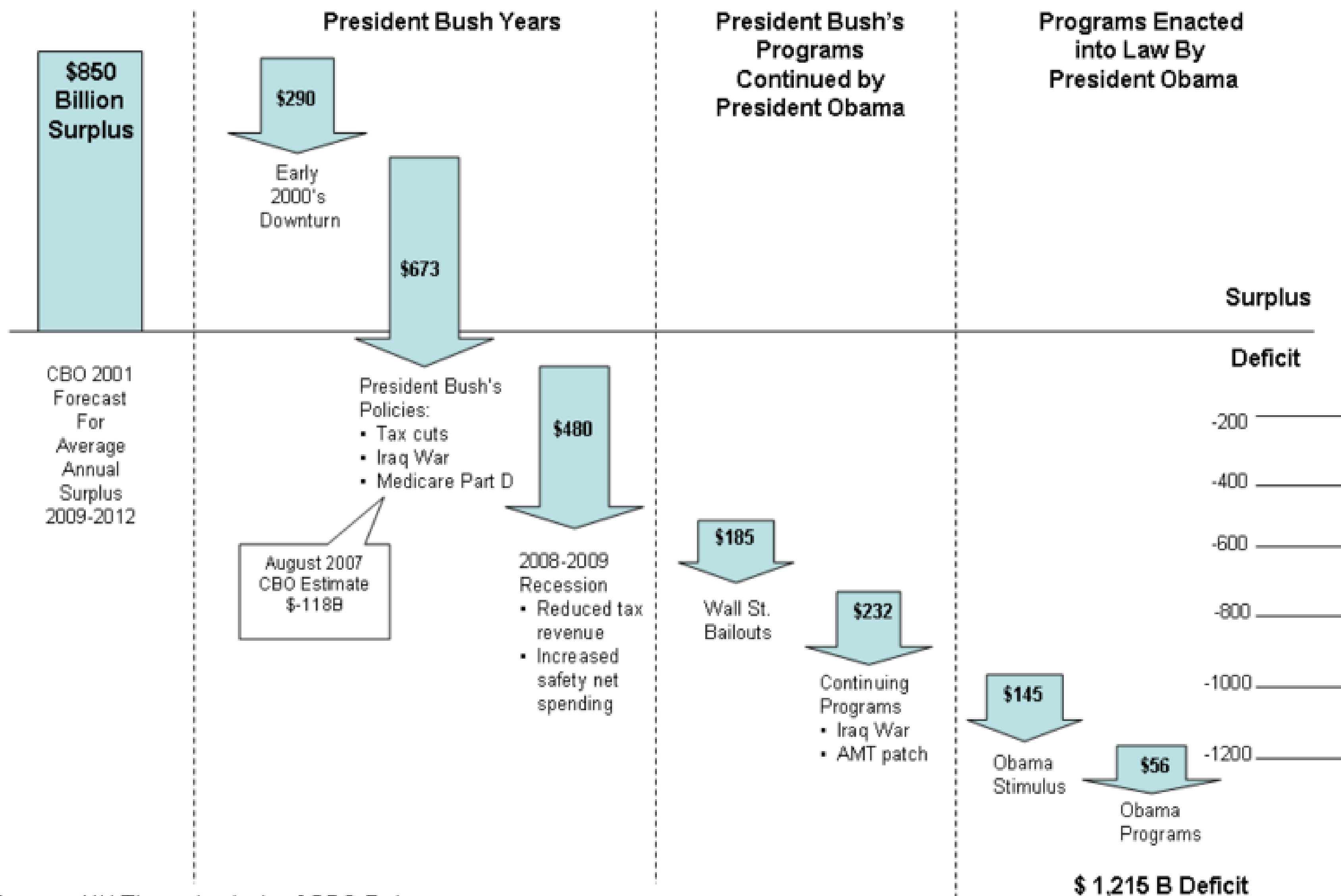
The Political Economy of Quality Improvement in the U.S. Today

Marc J. Roberts
Professor of Political Economy and Health Public
Harvard School of Public Health
Quality Colloquium August 16, 2011

The U.S. Debt/Deficit Problem

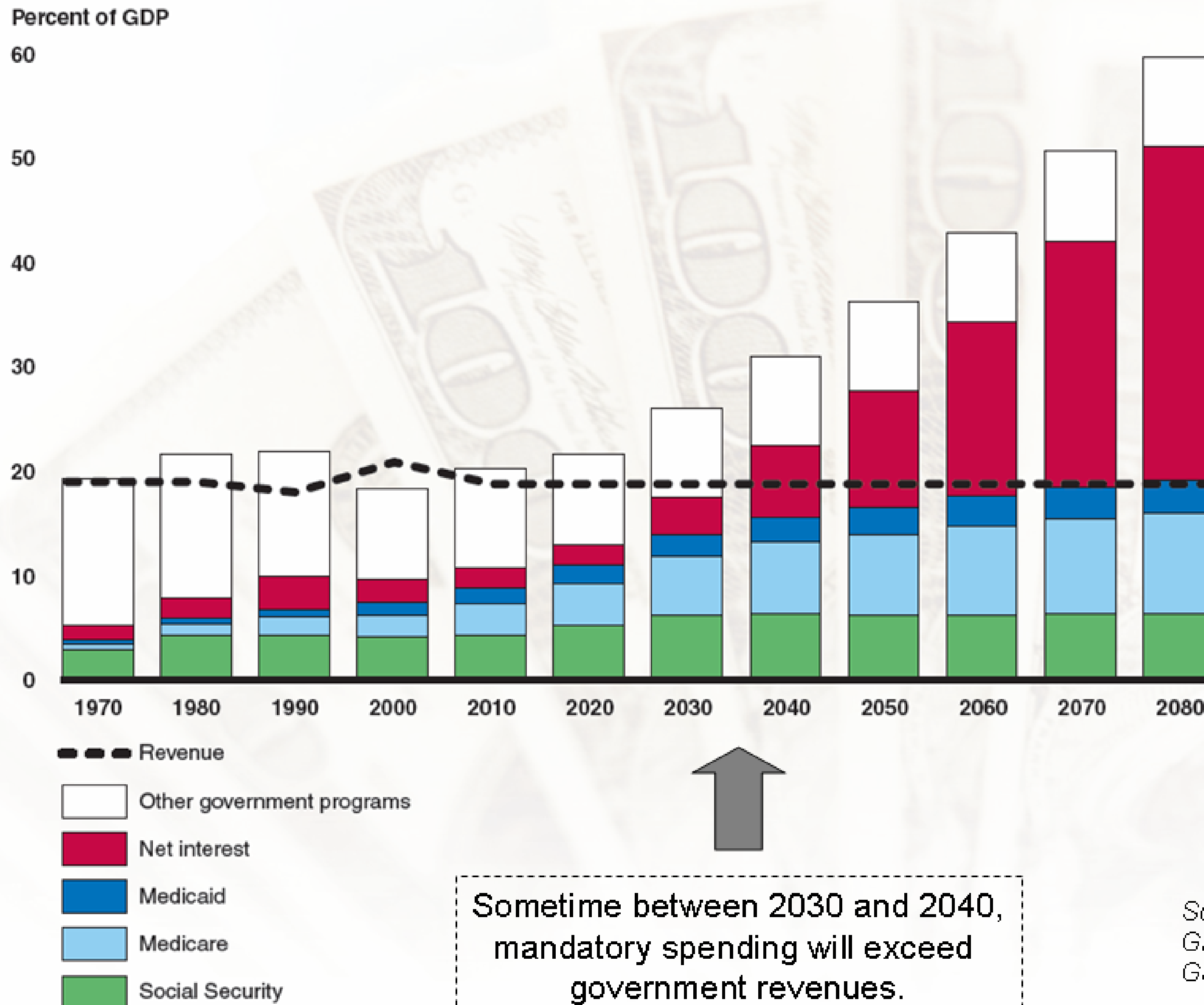
- The short term problem:
  - Decreased revenues from the down-turn caused by the financial crisis
  - Increased spending to counter that down-turn
  - War in Iraq and Afghanistan
  - Bush-era tax cuts
- The long term problem:
  - The rising costs of entitlements especially Medicare
  - Interest on the debt entitlement-based deficits create

Copyright Marc J Roberts 2011



Copyright Marc J Roberts 2011

The Risks of Growing Entitlement Spending

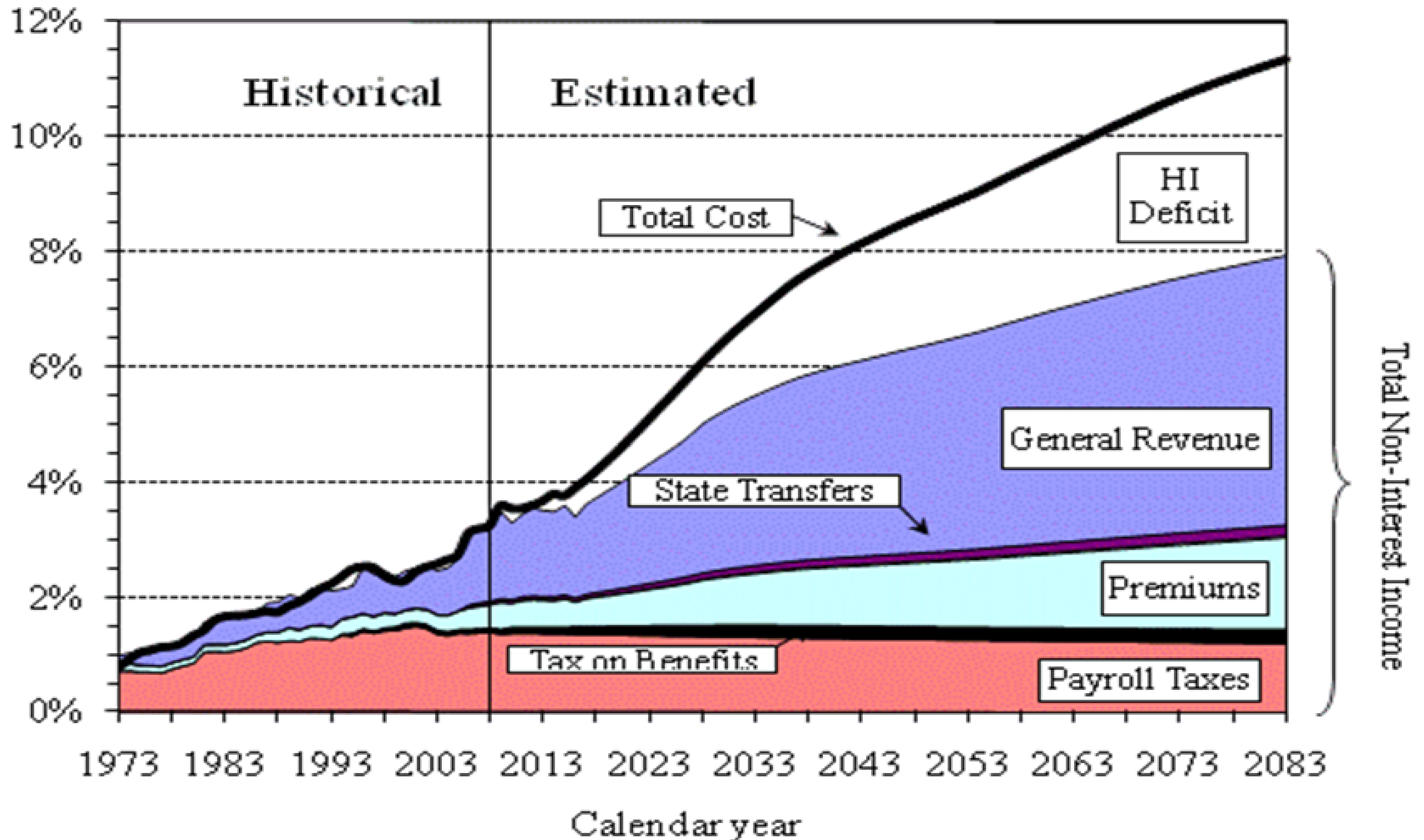


Sometime between 2030 and 2040, mandatory spending will exceed government revenues.

Source: GAO Citizen's Guide 2007

Copyright Marc J Roberts 2011

Medicare Cost and Non-Interest Income as a Percentage of GDP



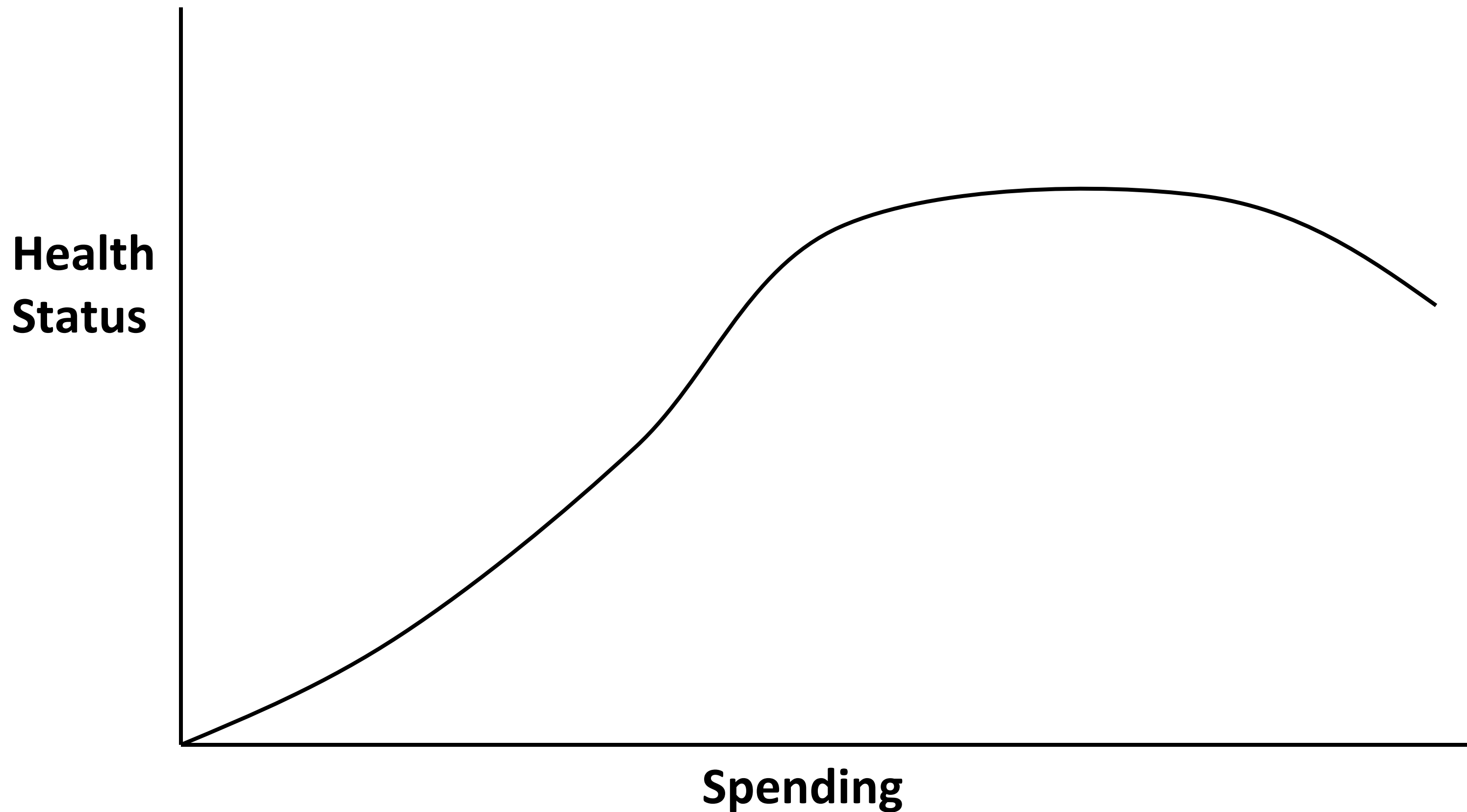
Copyright Marc J Roberts 2011

National Health System Performance ‘06/’07

	Life Expectancy	*Per Capita Spending (PPP$)*
Australia	81.2	3122
Belgium	79.4	3183
Canada	80.7	3678
France	80.7	3554
Germany	79.4	3328
Greece	79.5	3101
Ireland	78.9	3082
Italy	80.5	2623
Japan	82.6	2512
Netherlands	79.8	3383
Norway	80.2	4521
Portugal	78.1	2080
Spain	80.9	2388
Sweden	80.9	3119
Switzerland	81.7	4312
U.K.	79.4	2764
U.S.A.	**78.2**	**6714**

Copyright Marc J Roberts 2011

The Relationship of National Health Spending to Health Status—Where is the U.S.?



Copyright Marc J Roberts 2011

Why are U.S. Costs High and Rising ?

- World wide cost pressures:
  - Aging
  - Preferences: incomes and social norms,
  - New technology
- Particular U.S. circumstances
  - Intensive patterns of practice
  - High administrative costs
  - Expensive, excess capacity
  - High labor costs

Copyright Marc J Roberts 2011

Sources of Opposition to Federal Action to Control Health Care Costs

- Historical Experience and Attitudes
- Dissent from Recent Social Policies
- Economic and Political Beliefs
- Blue Collar Unhappiness over Economic Policy
- Powerful Interest Groups Defend the Current System
- The Role of “Rescue Medicine”
- Beliefs About the Health Care System

Copyright Marc J Roberts 2011

Historical Experience and Attitudes

- American began with a revolution against a distant "central" government
- Division over the economic role of the central government goes back to 18th Century battles between Hamilton and Jefferson
- Many immigrants came to escape oppressive regimes
- The frontier experience—and myth—emphasize freedom and self-reliance
- The national government was the Confederacy's enemy in the Civil War and an occupying power during Reconstruction

Copyright Marc J Roberts 2011

Dissent from Recent Social Policies

- The last 50 years have seen extraordinary social change
  - Racial equality and civil rights
  - Gender equality, women's liberation and the "sexual revolution"
  - Increased visibility of and rights for the L.G.B.T. population
  - New waves of immigration
- Some social conservatives blame one or more of these changes on national policies
  - Voting Rights Act
  - Affirmative Action
  - Bi-lingual education
  - Equal Pay Act
  - Title 9
  - Abortion funding
- In response they want a smaller and less active federal government

Copyright Marc J Roberts 2011

Economic and Political Beliefs

- Belief that free markets produce good outcomes
- Opposition to government regulation as an infringement on liberty
- Dislike of deficit spending
- Opposition to taxation especially for redistribution—U.S. heterogeneity leads to less “solidarity” than in European societies
- Sympathy for “States Rights”
- Suspicion of President Obama

Copyright Marc J Roberts 2011

Blue Collar Unhappiness over Economic Policy

- Loss of jobs overseas is seen by some as due to free trade policies and/or favorable tax treatment
- Undocumented labor, as a result of poor border control, is seen as depressing wages
- The financial sector bailout is seen as inappropriate favoritism to a narrow group
- Fear that health insurance regulation will undermine generous union-negotiated plan benefits

Copyright Marc J Roberts 2011

Powerful Interest Groups that Defend the Current System

- Providers and suppliers
  - Drug, device and equipment manufacturers
  - Certain procedure-based specialists
  - Institutions favored by current payment rules (C.O.T.H., D.S.H. etc.)
  - Some insurance companies
- Beneficiaries
  - Current retirees
  - Those in favored disease categories (e.g. ESRD)
  - Some unions

Copyright Marc J Roberts 2011

The Role of "Rescue Medicine"

- Evolutionary psychology has identified a strong instinct to "rescue" those in danger
- Choices involving the risk of death reflect evaluations that are "non-linear" in the probabilities—contrary to the assumptions of decision theory
- Social norms and family psychology play a powerful role
- An emotional source of opposition to "death panels"

Copyright Marc J Roberts 2011

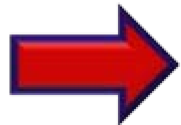
Beliefs About the Health Care System

- Physicians should have unconstrained professional autonomy
- More is always better
- Advances in bio-medical technology are always valuable
- Confusion about the current system: “Keep the federal government’s hands off my Medicare”

Copyright Marc J Roberts 2011

None the Less, Federal Spending on Medicare will Have to be Constrained

- *Option 1*: Pay providers less within the current system (the usual Congressional response)
- *Option 2*: Turn Medicare into a privatized, competitive system based on defined (limited) government contributions (Ryan Plan)
- *Option 3*: Create incentives for cost-reducing innovation and end incentives for overuse by shifting from fee for service to episode of illness and/or capitated payment. (the A.C.A. approach)



Only Option 3 is likely to be both politically acceptable and effective

Copyright Marc J Roberts 2011

Cost Control in the A.C.A.

- Patient Centered Outcomes Research Institute
  - Results **cannot** be used for payment, guidelines, coverage or treatment (the “no death panels” provision)
- An Innovation Center within C.M.M.S.
  - Payment experiment results can be applied without Congressional approval
- Independent Payment Advisory Board (Super Medpac)
  - To submit recommendations to Congress if spending exceeds CPI inflation rates
- Specified payment experiments
  - A.C.O.’s, bundling, medical homes, value based purchasing

Copyright Marc J Roberts 2011

The Quality Community Has Every Reason to Support Payment Reform

- Technology producers focus on what they can sell
- Buyers of new medical technology have favored high cost, high profit, “high tech” alternatives
- Health care needs technological progress like that in electronics- lower cost joined to better performance
- Constrained payment systems will make providers a market for such innovations
- Under current payment systems overuse is often profitable and many quality improvement efforts produce decreased net revenue

Copyright Marc J Roberts 2011

Public Awareness of the Drawbacks of Overuse would be Very Helpful

- Only providers can credibly advocate for "less is more—at least in some cases"
- Frank conversations about death and dying are increasing but need to be fostered
- Many widely used medicines are coming off patent. Patient education will be needed to take advantage of this development and counteract industry marketing efforts

Copyright Marc J Roberts 2011

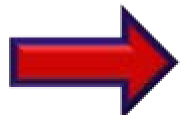
Physicians Need to Understand and Accept Responsibility for System Behavior

- Too many practitioners use claims for autonomy and clinical judgment to defend income maximizing behavior
- Group norms often condone "mutual non-aggression" with regard to clinical decisions
- Some inappropriate use does reflect honest responses to past teachers and current patients
- Medical students need to be taught about economic pressures at the individual and system levels

Copyright Marc J Roberts 2011

My Solution—The "Sagamore Bridge" Plan

- The government issues universal tax-supported vouchers
- Individuals use these to purchase a "pretty good" benefit package from any qualified insurer/provider group
- The federal government pays insurer/provider groups a risk-adjusted capitated payment
- Providers are protected against the risk of unexpected costs by paying into a re-insurance pool
- Companies/unions/ individuals can purchase extra coverage
- Individuals shop on quality, insurer/provider groups seek to control costs



NO CHANCE OF THIS POLITICALLY

Copyright Marc J Roberts 2011