The Consumer Connection

... linking consumers with health care news and information

National Health Care Reform: The Playing Field and Prospects for Comprehensive Change

The Critical Nature of Today's Debate

Coverage too inaccessible

The number of uninsured Americans is very large—45 million—and growing: for every 1 percent increase in the unemployment rate, an additional one million people become uninsured. The Congressional Budget Office estimates that 17 percent of nonelderly persons will be uninsured in 2009.[1] Currently, fully 54 percent of the unemployed in Michigan, 118,000, are without coverage despite the significant growth in participation in the state's Medicaid program.[2] In addition, coverage for those with insurance is shrinking while their out-of-pocket costs are rising. Added to that is the explosion of health care spending, estimated at $2.5 trillion in 2008, which drives the cost of coverage and cannot be sustained—not in the public insurance programs of Medicaid and Medicare or in the private sector programs provided through employers or directly purchased by individuals.[3]

As unsustainable costs continue to escalate, a looming problem associated with the current number of unemployed workers and baby boomer retirements is almost below the radar—the issue of the funds in the Medicare Hospital Trust Fund which are supported by the federal payroll tax (FICA) paid by current workers. According to U.S. Health and Human Services Department projections, the period of solvency in the trust fund has been reduced to 10 years.[4]

> **"Somebody has to do something, and it's just incredibly pathetic that it has to be us."**
>
> *— the late Jerry Garcia of the Grateful Dead*

Care too expensive

COBRA, the program to provide access to coverage and care for individuals after separation from employment, is unaffordable to most, since they are required to pay 105 percent of the costs of their former employment-based coverage. Even job related coverage is problematic for low- and moderate-income households and exacerbates the income gap: those earning an average of $210,000 have enjoyed rising incomes and growing work-related health care benefits with affordable out-of-pocket spending, unlike the bottom group with an average income of $14,800, stagnant wages, and employers who are less likely to pay for health insurance, if they offer it at all.[5]

The overall cost problem is projected to worsen: by 2017 it is estimated that we will be spending $4.3

---

[1] Congressional Budget Office, *Key Issues in Analyzing Major Health Insurance Proposals* (Washington D.C.: CBO, December 2008), 4, Table 1-1.

[2] *Unemployed and Uninsured in America*, Families USA Special Report (Washington, D.C.: February 2009) 3, Table 2. Estimates based on unemployment data as of December 2008.

[3] As reported in *The New York Times* Sunday Business Section, Total National Health Care Spending (March 1, 2009): 1. Source: Centers for Medicare and Medicaid Services, Office of the Actuary.

[4] Obama's Health Plan, Ambitious in Any Economy, Is Tougher in This One, *The New York Times* (March 2, 2009): A14.

[5] Byron Auguste, Martha Laboisierre, and Lenny Mendonca, How health care costs contribute to income disparity in the United States, *The McKinsey Quarterly* (April 2009).

Michigan Consumer Health Care Coalition
1115 S Pennsylvania Suite 202 Lansing, MI 48912 Phone: (517) 487-5436 Fax: (517) 371-4546

The Consumer Connection is a publication of the Michigan Consumer Health Care Coalition with the Michigan League for Human Services

May 2009
vol. 9 no. 2

trillion on health care, almost 20 percent of gross domestic product (GDP), up from the current 17 percent.[6]

> **"The Americans always do the right thing…after they have exhausted all the other alternatives."**
>
> *— Sir Winston Churchill*

Services too inefficient

Peter Orszag, the President's budget director, describes the problem not as one of demographics but one of medicine: "All of the 85-year-olds in the future will cost us much more than today because the medical system will keep coming up with expensive new treatments and Medicare will keep reimbursing them, even if they bring little benefit."[7] His vision is to remake the system of a high-spending place like southern New Jersey or Texas in the image of a low-spending place like Minnesota, New Mexico, or Virginia. It is estimated that Americans spend $500 billion (25 percent of total spending) annually on unnecessary care, and that 30,000 Medicare recipients die each year as a result of unneeded care. Further, that the need for fully half of surgeries, tests, and procedures is not backed by scientific evidence.[8]

No discussion of the health care cost crisis is complete without reference to the issue of malpractice claims, and the resulting defensive medicine practiced by providers. The Congressional Budget Office (CBO) reported that the issue drove an estimated $30 billion in spending by providers for the defense against and payment of medical malpractice claims in 2008. This amount represents 1.5 percent of total national health spending and less than 3 percent of total payments to physicians and hospitals. CBO provided members of Congress with briefing books which included data on the issue: of 37.6 million medical encounters in 2003, 181,000 severe injuries occurred due to negligence; 30,000 malpractice claims were filed, or one for every six of these severely injured patients. One in 20 claims was filed where a severe injury occurred but negligence was not established.[9]

Cumbersome Process Under Way to Develop Proposals

Inside government

Fully 11 committees of the Congress have jurisdiction over parts of the health reform efforts. Major among them on the Senate side are the Budget and Finance Committees and the Committee on Health, Education, Labor and Pensions. The key senators involved are Max Baucus (D-Montana), Finance Committee Chair; Kent Conrad (D-North Dakota), Budget Committee Chair; and Ted Kennedy (D-Mass.) Health and Education Committee Chair. Debbie Stabenow from Michigan sits on the Budget Committee.

Many months of discussions have taken place in the Senate Finance Committee and a comprehensive draft reform proposal has been developed by its chair. Senator Kennedy's senior staff have been meeting twice a week with a range of stakeholders. Three roundtable discussions sponsored by the finance committee focusing on the health care delivery system, coverage, and financing will be completed by the end of May.

The first roundtable resulted in a 53-page document on the delivery system released on April 28 for committee members' consideration, with proposals for Medicare program changes in the areas of (1) improving quality and promoting primary care; (2) fostering care coordination and provider collaboration; (3) investing in infrastructure; (4) promoting quality, efficiency, and chronic care management in Medicare Advantage

> We want to hear from you—
> suggestions for improvements and topics, questions, even encouragement!
>
> Please contact us in care of Carol Barish, Consultant for Health Policy, Public Sector Consultants, 600 West St. Joseph Street, Suite 10, Lansing, MI 48933
> (517) 484-4954. E-mail: cbarish@pscinc.com

---

[6] CBO, *Key Issues*, 18.
[7] *The New York Times Magazine*, (February 1, 2009), 48.
[8] Shannon Brownley, Why Does Health Care Cost So Much?, *AARP Magazine* (July/August, 2008).
[9] Congressional Budget Office, *Budget Options, Volume I: Health Care* (Washington, D.C.: CBO, December 2008), 21. Also see CBO, *Key Issues*,152, Table 7-1.

(managed care) programs; and (5) combating waste, fraud, and abuse. They are being proposed with the understanding that "changes to federal health programs like Medicare activate and pave the way for systemwide changes."[10]

On the House side, the key committees are Energy and Commerce chaired by Henry Waxman of California, and this committee's subcommittees. Michigan's Rep. John Dingell, the former longtime chair of Energy and Commerce, continues to serve on this committee as well as Bart Stupak from the U.P. The House Committee on the Judiciary is chaired by John Conyers of Michigan, and the Committee on Ways and Means by Charlie Rangel of New York. Ways and Means members include Michiganders Sander Levin (Democrat) and Dave Camp (ranking Republican). George Miller (D-CA) chairs the Committee on Education and Labor, which is also involved; Dale Kildee and Peter Hoekstra from Michigan serve on this committee. The Budget Committee is chaired by Rep. John Spratt of South Carolina. Some issues will come before the Committee on Homeland Security; Candice Miller from Macomb County serves on this committee.

> **"I don't believe there's any problem in this country, no matter how tough it is, that Americans, when they roll up their sleeves, can't completely ignore."**
>
> *— Comedian George Carlin*

A special office, the White House Office of Health Reform, has been created, headed by Nancy DeParle. In addition, the Department of Health and Human Services as well as the Congressional Budget Office will play key roles in health care reform.

It is important to note that to date, states have not been included in the discussion.

Initial pathway

President Obama submitted eight general guidelines and left the reform details up to these committees to work

From the consumers' perspective...

Well, finally, the right Harry and Louise moment might have arrived. Readers will remember…

Harry and Louise in 1993:

- *"Having choices we don't like is no choice at all… If they choose…we lose."*

Harry and Louise in 2008:

- Harry's diagnosis: *"Too many people are falling through the cracks."* Louise's prescription: *"Bring everyone to the table and make it happen."*

  — *Harry and Louise Return* (video), August 2008

Harry and Louise Today:

- *"Harry needs knee replacement. His wife has diabetes. They both have lost their jobs and they're too young for Medicare. They have grandchildren who have autism and food allergies and they're wondering—what the hell did we fight health care (reform) for?"*

  — Senator Barbara Mikulski (D-Maryland) at the White House Summit on Health Reform, March 5, 2009

- *"We're not at a Harry and Louise moment. We're at a Thelma and Louise moment and we're about to drive off a cliff."*

  — Senator Sheldon Whitehouse (D-Rhode Island) at the White House Summit on Health Reform, March 5, 2009

It will be easy for consumers to sit back as reform proposals are developed and say "We just want it fixed," and not assume their part in the solutions. Will we resist more of our children getting their care through a school-based system, or through our local public health department? And how about going to the local VA facility where safe care is actually better than in most places?

If we can't change the delivery system, we can't get at the institutionalized financing system. And isn't it all about cost containment so that more of us can have access to the basics?

Beverley McDonald, Chair
Michigan Consumer Health Care Coalition

---

[10] U.S. Senate Committee on Finance News Release, *Discussions to focus on health care delivery system reform, coverage and financing* (April 14, 2009).

out. The guidelines are to protect families' financial health; make health coverage affordable; aim for universality; provide portability of coverage; guarantee choice; invest in prevention and wellness; improve patient safety and care; and maintain long-term fiscal sustainability.

The goal is to have a bill on the floor by August 1.

Major political issue

A major process issue in the Senate is whether to move to enact a reform bill with a simple majority of members (51 votes) in support and use the appropriations rule to avoid a filibuster, or strive for a bipartisan bill with more than 60 votes. (The bipartisan [60-vote] approach did not draw Republican votes for the administration's budget proposal.) A conference committee met when the members of Congress returned from Easter break and a decision was made to not use the appropriations approach until October 15, with the hope that in the interim more bipartisan involvement and support can be engendered during the discussion and important decisions will be made on the future direction of the U.S. health care system.

Outside government

Interest groups have been meeting for many months on content and strategy to have input on the final reform product. One such alliance, The Health Reform Dialogue, began meeting regularly before the 2008 election. Major participants are the Cancer Action Network; the trade groups of physicians, nurses, hospitals, health plans, and insurance companies; the American Public Health Association; the Business Roundtable and U.S. Chamber of Commerce; the National Federation of Independent Business; AARP and Families USA; the Advanced Medical Technology Association; and the Pharmaceutical Research and Manufacturers of America (PhARMA). Labor unions were involved in the process but dropped out near the end, objecting to the perceived weakness of the recommendations emanating from the group.

YES, WE CAN!

Let's train thousands of primary care nurses-we can do it, especially with reform coming and all of these Americans out of work.

YES, WE CAN!

Can We Get There From Here?

Support materials

The Congressional Budget Office has prepared two volumes to assist Congressional committee deliberations. Released in December 2008, Volume I presents background materials on the current U.S. health care system and 115 "options" for changes with associated cost and spending implications. No recommendations are made. Volume II presents key issues in analyzing major health insurance proposals. The CBO website is www.cbo.gov.

Financing reform

The President's proposal would set aside a down payment of $634 billion for the initial cost of the changes. The funding would come from tax changes for the highest income Americans—returning their income tax rate to what it was in the 1990s and limiting their deductions for charitable giving, the majority of which goes to higher education, the arts and religious institutions. The funding would also come from reduced payments to Medicare Advantage Plans—a proposal rejected by Congress. Savings would be driven by the development of electronic medical records; large investments in this area are included in the financing proposals. It is estimated that when fully operational, a national reform system's gross costs on the front end could be as high as $2 trillion, with the net costs largely unknown until reforms are fully implemented.

We Invite You to Become a Subscriber.

An offer to stay on top of health care issues. A one-year subscription to the *Consumer Connection* is available for $20, add 6 percent sales tax, or send a copy of your IRS 501(c)(3) designation letter. To subscribe, contact Jackie Benson, **Michigan League for Human Services,** 1115 South Pennsylvania Avenue, Suite 202, Lansing, MI 48912.
E-mail: jbenson@michleagueforhumansvs.org

Individual mandates

A consensus seems to be forming that all Americans should be covered by some form of insurance program, with the understanding that the "risk pool" needs to include both young and old, and the healthy and sick. In this model, those who cannot afford to purchase a basic package of benefits would be helped by government subsidies.

Public program

One of the most controversial issues is whether the reform legislation should create a public insurance program option for those who cannot or choose not to participate in private insurance options. Supporters of this option contend that a public program would serve to hold down costs of other insurers' offerings; some maintain that the approach would ultimately lead to a "single payer" program because people would opt in to the public plan, which could offer lower rates since it would not have the overhead and profit imperative of private plans. (Note: Medicare, basically a fee-for-service public plan, has had limited success at holding down costs or managing and coordinating care.)

Private insurance companies and private health plans that are in the business of insuring care and delivering it are vehemently opposed to a public option. They have recently suggested that they will submit to additional regulation to avoid the establishment of such a public program for persons under the age of 65, such as eliminating gender and prior medical conditions in their rating structure. This is one, if not the biggest, sticking point for the industry's negotiations with Congress on reform.

Is There Reform in Our Future?

Change is in the air...change is everywhere ...even at the White House

"First Dog"

Universal coverage single-payer program

There are many who believe that the only road to universal coverage for all and cost containment is through a single-payer program. A bill in the House has been introduced many times over to create such a program and fails to get broad traction, mainly because many others feel threatened by the approach-providers, insurers, and individuals who fear change and rationing. But if costs are the biggest concern faced by the nation, it is difficult to see how they will be contained with a multitude of payers.

Insurance exchange

This reform proposal would create an exchange in which all insurers, public and private, would participate, with a comprehensive set of necessary services offered. All participating insurance plans would have to pool healthier and sicker persons together.

Michigan Families Struggle with Outlays for Health Care*

2,085,000	People in families spending **10%** + of pre-tax income in 2009 for health care
1,803,000	Insured people spending at the **10%** + level
562,000	People in families spending **25%** + of pre-tax income in 2009 for health care
449,000	Insured people in families spending at the **25%** + level

*Estimates by the Lewin Group for FamiliesUSA Report *Too Great A Burden* Washington DC (April 2009)

Michigan League for Human Services
1115 South Pennsylvania Avenue, Suite 202
Lansing, MI 48912

Nonprofit Organization
U.S. Postage
Paid
Lansing, MI
Permit #1421

Public payments for services

An approach termed "bundling" is currently under serious consideration. This approach would make a single payment for care prior to a surgery, the surgery, and followup care. Outcomes would be a part of the equation, and the cost of avoidable negative outcomes would not be reimbursed. This approach would significantly depend on coordinated care and use of electronic medical records. Overall payments in the Medicare program would likely be reduced.

Reforms aimed at low-hanging fruit

Ultimately decisions will have to be made about "comprehensive" reform versus an incremental approach focused on areas on which a consensus could more easily be found. What comes to mind is an approach that would require the federal government to negotiate drug prices for 41 million Medicare beneficiaries under Part D-an initiative that would save dollars and would have broad support from the public. However, the pharmaceutical industry would strongly object and has tremendous lobbying strength.

Reform Tantamount to Turning Around the Queen Mary

The politics and pitfalls involved in achieving comprehensive reform are many and can seem overwhelming. The major interest groups are also many and well funded, in addition to being the providers of significant campaign support dollars. One knowledgeable insider observed that "the road to meaningful health care reform is through public financing of political campaigns." The whole culture of health care delivery has to change, and it has to be kept in mind that within the $2.6 trillion spending on the nation's health care in 2009, every dollar has someone's name on it.

The Chinese government has announced a 10-year plan to introduce basic universal health care throughout the country. An initial investment of 850 billion yuan between 2009 and 2011 will bring services to 90 percent of China's 1.3 billion people. "By 2020 China will have a basic health care system that can provide safe, effective, convenient and affordable health services to urban and rural residents."

— *The Times (Asia News) April 9, 2009 "China plans to bring basic healthcare to all"*

Members of the Michigan Consumer Health Care Coalition:
American Association of University Women in Michigan ✦ Citizens for Better Care
Care Source ✦ International Union, United Auto Workers, Social Security Department
League of Women Voters of Michigan ✦ Michigan Consumer Federation ✦ Michigan Jewish Conference
Michigan League for Human Services ✦ Michigan Council for Maternal and Child Health
Michigan Parkinson Foundation ✦ Michigan Primary Care Association ✦ MichUHCAN
MPRO Michigan's Quality Improvement Organization ✦ National Association of Social Workers, Michigan Chapter
National Association of the Physically Handicapped, Michigan Chapter
National Council on Alcoholism and Drug Dependence of Michigan ✦ Older Women's League, Michigan Chapter
Planned Parenthood Affiliates of Michigan ✦ Service Employees International Union ✦ Consumers-at-Large