

## **HEALTH REFORM: THE WAY FORWARD**

by **Karen Davis**

**President of The Commonwealth Fund**

**Fellow of the American Academy of Arts and Sciences**

© **Karen Davis**

Perhaps no contemporary political and social issue more needs the Academy's tradition of mobilizing "intellectual resources to anticipate, examine, and confront the critical challenges facing our society" than health reform.<sup>1</sup> The United States is the only major industrialized nation that fails to ensure health coverage for all, at great cost to our nation. Theodore Roosevelt proposed such reform in 1912, and Presidents Harry Truman, Richard Nixon, Jimmy Carter, Bill Clinton, and now Barack Obama have all proposed health reform legislation.<sup>2</sup> Despite this nearly century-long presidential interest in health care overhaul, formidable obstacles have surfaced to block legislation.

No serious scholar can question that there are many reasons to change the health system. The United States spends more than any other nation on health care – twice the average of industrialized nations.<sup>3</sup> Yet, it does not reap commensurate results. It ranks last out of 19 countries on mortality amenable to medical care.<sup>4</sup> And because there is no system of health coverage for all, almost 50 million Americans go without health insurance coverage.<sup>5</sup> As a result, the United States lags other nations on indicators of access to care and equity.<sup>6</sup>

There is no lack of creative ideas for covering the uninsured, slowing the growth in health care costs, and achieving greater value for our investment in health care. For almost four decades scholars and politicians have advanced solutions. They tend to fall into four general categories: 1) a pragmatic mixed private-public system of financing that builds on the best forms of coverage that now exist, including employer coverage and public programs such as Medicare; 2) a single payer strategy that mirrors the experience of many industrialized nations, with government provision of health insurance to all along with public provision of health services and/or regulation of privately provided services;

3) a market strategy that provides tax credits or vouchers, offers an array of private health insurance plans, and relies on consumer choice and competition to create incentives for greater efficiency; and 4) a health delivery system reform strategy that organizes care into integrated health systems or accountable care organizations that are paid on a fixed per person (capitation) basis with patients enrolling in systems of care that best meet their needs.

President Obama, during the presidential campaign and in his recent address to a Joint Session of Congress, has embraced a combination of these ideas.<sup>7</sup> He said he would retain employer coverage but proposed that private plans compete against a new public health insurance option. He called for the creation of a health insurance exchange, offering a mix of private plans and the new public plan to foster greater competition and choice. He also supported payment and delivery system reform to reward health care providers that deliver better quality care while slowing the growth in health care costs.

The Commonwealth Fund Commission on a High Performance Health System issued a report in February 2009, [The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way](#), that included recommendations aligned with those set forth by President Obama during the presidential campaign.<sup>8</sup> In the report, the Commission laid out a framework for coverage for all through a combination of public and private coverage and sliding scale premium assistance; reform of provider payment methods to reward efficiency and value rather than volume of services; and system reform measures such as the adoption of information technology and the use of scientific evidence on the comparative effectiveness of prescription drugs, devices, and other diagnostic and treatment technologies. The Commission estimated that the “Path” proposal would extend affordable health insurance to virtually everyone. If the recommendations were enacted, the number of uninsured — now at 46 million and projected to rise to 61 million in 2020 — would instead fall to an estimated 4 million, or about 1 percent of the U.S. population. An estimated 100,000 lives could be saved through the coverage, population health, and system reforms included in the “Path”

framework. Furthermore, these reforms would slow health spending growth by \$3 trillion over the next decade.

Congress has responded by developing specific legislation that incorporates much of the “Path” framework. It includes the following elements:

- Mixed public-private system
- National or state-based health insurance exchanges
  - Pools risk and reduces administrative costs, easy enrollment
  - Choice of private plans and new public health insurance option
- All required to have coverage, with provisions for affordability
  - Income-related premium assistance to make coverage affordable
  - Expansion of Medicaid
- Shared responsibility for financing: employers provide health insurance to employees or contribute to a fund
- Insurance market reforms
  - Guaranteed issue, renewal and community rating
  - National benefit standard
- Innovative provider payment and delivery system reforms
  - Reward primary care; medical home fees
  - Bundle hospital payment and post-acute care
  - Incentives for accountable care organizations
  - Slow cost growth over time with incentives for provider productivity improvement over time.

The health reform proposals under consideration by the Congress – while centrist in nature – have run into stiff opposition. The proposal to have a public health insurance plan compete with private insurers has been a particular lightning rod. Sources of opposition come from several fronts: 1) those with an interest in the status quo; 2) ideological divides over the role of government versus markets; 3) lack of consensus on the “best” solution; 4) concerns over the economy, taxes, and degree of income

redistribution involved; and 5) political opposition hoping to use the issue to change the balance of political power.

This President, more than his predecessors, has succeeded in gaining the support of major stakeholders, including major hospital and physician organizations and the pharmaceutical industry. But business, insurers, and some parts of the medical industry remain opposed to the portions of reform that they perceive as a threat to their economic self-interest. Conservative politicians have greater faith in market forces to foster innovation and yield value; they favor consumers buying their own insurance and paying more of their own health care bills directly out-of-pocket in the belief that spending one's own money will eliminate waste and inefficiency in the health system. Progressive politicians believe that the health sector is different from other goods and services; they call for a strong governmental role in providing or regulating health insurance or health care to counter the market power held by private insurers and other health businesses that derive considerable profit from the health industry. Academic experts are divided on the "best" solution – each preferring his or her particular ideas. Economists and fiscal conservatives fear that the federal government is exceeding its capacity to meet its fiscal commitments and are wary of a major new entitlement program. And with the White House and Congress controlled by Democrats, Republicans see health reform as a wedge issue to regain political power.

President Obama is being tested early in his presidency by the health reform issue. Although politically difficult, there is an urgent need to move in new directions. The comprehensive reforms proposed by the President and Congress should help spark economic recovery, put the nation back on a path to fiscal responsibility, and ensure that all Americans are able to get the care they need and deserve. The cost of inaction is high. The President is providing leadership and trying to forge consensus to move forward. With both a historic political opportunity and a clear path toward a high performance health system that works for all Americans, the time has come to take bold steps to ensure the health and economic security of this and future generations.

- 
- <sup>1</sup> American Academy of Arts and Sciences, *About the Academy*, <http://www.amacad.org/about.aspx>.
- <sup>2</sup> K. Davis, "Universal Coverage in the United States: Lessons From Experience of the 20th Century," *Journal of Urban Health* 78 (1) (March 2001): 46–58.
- <sup>3</sup> The Commonwealth Fund Commission on a High Performance Health System, *Why Not the Best? Results from the National Scorecard on U.S. Health System Performance, 2008*, The Commonwealth Fund, July 2008.
- <sup>4</sup> E. Nolte and C. M. McKee, "Measuring the Health of Nations: Updating an Earlier Analysis," *Health Affairs* 27 (1) (January/February 2008): 58–71.
- <sup>5</sup> K. Davis, *Changing Course: Trends in Health Insurance Coverage: 2000–2008*, testimony before the Joint Economic Committee, September 10, 2009.
- <sup>6</sup> C. Schoen, R. Osborn, S. K. H. How, M. M. Doty, and J. Peugh, "In Chronic Condition: Experiences of Patients with Complex Health Care Needs, in Eight Countries, 2008," *Health Affairs*, Web Exclusive, November 13, 2008, w1-w16.
- <sup>7</sup> S. R. Collins, J. L. Nicholson, S. D. Rustgi, and K. Davis, *The 2008 Presidential Candidates' Health Reform Proposals: Choices for America*, The Commonwealth Fund, October 2008.
- <sup>8</sup> The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, The Commonwealth Fund, February 2009.