

HEALTH CARE REFORM AND THE OBAMA ADMINISTRATION: Rolling the stone up the Hill

Arthur Garson, Jr., MD, MPH
Executive Vice President and Provost
Former Dean School of Medicine
University of Virginia



Context

- Health care is a problem that has been with us longer than Iraq, 4 dollar gas, and sub-prime mortgages.
- Six times in the last century, America decided to tackle health care reform.
- So what makes this time different?

Context

- What may actually get our country's attention moving forward is the effect of our rising health care costs on the economy:
 - **WE WASTE \$700 BILLION PER YEAR ON HEALTH CARE**
- Our health care costs per person are double the average for developed countries.
- That simply reduces our competitiveness
- Our spending on health has gone up about 8% per year, our quality of care has improved less than 2%

Context

- The current economy
 - Relevance of the bailout: careful about change
 - “The only socialist country without universal coverage”
 - ?Greater willingness for central solutions
 - ?Greater willingness for cost control
 - More businesses in trouble and not providing health care
 - More uninsured
- Add to the deficit?
 - The wars are funded by deficit spending
 - No guarantee that the “saving” will be applied to health care

The Obama Plan (...during the campaign)

- Goal of “affordable coverage for all”
- Public:
 - Pass State Children’s Health Insurance Program
 - Expand Medicaid
- Private
 - National health insurance exchange (like FEHBP)
 - Pooling
 - Available national health plan for individuals and small business similar to Medicare
 - Reinsurance by government
 - Community rating, guaranteed issue
 - Premium subsidies

The Obama Plan (...during the campaign)

- Pay or play for all but smallest businesses
 - 50% refundable tax credit for small business
- Mandate for all children
- Mandate eventually for adults
 - “When affordable”
 - Mass “affordable”: 2-9% of income

The Obama Plan (...during the campaign)

- Cost and quality
 - Comparative effectiveness institute
 - Pay providers for quality
 - Electronic Medical Records (mandate)
 - \$10B per year investment x 5 years
 - Reduce administrative costs of insurance
 - Disease management, prevention

The Obama Plan (...during the campaign)

- Paying for reform -- \$100 Billion
 - Short term
 - Eliminate tax cuts for incomes >\$250K
 - \$50 Billion
 - Medicare negotiation with drug companies
 - Reduction in Medicare Advantage “overpayment”

The Obama Plan (...during the campaign)

- Long term (5+ years) – we waste \$700B
 - Electronic medical records \$80B +
 - Disease management
 - Obesity \$100B +
 - Patient overuse
 - Physician overuse (\$50B Medicare +)
 - Pharmaceuticals and devices

The first year (according to Aaron)

“Despite the appeal of swinging for the fences on health care reform, it would be a serious mistake for President Obama to make sweeping reform an early first-term priority.”

1. Numerous other problems cannot wait
2. “Big Bang” is the wrong strategy
3. Chances of success are small
4. Political fallout from failure would be devastating

BUT WE MAY ONLY GET ONE YEAR

The first year under Obama

- STATES
 - Pass SCHIP
 - 300% Poverty, \$35 B, no adults was vetoed
 - First Focus: \$50-60B with state flexibility on Poverty Level
 - ?? Pass Health Partnership Act
 - Federal grants to states for innovation in Coverage (private or public), Cost, Quality and Information Technology
- NATIONAL
 - ?Kennedy bill
 - ?Bill based on entire Obama Plan

The first year under Obama

- Limited legislation
 - or a “Do tank” – not a Commission
- Coverage
 - Children
 - How to get those >300% of poverty – private system
 - » FEHBP-like program for children
 - » Sliding scale subsidy to 400% so as not to be >5% of income
 - » Funding – employer pay-or-play

The first year under Obama

- Limited legislation
 - or a “Do tank” – not a Commission
- Coverage
 - Adults
 - Private: Build on children’s programs
 - Medicaid for childless adults
 - Medicaid counter-cyclical adjuster based on unemployment rate

The first year under Obama

- Limited legislation
 - or a “Do tank” – not a Commission
- Cost and Quality
 - Requiring Electronic Health Records
 - Major issues: privacy and physician incentives for adoption
 - Changes in physician payment
 - A process for determining and improving value in health care (beginning with comparative effectiveness and moving to inclusion of cost)
 - Involvement of patient personal responsibility



AAMC

Reform Principles

1. Health care coverage that is affordable. Transportable and continuous, and that combines the best of public and private systems, should be available to all.
2. Delivery system must be restructured to facilitate health promotion and disease prevention while providing high quality, cost effective diagnosis and treatment of illness as well as palliative care

AAMC and Reform Principles

3. Health care financing mechanisms should be sustainable, equitable, explicit, accountable, and promote efficiency and quality
4. Existing programs that serve defined populations should be maintained until superior alternatives can fully replace them
5. The supply of health care practitioners must be adequate and reflect the population and its health care needs

AAMC and Reform: What can we do?

- Pilot project to reduce clinical variation
- Physician payment reform
 - e.g. bundled payments
 - Pay for performance
- How AHC's can reduce disparities
- How AHC's can facilitate team-based care – and other educational changes
- How to finance medical education

“We should not accept without challenge
what we know to be abominable
just because it appears to be inevitable”

-Jordan Cohen