

Health Care Reform: The Real Story



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What You Hear About Health Care Reform

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- **The public option**
- **Death (panels) and taxes (on the rich, on your insurance plan, on ...)**
- **Should health care cover abortion?**

What You *Don't* Hear About Health Care Reform

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- One of the following is *not* true. Which one?
- The Senate proposes to spend \$10 billion trying out new chronic care models and disseminating successes throughout Medicare.
- Congress is on the verge of ending its micro-management of Medicare.
- The Yankees are inherently better than the Red Sox.

What is the real story on health care reform?

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How do you create a better (cheaper, higher quality) health care system?

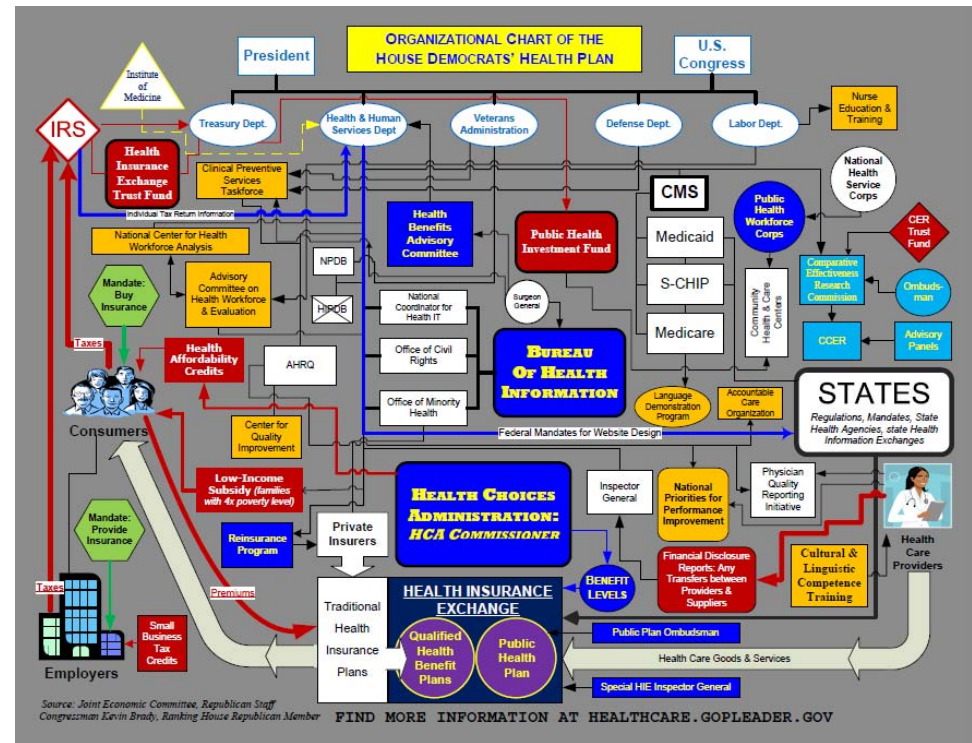
Fundamental Challenges

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- **The role of government in the economy**
 - I'll be damned if I want the government messing in my medical care
 - I'll be damned if I want some private insurance company messing in my medical care
- **Money**
 - Can we afford to cover everyone, make it balance in the short term, and save money in the longer term?

Competing Views of US Health Care

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Fundamental Issues

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1. Getting everyone covered
2. Improving the value of care
3. Addressing the US fiscal situation

Affordability and accessibility are the keys to coverage

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- **People buy insurance when the price is low and there is a place to buy it**
 - E.g., MA Connector
- **Subsidies are expensive**
 - The modified 80-20 rule

Improving the value of care

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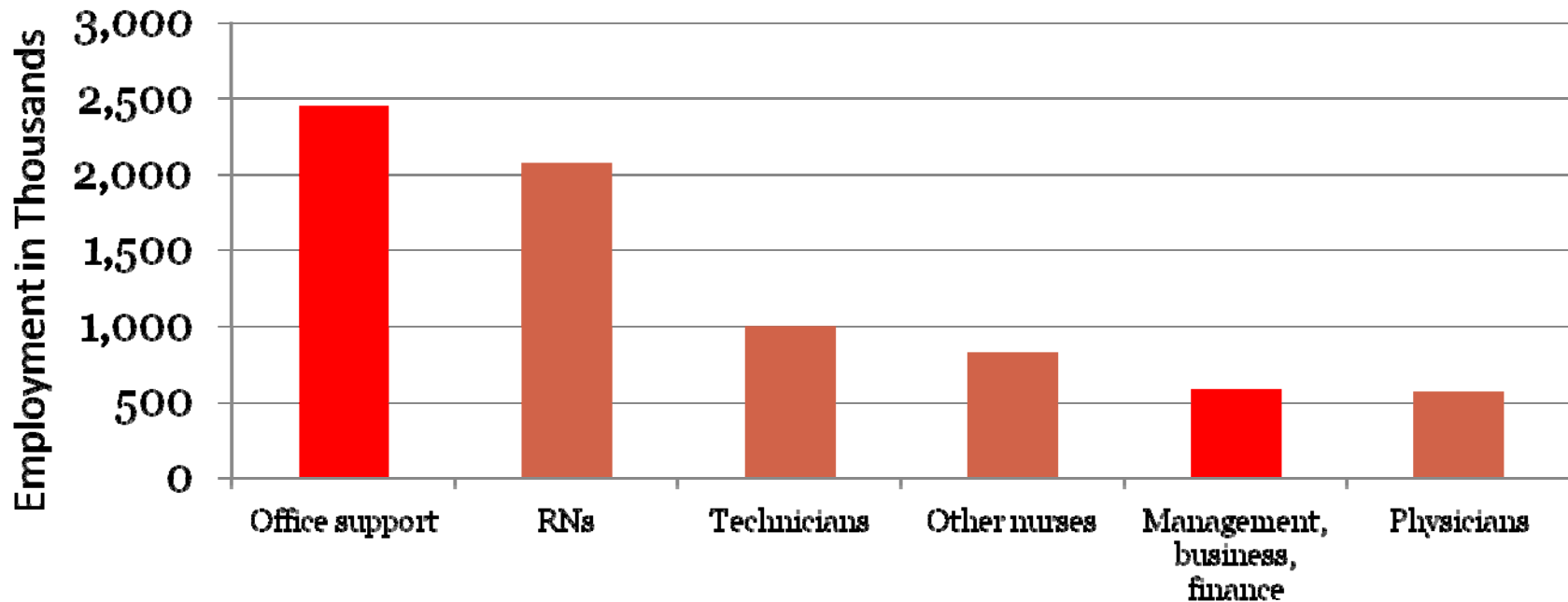
- **Premise: Medical care is inefficiently provided, and this both lowers quality and drives up cost.**
 - **Therefore, we should be able to improve quality and save money by *modernizing* the health system.**

Examples of inefficient care

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1. **Administrative expenses are too high**
 - Wasted time, wasted people

Health Care Employment



Examples of inefficient care

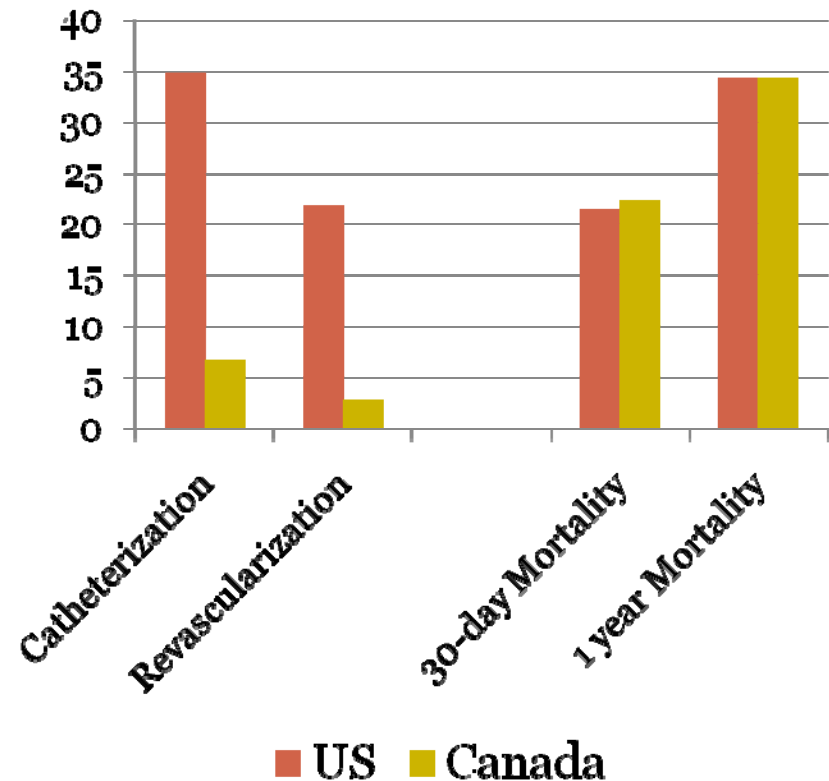
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2. People use too much and too expensive acute care



Image courtesy U.S. Department of Veterans Affairs.

AMI Treatment in the US and Canada

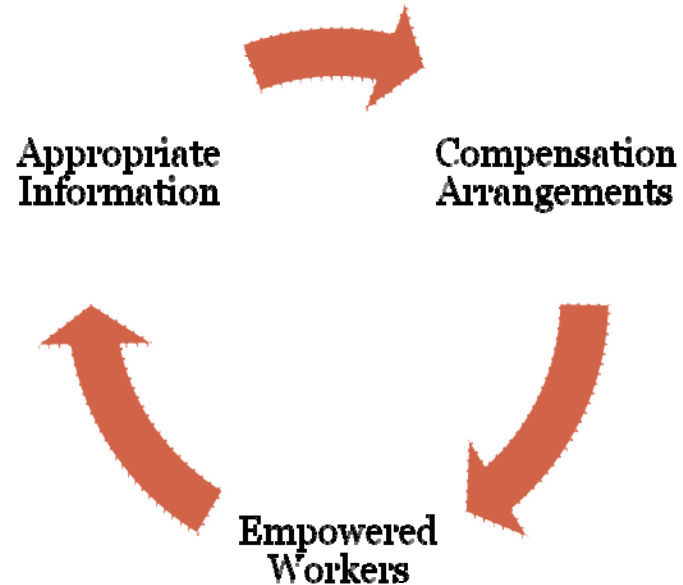


What Is Health System Modernization?

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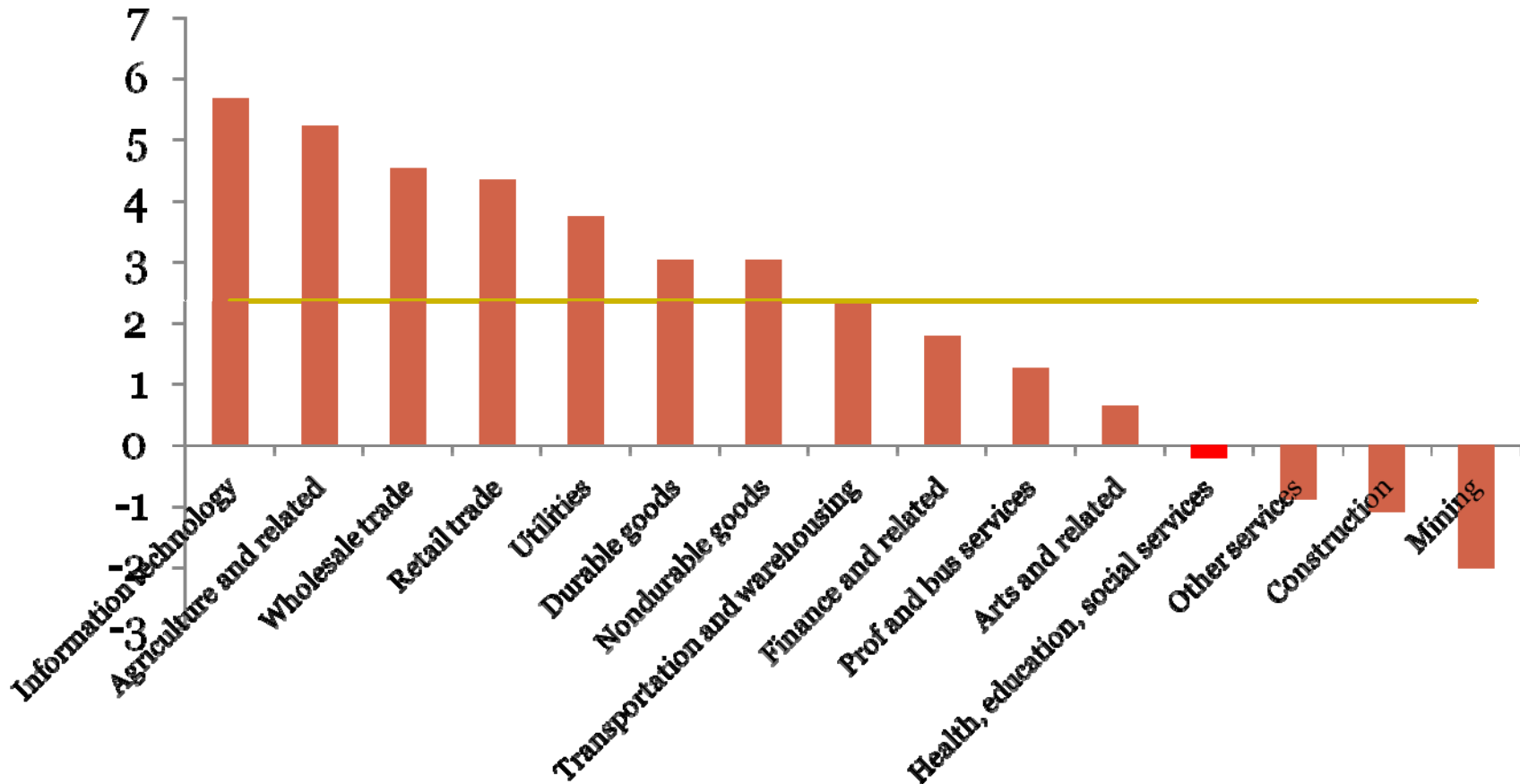
- The idea that health care can be made a 'normal' industry in terms of productivity growth

The Hallmark of Productive Industries



Productivity Growth by Industry, 1995-2005

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Four Steps to Health Care Modernization

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1. Better Information

- Wiring the medical industry and *using* the results at the patient and system level

2. Compensation arrangements

- Pay-for-value instead of pay-for-volume
- It starts with Medicare

3. Insurance reform

- Competition over quality, not competition over risk avoidance

4. Worker empowerment

- Scope of practice rules, medical training, specialty mix

Better Information

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- **Information technology**
 - Digitize health care
 - Use the information well
 - ✦ Patient encounters
 - ✦ Cost-effectiveness analysis
 - ✦ Learning which providers are better and worse

Photo of doctor using handheld tablet PC removed due to copyright restrictions.

Compensation Changes

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- **Compensation changes**
 - **Bundle payment wherever possible**
 - ✦ Hospital +
 - ✦ Patient as a whole
 - **Stress prevention**
 - ✦ Value-based insurance design
 - ✦ Medical homes, transitional care etc.
 - **Pay-for-performance**

Worker Empowerment

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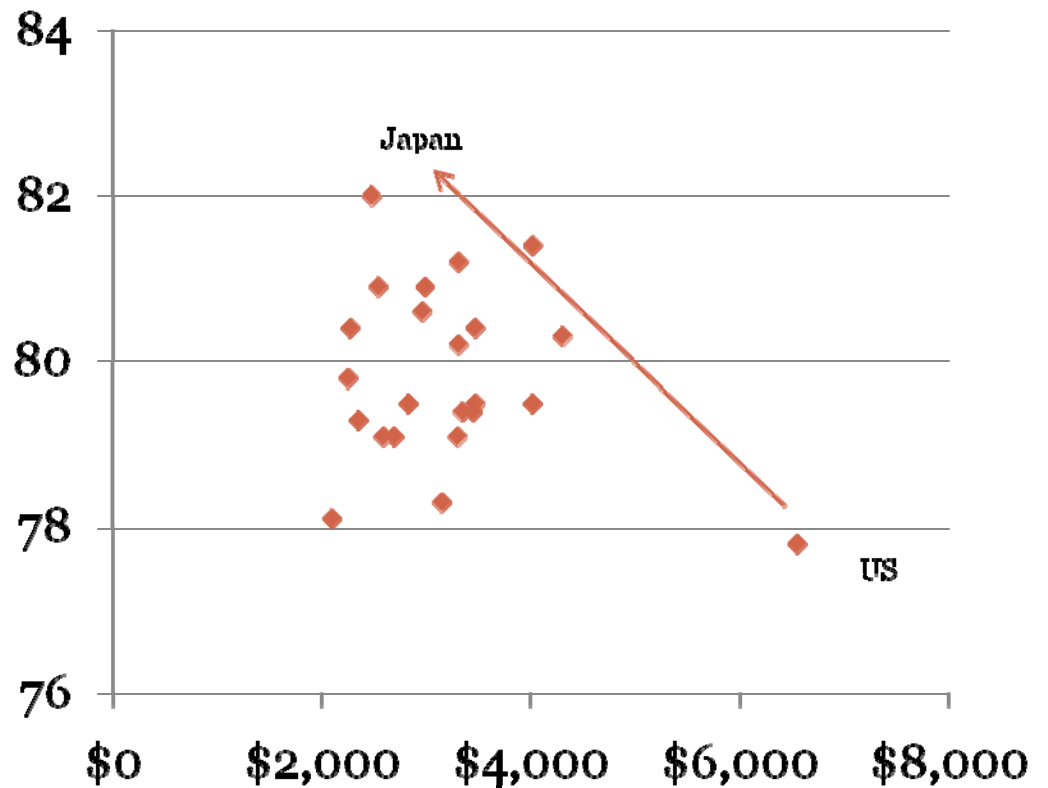
- **Organizational changes**
 - Flat organizations do better than hierarchical ones.
 - A truly paperless organization

Impact of doing better

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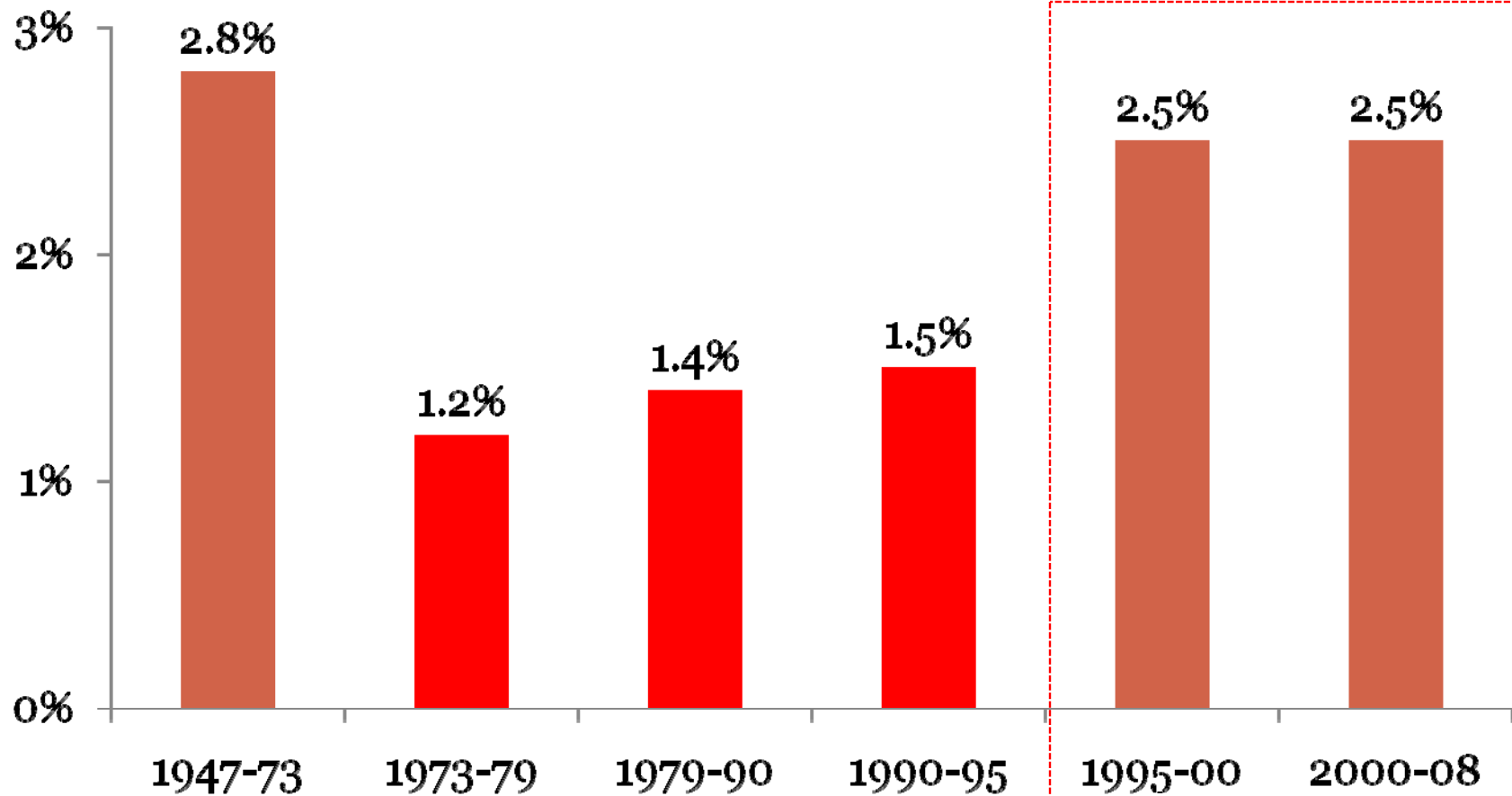
Improve health and
cut growth of medical
spending

Medical Spending and Life Expectancy, 2005 OECD



Productivity Growth in US Industry

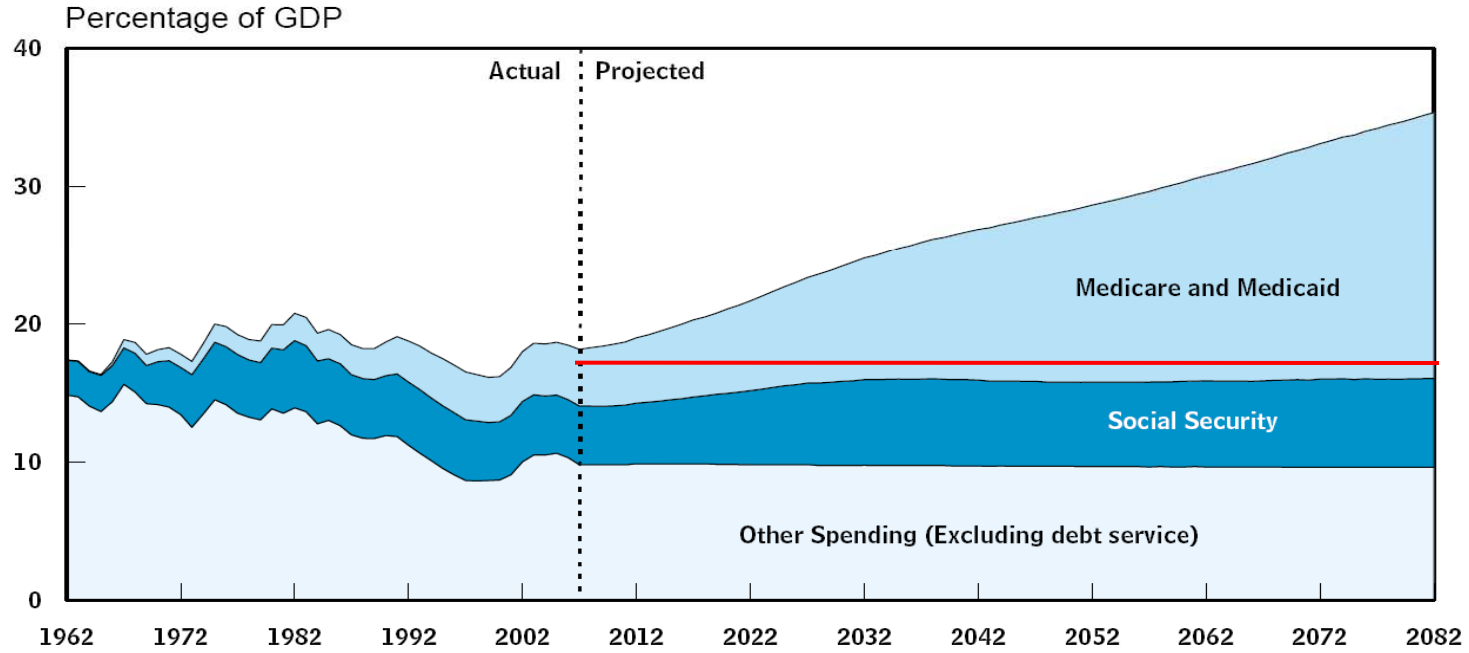
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CBO's Favorite Chart



Federal Spending Under CBO's Alternative Fiscal Scenario

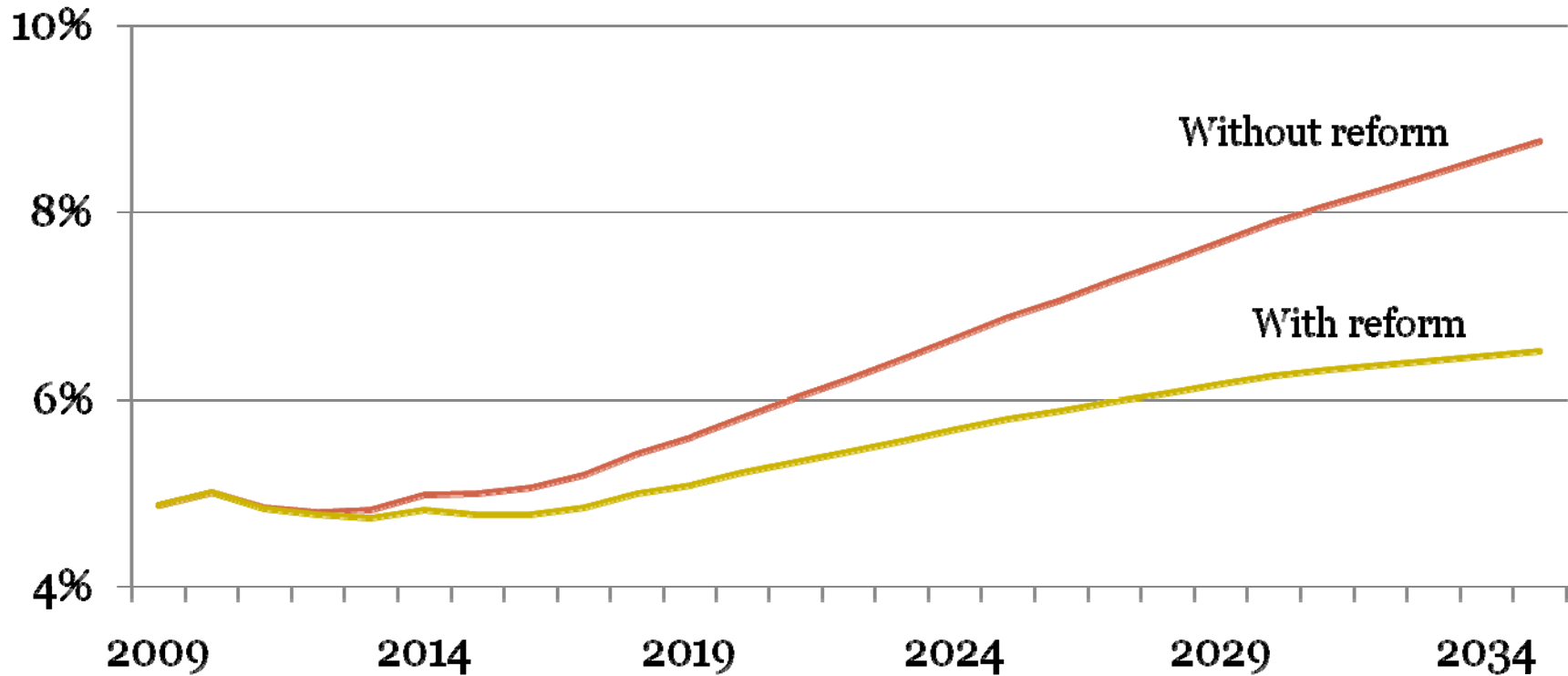


Public domain image from the U.S. Congressional Budget Office. For complete report, see U.S. Congress. Congressional Budget Office. *The Long-Term Budget Outlook*. December 2007.

David Cutler's Favorite Chart

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Federal Health Spending With and Without Health System Modernization



How Do The Bills Stack Up?

To provide affordable, quality health care for all Americans and reduce the growth in health care spending, and for other purposes.

To make quality, affordable health care available to all Americans, reduce costs, improve health care quality, enhance disease prevention, and strengthen the health care workforce.

IN THE SENATE OF THE UNITED STATES

_____ introduced the following bill, which was read twice and referred to the Committee on _____

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- **Pretty well, actually**
 - Commitment to payment change, with flexibility to adjust mid-course and lots of experimentation
 - Follows on heels of stimulus bill & IT investment
- **Somewhat weaker on non-payment issues**
 - Workforce issues
 - Sin taxes (esp. directed towards obesity)

Qualifications

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- **This is a path, not a leap**
 - Implementation will be key
- **Provider support is essential**
 - We can spend the next decade fighting, or changing

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