

EVENT SUMMARY:
ASK THE EXPERTS ABOUT REFORM:
WHERE ARE WE NOW AND WHERE ARE WE HEADED?

September 14, 2009

The Alliance for Health Reform, with support from Eli Lilly, organized a briefing at the Columbus Club in Union Station, Washington, DC. Intended to address the status, content, and possible effects of current health reform proposals, the briefing was held in a question-and-answer format designed to address the concerns of the audience.

Ed Howard, executive vice president at the Alliance for Health Reform, extended a welcome from Senators Rockefeller and Collins, and the Alliance board. He also thanked the panelists for their participation and Eli Lilly for sponsoring the event. Mr. Howard noted the emotion stirred by current reform debate and anticipated today's rational discussion.

Julie Rovner, a health policy correspondent for NPR, opened with an overview of the current state of affairs. She noted that President Obama is not supporting one particular bill but has outlined his plan in his budget and in his recent speech to Congress. His \$900 billion plan includes a public option or co-ops, individual mandate, directives to large businesses, subsidies for lower income families, and market reforms. Since the bill cannot add to the deficit, it would aim to lower costs and would have triggers to add cuts if the estimated costs were exceeded. H.R. 3200, the 'tri-committee' bill still currently in three versions, includes a tax on the wealthy. Major changes are expected from the Energy and Commerce Committee. The Senate HELP bill, whose text and CBO report are not available, is similar to H.R. 3200 but offers more generous subsidies. The bill does not include financing mechanisms since these are left to the Finance Committee, which has not yet released a bill.

The floor was opened for questions from the audience.

1. What are the chances of a bill that covers a reasonable number of the uninsured?

Judy Feder, a professor at Georgetown University's Public Policy Institute and veteran of the 1993-94 Clinton reform effort, noted that the reform process this time is farther along than previously, and that reform is now "too big to fail." **Henry Aaron**, an economist from the Brookings Institution, added that the final bill may not be as large as those currently passed by four committees and under consideration in Senate Finance. He predicted that the public option will go away, but that Congress cannot avoid addressing how to finance the bill. Interestingly, 20 percent of the projected 10-year cost of reform will be in the final year, he said. **Joe Antos**, the Wilson H. Taylor Scholar in Health Care and Retirement Policy at the American Enterprise Institute, warned against cutting Medicare to fund other portions of the proposals. **Dennis Smith** with The Heritage Foundation reiterated that something will pass, although the economic climate at the time of passage will affect the final substance of the law enacted. **Bob Berenson, M.D.**, a senior fellow at the Urban institute, predicted that the bill would expand coverage but not necessarily address systemic reforms. He added that we may not be ready to institute new payment plans.

2. What will happen to Medicare Advantage?

Joe Antos explained that Medicare Advantage is more expensive than fee-for-service Medicare, but that Medicare Advantage extends benefits those in rural areas which would not exist without what would call “overpayments.” So the final reform bill should reduce – but not eliminate – this program. Henry Aaron said that \$177 billion of the President’s \$900 billion plan could be saved by trimming Medicare Advantage. Bob Berenson noted that the House has a three-year plan to phase back Medicare Advantage overpayments, and the Senate Finance committee wants to administer prices and institute competitive bidding among the plans. Any Medicare Advantage cuts, he added, would be painful.

3. Should older people be nervous?

Judy Feder believes that senior citizens’ nervousness reflects misinformation. The actual bills, she added, push less Medicare reductions than in past years. Dennis Smith added that previous reform efforts and advocacy have tainted any legislation that looks to alter Medicare.

4. How would state-based exchanges change or affect small states?

Henry Aaron and Joe Antos noted that such exchanges would not fully realize their potential in small states but that exchanges could, and should, reach beyond state boundaries.

5. What issues not being dealt with currently need to be addressed?

Dennis Smith believes that Medicaid expansion as envisioned in reform bills is going to be a big problem for states. Judy Feder noted that the reform bills contain substantial funds to help states with Medicaid expansion, but that such additional support for Medicaid will be needed over the long-term. Dennis Smith argued that just adding money for Medicaid is not a solution. Additionally, Henry Aaron wants to see steps towards reducing fragmentation and the lack of coordination in care. Financial incentives will be needed in the future to encourage get doctors and hospitals to work together in coordinated systems like Mayo and Geisinger. Bob Berenson likes the public plan because if strong enough, it could set rates and would moderate providers’ demands for higher payments from health plans. He predicted that in the absence of a public plan, we will see regulation of private sector prices in the next five years. Henry Aaron added that, judging from the Massachusetts reform experience, universal coverage requires an ongoing commitment to the necessary subsidies for lower-income people, despite the ups and downs of the economy. In contrast, Joe Antos insisted that we must address budget problems before we create “a bigger hole” due to health care reform. In addition, Medicare must be dealt with, he said. Judy Feder countered that the president was committed to a fully funded program. She emphasized the consensus that does exist on improving efficiency and cutting overpriced services.

Additional Comments -

On payment reforms: Julie Rovner questioned the wisdom of waiting to do payment reforms because the country isn’t yet ready for them. She noted that diagnosis-related groups were introduced into Medicare, even though many providers weren’t ready. Bob Berenson said we should stop paying for volume and start paying for quality, even though the transition will take time. Paying for quality could involve patient-centered medical homes and accountable care organizations, he said. Berenson did note that the current fee-for-service payment method shouldn’t be abandoned but could be improved by seeking out and correcting mispriced services, such as happened with

Medicare imaging services in 2007. Bob Berenson added that such changes would improve Medicare for beneficiaries, rather than threaten it. Dennis Smith is concerned that the reforms will push beneficiaries further away from decisions involving their care.

On co-ops: Joe Antos finds it curious that the Baucus bill outline says a person can't start up or participate in a co-op "if you've ever had anything to do with health insurance." There is no indication, he said, that co-ops will operate any differently from other kinds of health plans. Julie Rovner noted that the division between for-profit and non-profit health benefits organizations has eroded over time. She also emphasized that the health insurance industry was not having the type of influence they had in 1993 on the direction of reform.

On media coverage of health reform: Judy Feder finds it "hard to be surprised" by the coverage health reform is receiving, with the media picking up on the "hot stuff." Still, she would like to see more educational coverage. Joe Antos said TV news coverage was inadequate because of its limited scope.

On the effect of reform on employer-sponsored coverage: Henry Aaron reminded the audience that any legislation will have unintended consequences. Whatever unwanted effects happen to employer-sponsored coverage can be fixed in later years, he said. Julie Rovner noted that it's a myth that people can keep the coverage they have, no matter what. The recent Census Bureau uninsured numbers prove that employer-sponsored coverage is continuing to erode because costs continue to go up. Dennis Smith pointed out that after CHIP was enacted, the percentage of children covered by the public sector went up, and the percentage covered by the private sector went down. He said it's realistic to expect the same thing to occur after health reform. "Do we care enough to try to prevent it?"