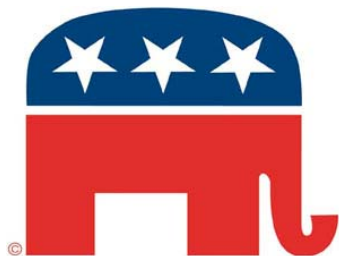




# Healthcare Reform 2009: Truth, Justice, and the American Way

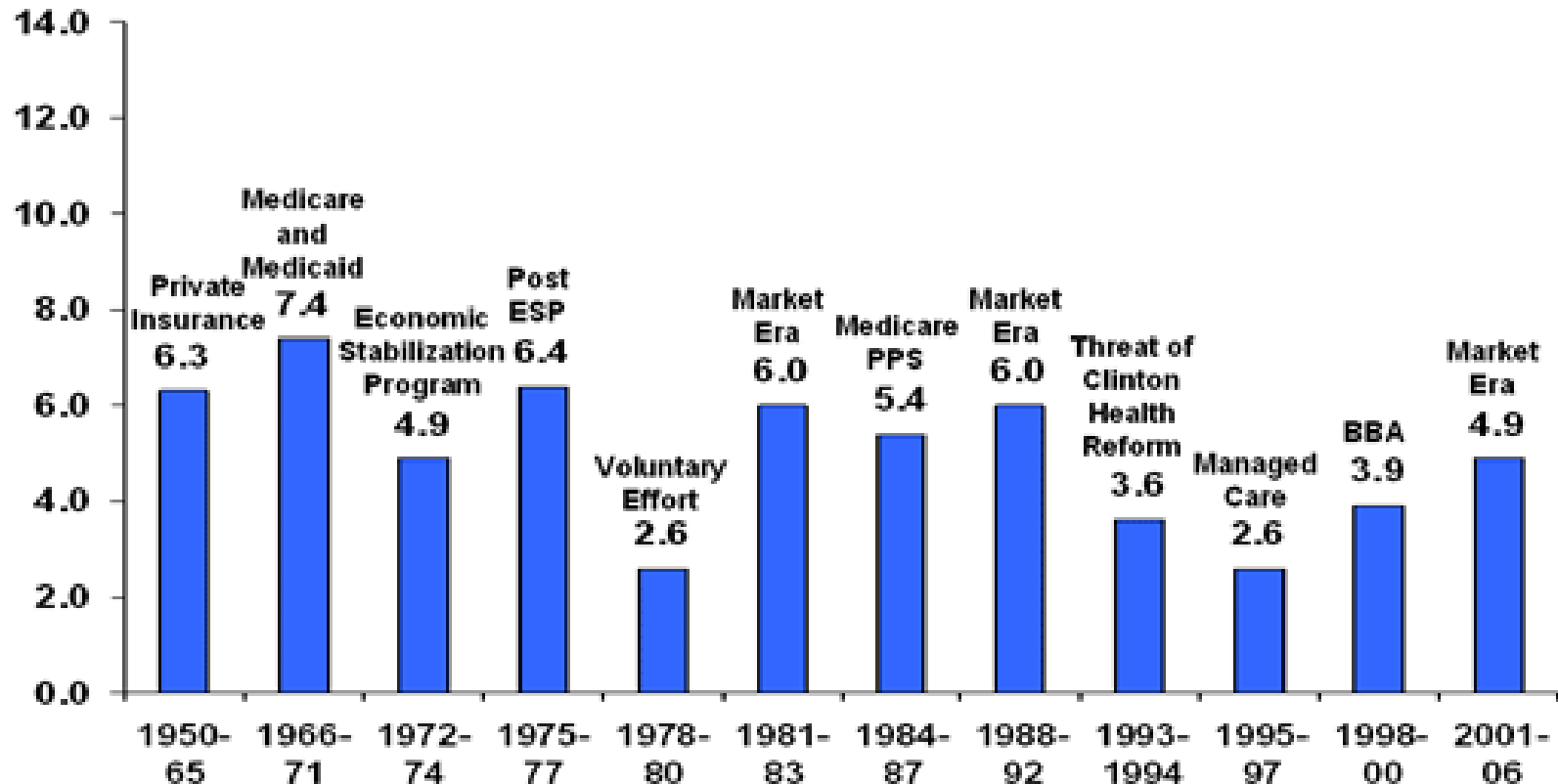
Marcia Nielsen, PhD, MPH  
Vice Chancellor for Public Policy  
University of Kansas Medical Center  
October 20, 2009



# Bending the Cost Curve?

- Theme for tonight: does health reform increase revenues and decrease costs?
- Background:
  - What are current costs in US system?
  - What guides the distribution of health care in the US?
- What policies “bend the cost curve” and what is included in the legislation (Senate Finance)?
- Are we there yet?

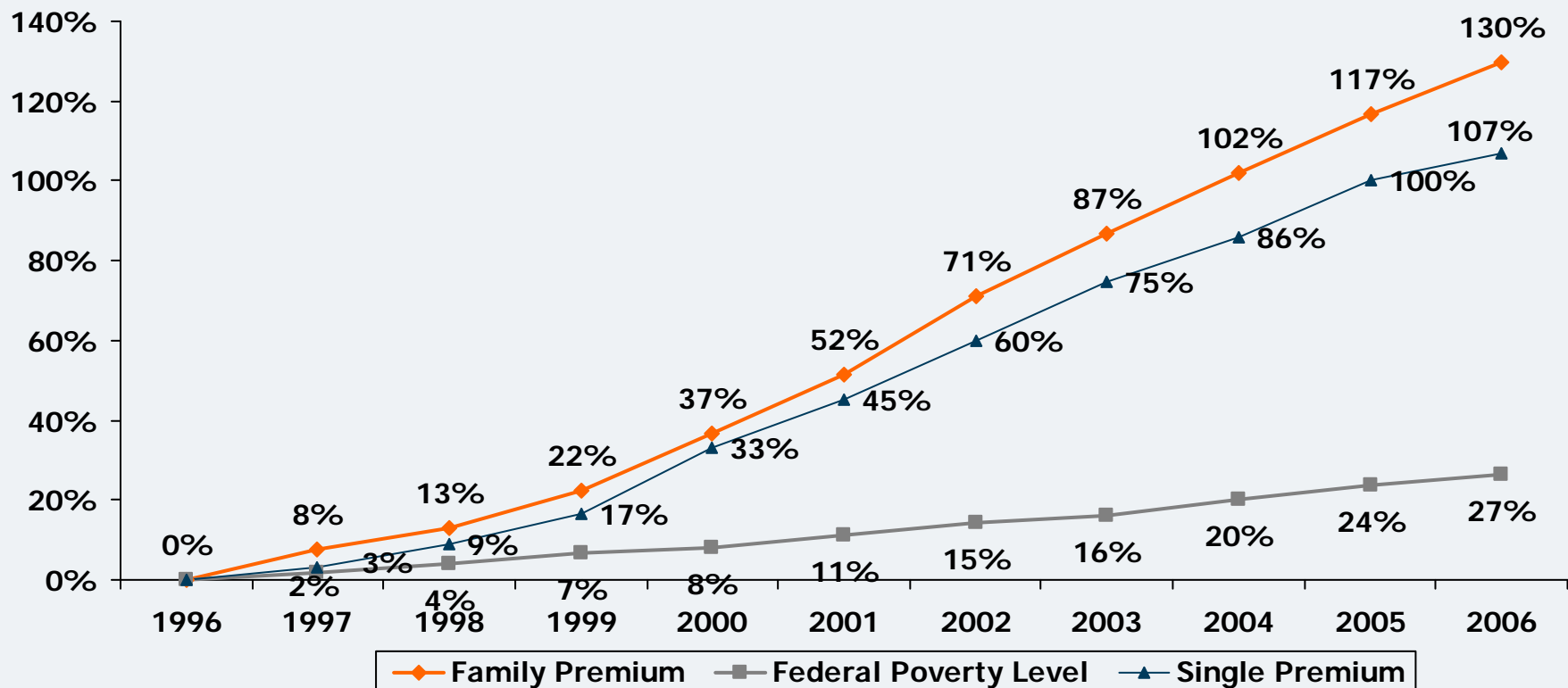
## Exhibit 2. Average Annual Rate of Increase in Real National Health Expenditures, 1950-2006



Data: Centers for Medicare and Medicaid Services, "National Health Expenditures by type of service and source of funds, CY 1960-2007," (U.S. Department of Health and Human Services, February 2009); United States Bureau of Labor Statistics, "Table Containing History of CPI-U U.S. All Items Indexes and Annual Percent Changes From 1913 to Present," (Washington: U.S. Department of Labor, May 2009); K. Davis et al., "Health Care Cost Containment," (Baltimore: Johns Hopkins University Press, 1990).



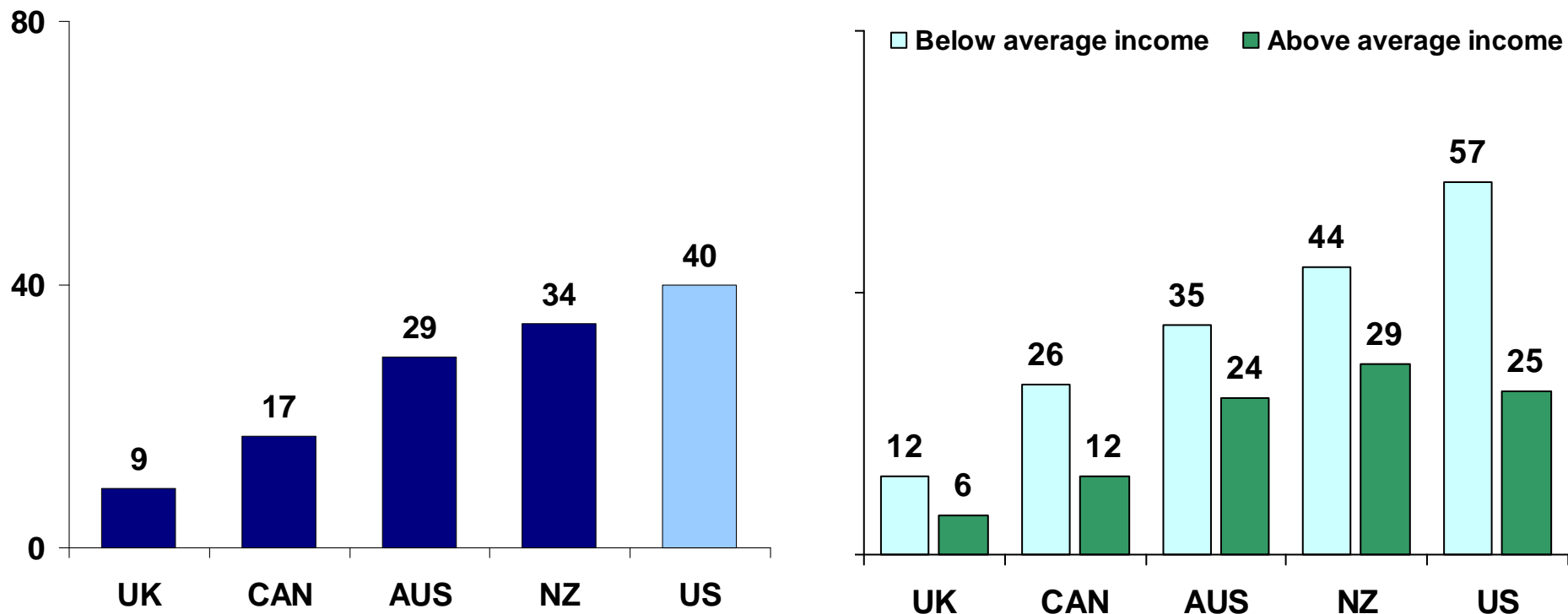
# Cumulative Change in Single and Family Health Insurance Premiums and Federal Poverty Level, 1996-2006



Source: Premium data from Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, 1996-2006, at <http://www.meps.ahrq.gov/mepsweb/>. Federal Poverty Level based on HHS Federal Poverty Guidelines (1996 through 2006) at <http://aspe.hhs.gov/poverty/figures-fed-reg.shtml>; rate of growth based on change for one person (change for a four-person family would be 28% rather than 27% over the period).

# Access Problems Because of Costs in Five Countries, Total and by Income, 2004

Percent of adults who had any of three access problems\* in past year because of costs



\* Did not get medical care because of cost of doctor's visit, skipped medical test, treatment, or follow-up because of cost, or did not fill Rx or skipped doses because of cost.

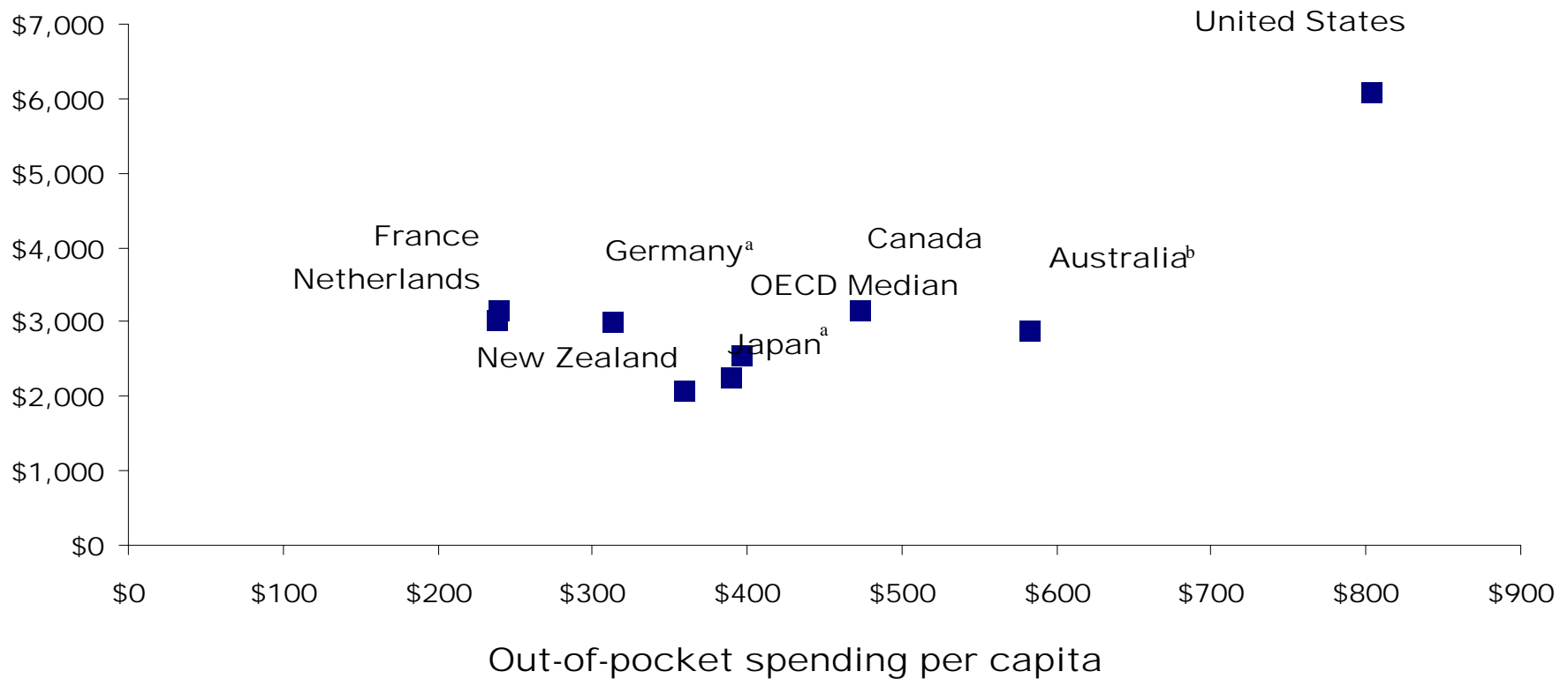
UK=United Kingdom; CAN=Canada; AUS=Australia; NZ=New Zealand; US=United States.

Data: 2004 Commonwealth Fund International Health Policy Survey of Adults' Experiences with Primary Care (Schoen et al. 2004; Huynh et al. 2006).

Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2006.

# Americans Spend More Out-of-Pocket on Health Care Expenses

Total health care spending per capita



<sup>a</sup>2003

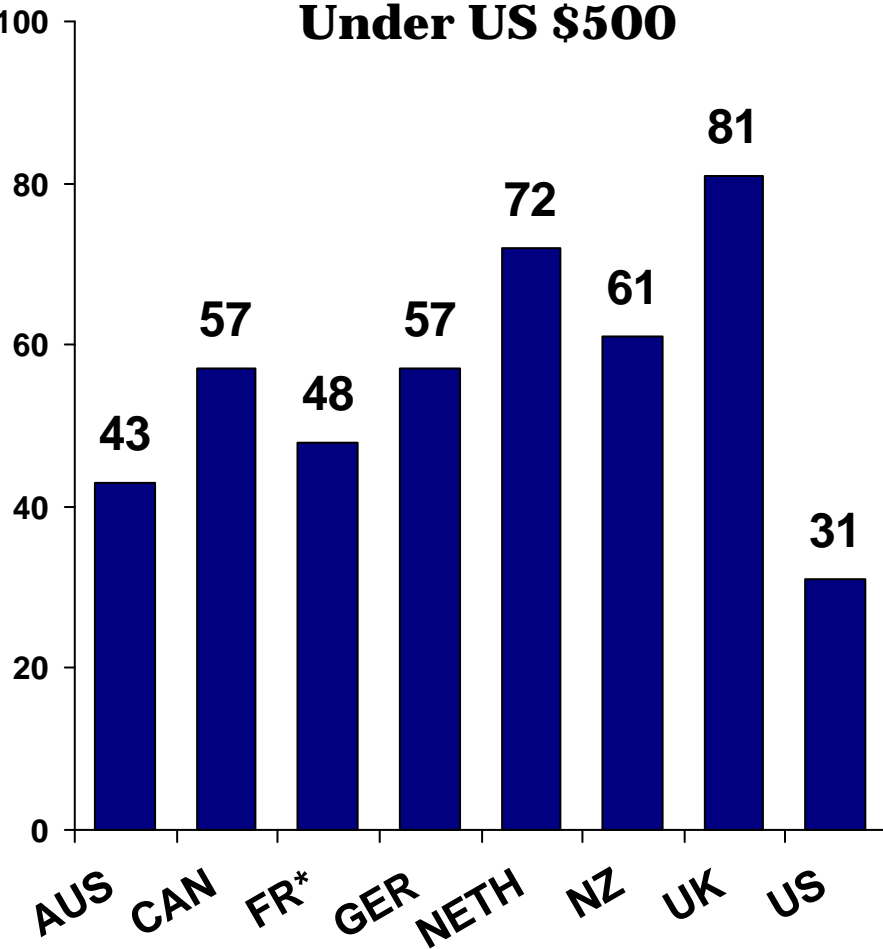
<sup>b</sup>2003 Total Health Care Spending, 2002 OOP Spending

# Out-of-Pocket Medical Costs in Past Year

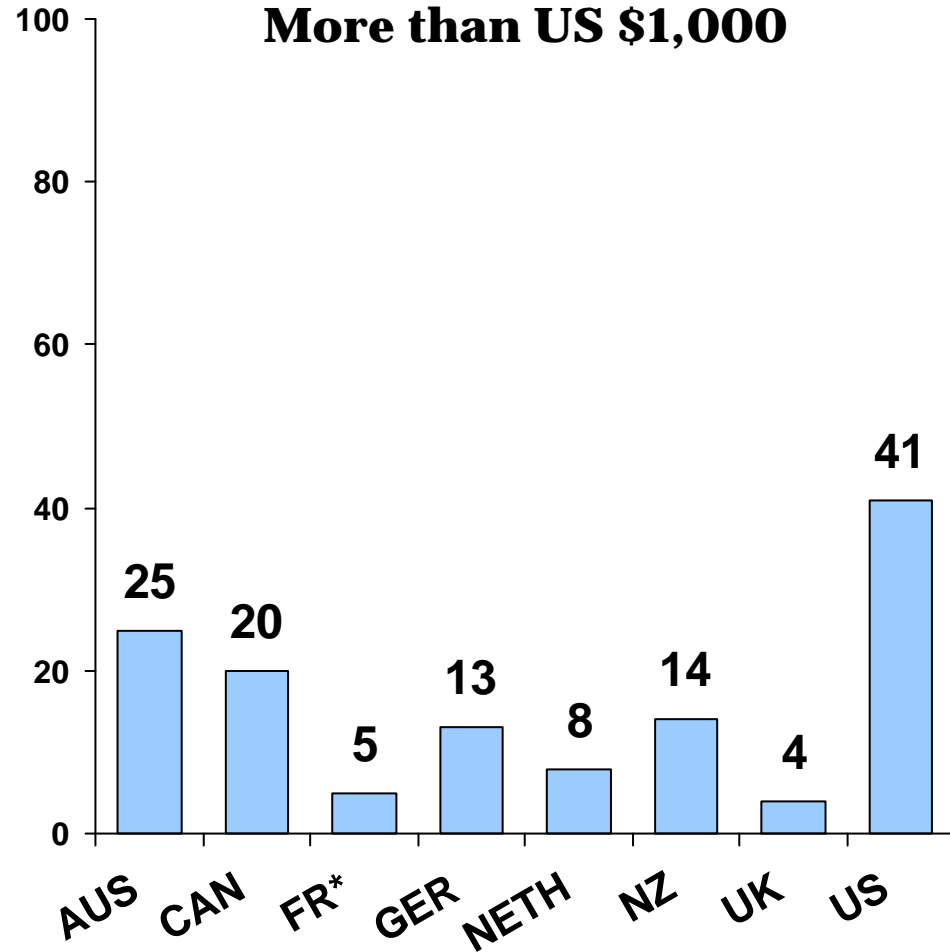
**Base: Adults with any chronic condition**

**Percent**

## Under US \$500



## More than US \$1,000



\* 44 percent of French respondents were unable to estimate out-of-pocket costs.

Data collection: Harris Interactive, Inc.

Source: 2008 Commonwealth Fund International Health Policy Survey of Sicker Adults.

# What guides distribution of health care in the US?

## Market justice

- Health care economic good
- Assumes free market for health care delivery
- Assumes markets are more efficient in allocating resources fairly
- Production and distribution of care determined by market based demand
- Care based on ability to pay
- Access to care viewed as economic reward for personal effort

## Social justice

- Health care as social resource
- Requires active government involvement
- Assumes government is more efficient in allocating resources fairly
- Medical resource allocation determine by central planning
- Ability to pay inconsequential for receiving care
- Equal access to care viewed as basic right



President

**Obama**, “I will not sign a plan that adds one dime to our deficits – either now or in the future”. Sept 10.



# What policies are believed to bend the cost curve?

- Administrative simplification, standardization, and transparency
- Reducing overuse and underuse
- Encouraging coordinated care and adherence to evidence-based best practices and therapies
- Improvements in care delivery models, health information technology, workforce deployment and development
- Regulatory reforms
- Health promotion and disease prevention, including obesity prevention

# What is in the reform bill (Senate Finance)?

## Increasing Revenues

- Excise tax on high cost insurance (CBOs estimates will raise \$201 billion/10 years)
- Impose a tax on individuals without qualifying coverage of \$750 per adult per year to be phased-in beginning in 2014.
- Impose new fees on segments of the health care sector:
  - \$2.3 billion annual fee on the pharmaceutical manufacturing sector;
  - \$4 billion annual fee on the medical device manufacturing sector; and
  - \$6.7 billion annual fee on the health insurance sector.

## Decreasing Costs

- Net savings from Medicare and Medicaid estimated to be \$404 billion/10 years
  - Incorporating productivity improvements Medicare market baskets
  - Reducing payments to Medicare Advantage plans
  - Creating Medicare Commission charged with finding savings
  - Changing Medicaid drug rebate provisions
  - Cutting Medicaid DSH payments

# Are we there yet?

- "While everyone agrees that making health coverage affordable is the key to providing health care to all, no congressional proposal has yet put forth a plan for how we deliver, administer, and pay for health care that is bold enough to make this goal attainable and sustainable while being comprehensive enough to improve health,"
  - **Report by the Partnership to Fight Chronic Disease.**